



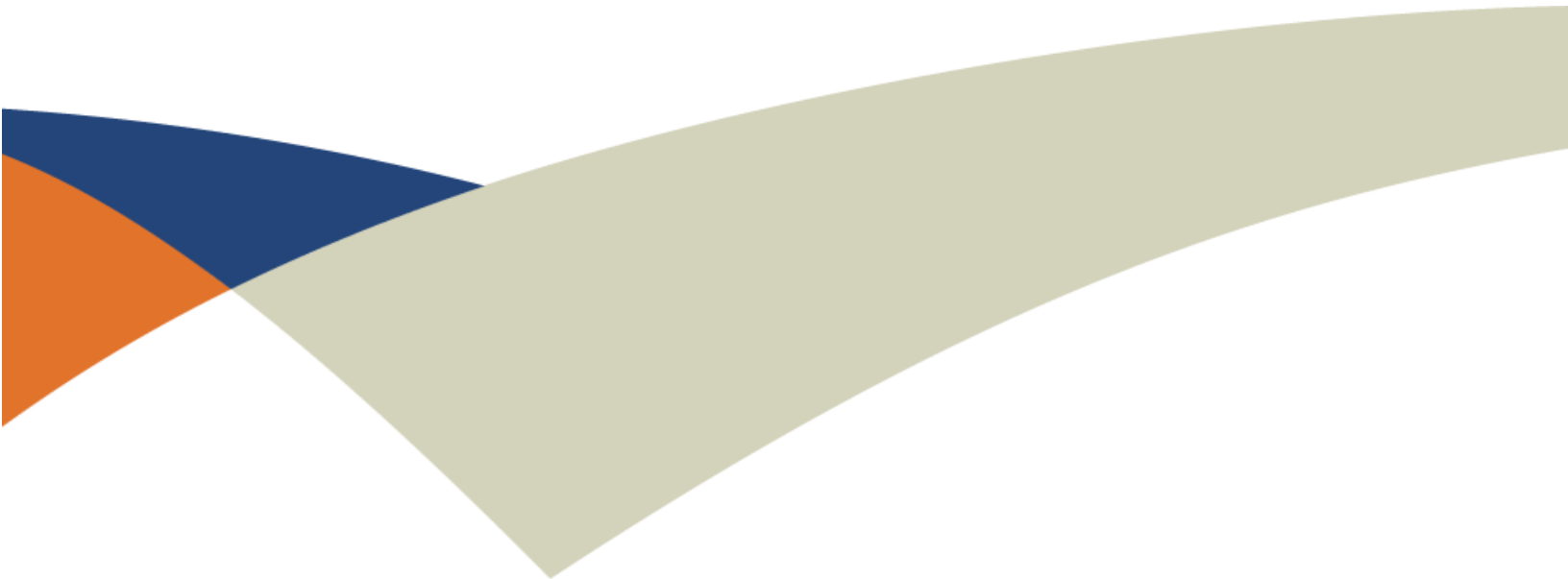
WAM Capital Limited

ABN 34 086 587 395

And Controlled Entity

Annual Report

for the year ending 30 June 2014



Company Particulars

WAM Capital Limited is a Listed Investment Company and is a reporting entity. It is primarily an investor in equities listed on the Australian Securities Exchange.

Directors: Geoffrey Wilson (Chairman)
Matthew Kidman
Paul Jensen
James Chirnside
Lindsay Mann

Company Secretary: Kate Thorley

Investment Manager: Wilson Asset Management (International) Pty Limited
Level 11, 139 Macquarie Street, Sydney NSW 2000

Auditors: Moore Stephens Sydney

Country of Incorporation: Australia

Registered Office: Level 11, 139 Macquarie Street, Sydney NSW 2000

Contact Details: Postal Address: GPO Box 4658, Sydney NSW 2001
Telephone: (02) 9247 6755 Fax: (02) 9247 6855
Email: info@wamfunds.com.au
Website: www.wamfunds.com.au

Share Registrar: Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000
Telephone: (02) 9290 9600 Fax: (02) 9279 0664

For enquiries relating to shareholdings, dividends (including participation in the Dividend Reinvestment Plan) and related matters, please contact the share registrar.

Australian Securities Exchange: WAM Capital Ordinary Shares (WAM)

Shareholder Presentations 2014

Perth
Wednesday 19 November
Presentation only

Rydges Perth
Cnr King & Hay St
Perth WA 6000
10.00am – 12.00pm

**Annual General Meeting and
Presentation
Sydney
Friday 28 November**

Auditorium
Wesley Centre
220 Pitt St
Sydney NSW 2000

AGM: 10.30am – 11.00am
Presentation: 11.30am – 12.30pm



Adelaide
Monday 1 December
Presentation only

National Wine Centre
Cnr Botanic & Hackney Rd
Adelaide SA 5000

10.00am – 12.00pm

Melbourne
Tuesday 2 December
Presentation only

Rydges Melbourne
180 Exhibition St
Melbourne VIC 3000

10.00am – 12.00pm

Brisbane
Wednesday 3 December
Presentation only

Brisbane Exhibition &
Convention Centre
Cnr Merivale & Glenelg St
Southbank QLD 4101

10.00am – 12.00pm

Canberra
Thursday 4 December
Presentation only

Belconnen Premier Inn
110 Benjamin Way
Belconnen ACT 2616

10.00am – 12.00pm

Key Highlights FY2014

↑ 30.7%

Total Shareholder Return

13.0c

Full Year Fully Franked Dividend

↑ 19.2%

Investment Portfolio Performance

↑ 22.5%

Shareholders' Equity

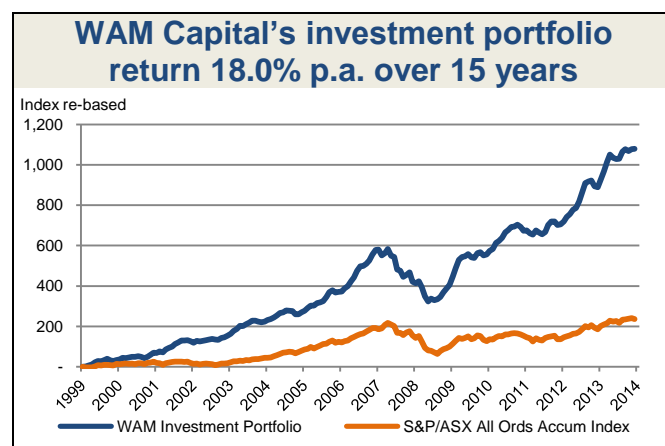
Summary of Results FY2014

WAM Capital reported a consolidated operating profit before tax of \$90.5m (2013: \$53.6m) and operating profit after tax of \$68.3m (2013: \$44.2m) for the year to 30 June 2014. The increase in the profit reflects the strong performance of the investment portfolio and capital management initiatives including the completion of the option issue and the DRP Shortfall Placement.

WAM Capital's investment portfolio returned 19.2% outperforming the S&P/ASX All Ordinaries Accumulation Index by 1.6%. This was achieved while being on average 64% invested.

The Board declared a fully franked final dividend of 6.5 cents per share which brings the full year dividend to 13.0 cents per share, fully franked. This is a 8.3% increase on the previous year.

As at 30 June 2014	
Listing date	August 1999
Market cap	\$660.8m
Share price	\$1.94
Shares on issue	340,603,969
Net Tangible Assets (pre-tax)	\$1.79
Net Tangible Assets (post-tax)	\$1.75
Gross Assets	\$613.2m
Fully franked dividends FY2014	13.0 cents
Fully franked dividends FY2013	12.0 cents
Fully franked FY2014 dividend yield	6.7%



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WAM CAPITAL LIMITED AND CONTROLLED ENTITY

CHAIRMAN'S LETTER

Dear Fellow Shareholders,

Firstly, I would like to thank you for your continued support of WAM Capital Limited in financial year 2014. I would also like to welcome all new shareholders to the Company.

In 2014, the Company achieved strong growth, increasing shareholders equity by 22.5% to \$596.3 million and the number of shareholders by 22.3% to 13,382. This has been achieved through the sound performance of our investment portfolio which was up 19.2% and capital management initiatives including the completion of the option issue and the DRP Shortfall Placement. The proceeds from the capital management initiatives have been invested in accordance with WAM Capital's disciplined investment process focused on delivering the highest possible return while taking the minimum amount of risk.

There are numerous benefits to shareholders of WAM Capital's increased size, including a reduction in administration costs as a percentage of assets, increased liquidity and increasing the relevance of the Company in the market, which can increase investment opportunities.

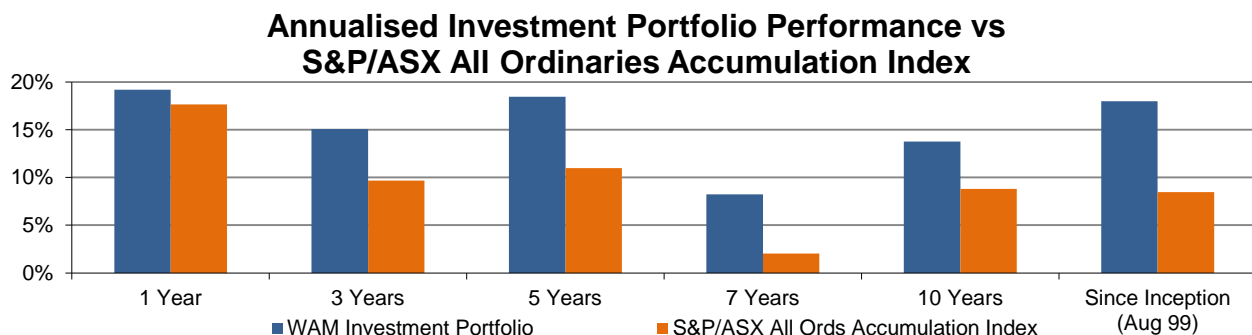
Since its inception in 1999, WAM Capital has consistently applied its proven investment philosophy to achieve an investment portfolio return of 18.0% per annum, which is 9.5% greater than the S&P/ASX All Ordinaries Accumulation Index over the same period, while being on average 66.2% invested. This performance has enabled the Company to pay shareholders an average annualised fully franked dividend yield on the initial public offering price of 10.9% per year over the last 15 years.

Performance

In evaluating the performance of the Company, we look at three key measures set out below. These performance numbers were achieved with an average 64.0% invested in equities during the year. The return on the cash portion of our portfolio was 3.4% and the return on the equity portion of the portfolio was 28.1% for the year to 30 June 2014.

1. How the investment manager performed

WAM Capital's investment portfolio increased 19.2% for the 12 months to 30 June 2014, while the S&P/ASX All Ordinaries Accumulation Index rose by 17.6% and the S&P/ASX Small Ordinaries Accumulation Index rose 13.1%. This represents an outperformance of 1.6% and 6.1% respectively. This was achieved while holding 36.0% of the investment portfolio in cash. This measure is before tax and all costs and is compared to the S&P/ASX All Ordinaries Accumulation Index and the S&P/ASX Small Ordinaries Accumulation Index which are also before tax and costs.



WAM CAPITAL LIMITED AND CONTROLLED ENTITY

CHAIRMAN'S LETTER

2. The movement in net tangible assets (NTA) after taxes, fees and other costs

WAM Capital's after tax NTA, adjusted for dividends, increased 12.7% for the 12 months to 30 June 2014. This increase is after tax paid of 1.9 cents per share and options exercised during the year. This performance measure shows the change in the value of the assets that belong to the shareholders over the 12 month period. Corporate tax (30%) is a significant item of difference between the investment portfolio and the net tangible asset performance. The franking credits attached to corporate tax payments are available for distribution to shareholders through fully franked dividends.

3. Total shareholder return

The total shareholder return for WAM Capital for the year to 30 June 2014 was 30.7%. This measure shows the return to shareholders (assuming a proportionate exercise of options during the year) being the change in share price together with dividends reinvested. This measure does not value the potential benefit of franking credits.

Investment portfolio

The Research Driven portion of the portfolio performed strongly in financial year 2014. The best performing research stocks for FY2014 were: Slater & Gordon Limited (SGH), iProperty Group Limited (IPP), Vocus Communications Limited (VOC), Ardent Leisure Group (AAD) and Nearmap Limited (NEA). We believe opportunities are, and continue to be, available irrespective of the direction of the overall equity market. In the last six months the Company has established new positions in stocks such as Equity Trustees Limited (EQT) and Vocation Limited (VET) while taking profits and rotating out of existing positions that have reached our valuation targets.

The Market Driven portion of the portfolio also performed strongly in FY2014. The top contributors on the Market Driven strategy for FY2014 were: Aveo Group Limited (AOG), Hills Limited (HIL), Macquarie Atlas Roads Group (MQA), Warrnambool Cheese and Butter Factory Company Holdings Limited (WCB) and CSR Limited (CSR).

Dividends

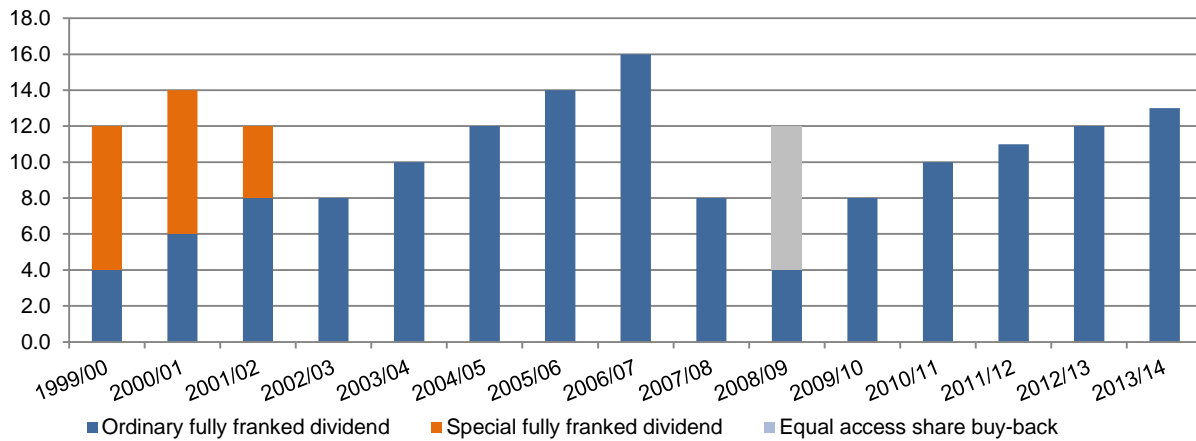
On 28 July 2014, the Board announced a fully franked final dividend of 6.5 cents per share. This brought the FY2014 full year dividend to 13.0 cents per share fully franked, an increase of 8.3% on the previous year.

The Board is committed to paying an increasing stream of fully franked dividends to shareholders, provided the Company has sufficient profit reserves and franking credits and it is within prudent business practices. The Company's ability to generate franking credits is dependent upon the receipt of franked dividends from investments and the payment of tax. Dividends are paid on a six-monthly basis and the dividend reinvestment plan is available to shareholders for both the interim and final dividend. The dividend reinvestment plan will be operating at a 2.5% discount for the final dividend.

WAM CAPITAL LIMITED AND CONTROLLED ENTITY

CHAIRMAN'S LETTER

WAM Capital Dividends since Inception



Capital Management

During the year, WAM Capital undertook a number of capital management initiatives. The objectives of these initiatives have been to increase shareholder value by continuing to grow the Company's assets, lowering its fixed costs per share, increase its relevance in the market and increase liquidity of WAM Capital's shares. The proceeds from the capital management initiatives have been invested in accordance with WAM Capital's disciplined investment process.

Option issue completed

The Company raised \$246.0 million on completion of the option issue. A total of 153,771,706 options were exercised, with the remaining options expiring. During the year to 30 June 2014, 27,205,665 options were allotted from the exercise of options (2013: 126,522,967).

Placement

On 15 October 2013, WAM Capital successfully completed a placement raising \$24.7 million through the DRP Shortfall Placement via the ASX BookBuild platform. The Placement was oversubscribed with strong interest from a range of investors.

Equity Market Outlook

Globally, the US economy remains in recovery mode six years post recession, with the housing market strong and the US share-market hitting record highs. The economy recovery will continue to improve but the performance of the share-market will depend on the reaction to the anticipated increase in interest rates in 2015.

The outlook for the European markets remains mixed with sluggish recoveries in several regions and economic growth expected to remain well below trend for many years to come.

China has a number of significant challenges as its strong growth rates decline. We anticipate China's new regime will restore the country's growth to a more sustainable level.

Domestically, Australian investors should expect interest rates to remain low by historical standards. The Australian economy is still adjusting to the slowdown in the mining sector after a decade of strong growth. Any increase in economic growth from early 2014 has since been lost, with the May

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CHAIRMAN'S LETTER

Federal Budget thwarting further growth with consumer confidence dipping below pre-GFC levels. Unemployment is currently above 6% and continues to trend higher.

At a micro level, IPO activity over the past 12 months recovered to pre GFC levels, and the 2015 financial year is expected to exceed this level again. Corporate balance sheets are strong and with the cost of debt remaining low, mergers and acquisitions activity will continue.

Overall, equity market returns in the near term are likely to remain below longer term averages after their recent strong performances. Over the medium to longer term, our view of the market is more positive.

Company Outlook

With a conservative cash weighting, no debt and a flexible and proven investment approach, WAM Capital is well positioned to capitalise on opportunities in the market as they arise. The investment team remains committed to identifying undervalued growth companies and providing investors with exposure to those undervalued growth companies predominantly in the small-to-mid cap industrial sector which, over the long term, have outperformed larger companies. We are strongly of the view that we can continue to find opportunities irrespective of market conditions with the Company achieving outperformance through up and down markets since its inception.

Shareholder Communication

We take an active approach to keeping shareholders informed about WAM Capital's activities and performance. Regular communications include monthly investment updates and NTA announcements, yearly and half yearly profit announcements, semi-annual shareholder briefings and access to all relevant information, such as independent research reports, on our website: www.wamfunds.com.au.

We encourage shareholders and prospective investors to use the "Subscribe Here" feature on our website to receive Weekly Investor Update and notifications when announcements and other important information is made available.

During the year we continued the successful and well-attended shareholder briefings, with presentations held in Sydney, Melbourne, Adelaide, Brisbane, Perth and Canberra. The team at Wilson Asset Management enjoys the opportunity to meet with you and is committed to maintaining shareholder briefings as a bi-annual event. We invite you to attend the upcoming briefings in November and December 2014 – please see details at the front of this document.

We aim to provide valuable and insightful communications and welcome all feedback on how we can improve our communication with shareholders – please contact our office on (02) 9247 6755 or send an email to info@wamfunds.com.au.

Thank you for your continued support.



Geoff Wilson
Chairman

WAM CAPITAL LIMITED AND CONTROLLED ENTITY

OBJECTIVES AND INVESTMENT APPROACH

WAM Capital Objectives

The investment objectives of WAM Capital Limited ('WAM Capital' or 'the Company') are to:

- deliver investors a rising stream of fully franked dividends;
- provide capital growth; and
- preserve capital of the Company.

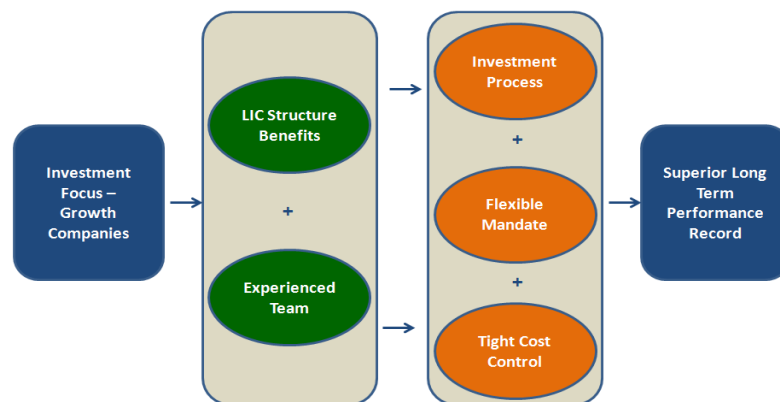
Our Approach and Business Model

Our focus is to invest in growth companies with an emphasis on identifying stocks that are under-researched and undervalued. These companies have strong earnings growth, trade on low price to earnings multiples and have an experienced management team. They are well positioned in their industry and tend to be small-to-medium sized industrial companies listed on the Australian Securities Exchange ('ASX'). We believe small cap stocks outperform their big cap rivals for a number of reasons:

- small companies tend to grow at a faster rate than their larger peers;
- the dilution of the Efficient Market Hypothesis (EMH) as you move from large cap stocks to small cap stocks; and
- the increased possibility of corporate activity.

Our disciplined approach is to provide the maximum return possible while taking the minimum amount of risk. WAM Capital has a relatively low risk profile for a number of reasons. If we do not identify a catalyst under the Research Driven approach or a trading opportunity under the Market Driven approach, we revert to cash. The average net cash position held over the last 15 years is 33.8%. The Company also has a low exposure to the resources sector because we consider this sector is subject to extreme volatility and is difficult to value according to conservative accounting and investment principles.

WAM Capital Business Model



Our investment team has over 50 years of collective experience in the Australian sharemarket with a high degree of 'street smarts'. The team comprises of Geoff Wilson as Chairman/Portfolio Manager, Chris Stott, Chief Investment Officer, Martin Hickson, Senior Equity Analyst/Dealer, Matthew Haupt, Senior Equity Analyst and Tobias Yao, Equity Analyst. The team spends as much time as possible meeting with the management of investee companies - during the past year we have had over 1,000 company meetings.

WAM CAPITAL LIMITED AND CONTROLLED ENTITY

OBJECTIVES AND INVESTMENT APPROACH

Our Style

Our investment style can be summarised as:

- fundamental bottom-up approach
- absolute return focus, benchmark unaware
- quick decision making resulting from a flat organisational structure
- increased flexibility due to the relatively small funds under management and flexible mandates
- a focus on risk adjusted returns with above average cash positions.

Investment Process

We employ the following two investment processes to achieve the Company's objectives:

Research Driven Investing

We undertake extensive research of companies, focusing on free cash flow, return on equity and the quality of the business. Then we rate each company with respect to management, earnings growth potential, valuation and industry position. Once the company rates, we only buy when we can identify a catalyst or an event that will change the valuation the market gives to the company. We sell once the company reaches our valuation. This process is very labour intensive with over 1,000 company meetings each year.

Research Driven Investment Process



In the Research Driven part of the portfolio, we do not favour investing in mining companies due to their unpredictability, the volatility of revenue and the unfavourable risk reward equation. This does not apply to the Market Driven part of the portfolio where we look for trading opportunities.

WAM CAPITAL LIMITED AND CONTROLLED ENTITY

OBJECTIVES AND INVESTMENT APPROACH

Market Driven Investing

We take advantage of relative short-term arbitrages and mis-pricings in the Australian equities market, rather than investing in any individual companies or a portfolio of companies for a prolonged period of time. This part of the portfolio is traded actively.

We scour the market for opportunities such as:

- initial public offerings (IPOs)
- capital raisings
- block trades
- oversold positions
- takeovers
- Listed Investment Companies (LICs) discount to net tangible assets (NTA) plays
- stocks trading at a discount to their NTA
- earnings momentum / surprises
- short selling
- market themes and trends.

WAM CAPITAL LIMITED AND CONTROLLED ENTITY

CORPORATE GOVERNANCE STATEMENT

The Board is committed to the Company operating effectively and in the best interests of shareholders. The Board has followed the principles and best practice recommendations established by the ASX Corporate Governance Council having regard to the nature of the Company's activities and its size. The Company has adopted the ASX Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition) for the 2014 financial year, subject to the exceptions noted below.

Role of the Board (Recommendations: 1.1 to 1.3)

The Company has a Board but no full time employees. Subject at all times to any written guidelines issued by the Board of Directors of WAM Capital Limited, the day-to-day management and investment of funds is carried out by Wilson Asset Management (International) Pty Limited (the Manager) pursuant to a management agreement. Consequently, there is no need to delegate functions to senior management or for a process to evaluate the performance of senior executives under Recommendations 1.1, 1.2 and 1.3.

The role of the Board is to set strategic direction, approve capital management initiatives and to be responsible for the overall corporate governance of the Company which includes:

- To oversee and monitor the performance of the Manager's compliance with the management agreement and to ensure that the Manager is monitoring the performance of other external service providers;
- Ensuring adequate internal controls exist and are appropriately monitored for compliance;
- Ensuring significant business risks are identified and appropriately managed;
- Approving the interim and final financial statements and related reports and generally various other communications to the ASX and shareholders that the Board deems material; and
- Setting appropriate business standards and codes for ethical behaviour.

The Board aims to ensure that all Directors and the Manager act with the utmost integrity and objectivity and endeavour to enhance the reputation of the Company. The Board aims to act in a manner designed to create and build sustainable value for shareholders.

Composition & Operation of the Board (Recommendations: 2.1 to 2.6)

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the Annual Report and their term in office are detailed in the Directors' Report on pages 16 to 19.

The Board has the following four independent Directors:

- James Chirnside
- Paul Jensen
- Lindsay Mann
- Matthew Kidman

These Directors are considered independent as per the criteria outlined in the Board of Directors Charter which includes the Company's criteria for independence of Directors, and can be found in the Corporate Governance section of the Company's website at www.wamfunds.com.au. The criteria is in accordance with ASX Corporate Governance Council's Principles.

WAM CAPITAL LIMITED AND CONTROLLED ENTITY

CORPORATE GOVERNANCE STATEMENT

The Chairman is not an independent Director. The Company believes that an independent Chairman, under Recommendation 2.2, does not necessarily improve the function of the Board. The Company believes that when the Chairman is a significant driver behind the business and is a sizeable shareholder, as is the case with this Company, it adds value to the Company and all shareholders' benefit. The Company does not employ a Chief Executive Officer, consequently Recommendation 2.3 is not applicable.

Given the size of the Board, a Nomination Committee has not been formed under Recommendation 2.4. The Board as a whole considers the composition of the Board and appointment of new Directors. The Board identifies suitable candidates to fill vacancies as they arise with consideration to the optimal mix of skills and diversity.

Under the Board of Directors Charter, the performance of each Director was reviewed by the Chairman during the year and the Board undertook the annual review of the performance of the Chairman to ensure the Board's activities continue to be efficiently organised and conducted. At every annual general meeting one third of the Directors must retire from office and be eligible for re-election. Shareholder approval is required on the composition of the Board.

Each Director has the right to access all relevant information and, subject to prior consultation with the Chairman, may seek independent professional advice at the entity's expense. A copy of advice received by the Director is made available to all other members of the Board.

Code of Conduct (Recommendations: 3.1 and 3.5)

The Company has established a Directors Code of Conduct which sets out the Company's key values and how they should be applied within the workplace and in dealings with those outside of the Company. The Directors Code of Conduct can be found in the Corporate Governance section of the Company's website at www.wamfunds.com.au.

Diversity Policy (Recommendations: 3.2 to 3.5)

As the Company has no full time employees and given the size of the Board, a diversity policy has not been established under Recommendations 3.2 to 3.5. The Board's composition is reviewed on an annual basis. In the event a vacancy arises, the Board will include diversity in its nomination process. Currently, there are no women on the Board, however, 50% of the Manager's staff are women, including the CEO/Company Secretary.

Audit & Risk Committee (Recommendations: 4.1 to 4.4)

The Company has formed an Audit & Risk Committee consisting of three non-executive Directors of whom three are independent as defined by the ASX Corporate Governance Council's Principles. This is considered adequate given the size of the Board (five members) and the nature of the Company. The members of the Audit & Risk Committee are:

- | | |
|-------------------|--|
| ➤ James Chirnside | Chairman, independent director |
| ➤ Paul Jensen | Non-Executive Director, independent director |
| ➤ Matthew Kidman | Non-Executive Director, independent director |

WAM CAPITAL LIMITED AND CONTROLLED ENTITY

CORPORATE GOVERNANCE STATEMENT

The Committee's responsibilities are to:

- Oversee the existence and maintenance of internal controls and procedures to ensure compliance with all applicable regulatory obligations;
- Oversee the financial reporting process;
- Review the annual and half-year financial reports and recommend them for approval by the Board of Directors;
- Nominate external auditors; and
- Review the existing external audit arrangements.

The qualifications of those appointed to the Committee are detailed in the Directors' Report on pages 16 to 19.

The Audit & Risk Committee Charter can be found in the Corporate Governance section of the Company's website at www.wamfunds.com.au.

The Committee formally reports to the Board after each of its meetings. Details of the number of meetings of the Audit & Risk Committee during the 2014 year are set out in the Directors' Report on page 22.

The external audit firm partner responsible for the Company audit attends meetings of the Board and Audit & Risk Committee by invitation.

The Company's external audit is undertaken by Moore Stephens Sydney and the audit engagement partner is required to be changed at regular intervals. Scott Whiddett, a partner of Moore Stephens Sydney, is the partner responsible for the external audit of the Company for the 2014 financial year.

ASX Listing Rule Compliance (Recommendations: 5.1 and 5.2)

The Company has established a continuous disclosure policy to ensure compliance with the continuous disclosure obligations under the ASX Listing Rules and the *Corporations Act 2001*. The policy aims to ensure all investors have equal and timely access to material information concerning the Company and that Company announcements are factual and presented in a clear and balanced way. The Continuous Disclosure Policy can be found in the Corporate Governance section of the Company's website at www.wamfunds.com.au.

Under the Securities Dealing Policy, which can be found in the Corporate Governance section of the Company's website at www.wamfunds.com.au, Directors are not required to hold a minimum number of shares pursuant to the Company's Constitution. However, their current relevant interests in the Company's shares are shown in the Directors' Report. Directors must not deal in shares of the Company if they are in possession of price sensitive or inside information. The Board has also nominated they may not deal in shares of the Company the five business days before the announcement of a dividend or any other capital management initiative that might have a material impact on the share price.

In addition, the Company has established a Conflict of Interest Policy, in accordance with the *Corporations Act 2001*. Under this policy, the Directors must keep the Board advised, on an ongoing basis, of any interests that could potentially conflict with those of the Company. Where the Board

WAM CAPITAL LIMITED AND CONTROLLED ENTITY

CORPORATE GOVERNANCE STATEMENT

believes that a significant conflict exists, the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

Shareholder Rights & Communication (Recommendations: 6.1 and 6.2)

The Board aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs.

The Company Secretary is primarily responsible for coordinating the disclosure of information to shareholders and regulators under the direction of the Board.

Information is communicated to shareholders through the:

- Website;
- ASX Company Announcements platform;
- Annual Report;
- Investor newsletters;
- Investor presentations;
- Monthly Investment Updates and Net Tangible Assets (NTA) releases; and
- Other correspondence regarding matters impacting shareholders.

Monthly NTA releases contain additional information concerning the underlying investment portfolio of the Company in an effort to give investors a better understanding of the Company.

The Board encourages full participation of shareholders at the Annual General Meeting ('AGM') to ensure a high level of accountability and identification with the Company's strategy and goals. Shareholder information sessions are also held twice a year in May and November following the AGM. These provide an informal forum where shareholders are given the opportunity to raise questions and participate in general discussion about the Company.

The Communications Policy can be found in the Corporate Governance section of the Company's website at www.wamfunds.com.au.

Risk Management (Recommendations: 7.1 to 7.4)

The Company has an established enterprise risk management program in accordance with the International Risk Standard AS/NZS ISO 31000:2009. It also has an established internal control program based upon the principles set out in the Australian Compliance Standard AS 3806:2006.

The Company's enterprise risk management program addresses its material business risks. Each identified risk is individually assessed in terms of the likelihood of the risk event occurring and the potential consequences in the event that the risk event was to occur. The CompliSpace Assurance software has been implemented through which material business risks and the mitigating controls can be monitored in real time. It also ensures transparency of data and ease of reporting to the Board on the performance of its enterprise risk and compliance programs.

The Manager has provided to the Board a report as to the overall effectiveness of the Company's management of its material business risks.

WAM CAPITAL LIMITED AND CONTROLLED ENTITY

CORPORATE GOVERNANCE STATEMENT

The Board has received assurance from the Director and Chief Executive Officer of the Manager that in their view:

- the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control; and
- the system of risk management and internal control is operating effectively in all material respects in relation to financial reporting risks.

The Board requires the Manager to report annually on the operation of internal controls to manage the Company's material business risk, reviews any external audit commentary in respect to internal controls and conducts any other investigations it requires in order to report on the effectiveness of the internal control system. In respect of the current financial year all necessary declarations have been submitted to the Board.

There are two main areas of risk that have been identified:

- Market risk; and
- Operational risk.

Market Risk

The Manager is responsible for recognising and managing market related risk as per the management agreement. The Manager provides periodic reports to the Board regarding this area of risk. By its nature, as a listed investment company, the Company will always be subject to market risk as it invests its capital in securities which are not risk free as the market price of these securities can fluctuate. However, the Company seeks to reduce and manage market risk by not being overly exposed to one investee company or one particular sector of the market. The Manager reviews the relative weightings of individual securities and the relevant market sectors regularly. The Company does not have set parameters as to a minimum or maximum amount of the portfolio that can be invested in a single company or sector. Wilson Asset Management (International) Pty Limited, the Manager, is required to act in accordance with the management agreement and reports to the Board regularly on the Company's performance and any material actions that have occurred in the period.

Operational Risk

The Manager is primarily responsible for recognising and managing operational risk issues such as legal and regulatory risk, systems and process risk and outsourcing risk. The Company outsources its administrative functions to service providers: Wilson Asset Management (International) Pty Limited (investment management, accounting and compliance), RBC Investor Services (custody) and Boardroom Pty Limited (share registry) and accordingly risk issues associated with these activities are handled in accordance with the service provider's policies and procedures.

Wilson Asset Management (International) Pty Limited, the Manager provides a declaration to the Board twice a year to certify that the Group's financial statements and notes present a true and fair view, in all material respects, of the Group's financial condition and operational results and that they have been prepared and maintained in accordance with relevant Accounting Standards and the *Corporations Act 2001*.

WAM CAPITAL LIMITED AND CONTROLLED ENTITY

CORPORATE GOVERNANCE STATEMENT

Remuneration of Directors (Recommendations: 8.1 to 8.4)

Given the size of the Board, a Remuneration Committee has not been formed under Recommendation 8.1. The Board believes that such a committee would not serve to protect or enhance the interests of the shareholders. The Board as a whole considers the issue of remuneration.

The maximum total remuneration of the Directors of the Company has been set at \$170,000 per annum to be divided in such proportions as they agree. The scope of the Company's operations, and the frequency of Board meetings are principal determinants of the fee level. Further detail is provided in the Directors' Report on page 20.

All directors of WAM Capital are non-executive directors. Accordingly, the requirement under Recommendation 8.3 to distinguish the structure of the remuneration paid to executive and non-executive directors is not applicable to the Company.

No equity based remuneration is paid to Directors. Directors do not receive bonuses nor are they issued options on securities as part of their remuneration.

The Chairman of WAM Capital Limited is the sole Director of Wilson Asset Management (International) Pty Limited and is further remunerated by that Company. Further detail is provided in the Directors' Report.

WAM CAPITAL LIMITED AND CONTROLLED ENTITY

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2014

The Directors present their report together with the consolidated financial report of WAM Capital Limited ('the Company') and its controlled entity ('the Group') for the financial year ended 30 June 2014.

Principal Activity

The principal activity of the Company is making investments in listed companies. The Company's investment objectives are: to deliver a rising stream of fully franked dividends; to provide capital growth; and to preserve capital. No change in this activity took place during the year or is likely in the future.

Operating and Financial Review

Investment operations over the year resulted in an operating profit before tax of \$90,533,864 (2013: \$53,644,461) and an operating profit after tax of \$68,281,401 (2013: \$44,218,171). The result is a reflection of the strong performance of our investment portfolio which was up 19.2% and capital management initiatives including the completion of the option issue and a share placement.

Under Accounting Standards, realised gains and losses on the investment portfolio and dividend income are added to or reduced by changes in the market value of the Group's investments. This can lead to large variations in reported profits. We believe a more appropriate measure of the results is the change in Net Tangible Asset (NTA) per share. The after tax NTA, adjusted for dividends, increased 12.7% for the 12 months to 30 June 2014.

The NTA after tax for each share as at 30 June 2014 amounted to \$1.75 per share (2013: \$1.66). The NTA before tax was \$1.79 per share (2013: \$1.66). These figures are after the payment of 12.5 cents in fully franked dividends to shareholders during the year (2013: 11.5 cents).

The Company achieved continued growth during the year increasing shareholders equity by 22.5% to \$596.3 million and total shareholder numbers by 22.3% to 13,382. This growth was achieved through the strong performance of the investment portfolio and capital management initiatives including the option issue and the oversubscribed placement.

On 31 July 2013, the WAM Capital options expired. A total of 153,771,706 options were exercised and allotted for a total consideration of \$246.0 million. During the year to 30 June 2014, 27,205,665 options were allotted from the exercise of options (2013: 126,522,967).

On 15 October 2013, the Company announced that it successfully raised \$24.7 million through the DRP Shortfall Placement ('Placement') via the ASX BookBuild platform. The Placement was significantly oversubscribed with strong interest from a range of investors.

Further information on the operating and financial review of the Group is contained in the Chairman's Letter on pages 1 to 4 of the Annual Report.

**WAM CAPITAL LIMITED
AND CONTROLLED ENTITY**

**DIRECTORS' REPORT TO SHAREHOLDERS
FOR THE YEAR ENDED 30 JUNE 2014**

Financial Position

The net asset value of the Group for the year ended 30 June 2014 was \$596,254,418 (2013: \$486,738,757). Further information on the financial position of the Company is contained in the Chairman's Letter on pages 1 to 4 of the Annual Report.

Significant Changes in State of Affairs

There was no significant change in the state of affairs of the Company during the year ended 30 June 2014.

Dividends Paid or Recommended

Dividends paid or declared are as follows:

	\$
Fully franked 2013 final dividend of 6.0 cents per share was paid on 18 October 2013	19,159,237
Fully franked 2014 interim dividend of 6.5 cents per share was paid on 31 March 2014	21,828,248

Since year end the Board has declared a final dividend of 6.5 cents per share fully franked to be paid on 17 October 2014.

Directors

The following persons were Directors of the Group during the financial year and up to the date of this report:

G.J. Wilson
M.J. Kidman
P.D.K Jensen
J.M. Chirnside
L.R. Mann

WAM CAPITAL LIMITED AND CONTROLLED ENTITY

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2014

Information on Directors

Geoffrey Wilson (Chairman – Non - Independent)

Experience and expertise

Geoffrey Wilson has 34 years experience in the Australian and international securities industry. He holds a Bachelor of Science Degree and a Graduate Management Qualification. He is also a Fellow of the Australian Institute of Company Directors and a Fellow of the Securities Institute of Australia.

Geoffrey has been Chairman of the Company since March 1999.

Other current directorships

Geoffrey Wilson is currently Chairman of WAM Research Limited (appointed June 2003), WAM Active Limited (appointed July 2007) and the Australian Stockbrokers Foundation. He is a Director of Future Generation Investment Fund Limited (appointed July 2014), Australian Leaders Fund Limited (appointed October 2003), Clime Capital Limited (appointed November 2003), Global Value Fund Limited (appointed April 2014), Century Australia Investments Limited (appointed September 2014), Incubator Capital Limited (appointed February 2000), Sporting Chance Cancer Foundation, the Australian Fund Managers Foundation, Odyssey House McGrath Foundation, Australian Children's Music Foundation and he is a Member of the Second Bite NSW Advisory Committee. He is also a Director of investment management companies Wilson Asset Management (International) Pty Limited and MAM Pty Limited.

Former directorships in the last 3 years

Geoffrey Wilson is a former Director of Cadence Capital Limited (November 2003 to February 2013).

Special responsibilities

Chairman of the Board.

Interests in shares of the Company

Details of Geoffrey Wilson's interests in shares of the Company are included later in this report.

Interests in contracts

Details of Geoffrey Wilson's interests in contracts of the Company are included later in this report.

Matthew Kidman (Non-Executive Director – Independent)

Experience and expertise

Matthew Kidman worked as a Portfolio Manager at Wilson Asset Management (International) Pty Limited for 13 years between 1998 and 2011. Prior to joining Wilson Asset Management, Matthew worked as a finance journalist at the Sydney Morning Herald between the years 1994 and 1998. In 1997 he was made Business Editor of the paper and was charged with the responsibility of company coverage. He has degrees in Law and Economics and a Graduate Diploma in Applied Finance.

Matthew Kidman has been a Director of the Company since March 1999.

WAM CAPITAL LIMITED AND CONTROLLED ENTITY

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2014

Matthew Kidman (Non-Executive Director – Independent) (cont'd)

Other current directorships

Matthew Kidman is currently Chairman of Watermark Market Neutral Fund Limited (appointed May 2013). He is a Director of WAM Active Limited (appointed July 2007), WAM Research Limited (appointed May 2002), Incubator Capital Limited (appointed February 2000), Centrepoint Alliance Limited (appointed February 2012) and Sandon Capital Investments Limited (appointed October 2013).

Former directorships in the last 3 years

Matthew Kidman has not resigned as a Director from any listed companies within the last three years.

Special responsibilities

Member of the Audit & Risk Committee.

Interests in shares of the Company

Details of Matthew Kidman's interests in shares of the Company are included later in this report.

Interests in contracts

Matthew Kidman has no interests in contracts of the Company.

James Chirnside (Non-Executive Director – Independent)

Experience and expertise

James Chirnside has been exclusively focused on investment management strategies for twenty-nine years in Sydney, Hong Kong, London, and Melbourne. James is a Director of Mann Distribution Australia Pty Ltd, a marketing agent for Mannbio Holdings Limited who itself is a specialist Global Healthcare Fund Manager founded in the UK by investor Jim Mellon. James ran Asia Pacific Asset Management (APAM) between 2002 and 2012. APAM was an Australian and Asian equities fund manager. From 2000-2001 James worked for Challenger Financial Group in Sydney as a product development manager. During the 1990's James managed emerging market hedge funds in Hong Kong and London for Regent Fund Management (now London AIM listed Charlemagne Capital). Between 1988 and 1992 James ran a Proprietary trading book for County NatWest Investment Bank, based in London. Here he was primarily focused on Country Funds and derivative arbitrage strategies.

James Chirnside has been a Director of the Company since February 2003.

Other current directorships

James Chirnside is a Director of Cadence Capital Limited (appointed February 2005), Mercantile Investment Company Limited (appointed November 2010), Murchison Metals Limited (appointed July 2014) and Sandon Capital Opportunities Pty Limited.

Former directorships in the last 3 years

James Chirnside has not resigned as a Director from any other listed companies within the last three years.

**WAM CAPITAL LIMITED
AND CONTROLLED ENTITY**

**DIRECTORS' REPORT TO SHAREHOLDERS
FOR THE YEAR ENDED 30 JUNE 2014**

James Chirnside (Non-Executive Director – Independent) (cont'd)

Special responsibilities

Chairman of the Audit & Risk Committee.

Interests in shares of the Company

Details of James Chirnside's interests in shares of the Company are included later in the report.

Interests in contracts

James Chirnside has no interests in contracts of the Company.

Paul Jensen (Non-Executive Director – Independent)

Experience and expertise

Paul Jensen is a Fellow of the Australian Institute of Company Directors and holds a Bachelor degree in Accounting and Commercial Law. Paul has over 25 years of international experience in finance, investment management and banking, with specific expertise in strategy formation, governance and financial performance. He has held senior executive positions in New Zealand, United Kingdom and Australia.

Paul Jensen has been a Director of the Company since June 2004.

Other current directorships

Paul Jensen is a Director of Sandon Capital Investments Limited (appointed October 2013), Future Generation Investment Fund Limited (appointed July 2014), Lilla Foundation (appointed 2014) and holds a number of private company directorships.

Former directorships in the last 3 years

Paul Jensen is a former Director of Clime Investment Management Limited (August 2008 to May 2012), Murchison Metals Limited (November 2012 to July 2014) and RHG Limited (April 2011 to January 2014).

Special responsibilities

Member of the Audit & Risk Committee.

Interests in shares of the Company

Details of Paul Jensen's interests in shares of the Company are included later in this report.

Interests in contracts

Paul Jensen has no interests in contracts of the Company.

Lindsay Mann (Non-Executive Director – Independent)

Experience and expertise

Lindsay Mann has more than 40 years financial services experience. He was formerly Chairman of Premium Investors Pty Limited. Prior to that Lindsay was CEO (Singapore) and Regional Head Asia for First State Investments, the Asian business of Colonial First State Global Asset Management. Prior to this, Mr Mann was CEO of AXA Investment Managers in Hong Kong. He is a Fellow of the Institute of Actuaries of Australia, a Graduate member of the Australian Institute of Company Directors and a member of the Hong Kong Securities Institute.

WAM CAPITAL LIMITED AND CONTROLLED ENTITY

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2014

Lindsay Mann (Non-Executive Director – Independent) (cont'd)

Lindsay Mann has been a Director of the Company since 31 December 2012.

Other current directorships

Lindsay Mann is currently an independent director of Lionport Asia Fund, a Cayman Islands' domiciled fund managed by Singapore based Lionport Capital.

Former directorships in the last 3 years

Lindsay Mann has not resigned as a Director from any listed companies within the last three years.

Interests in shares of the Company

Details of Lindsay Mann's interests in shares of the Company are included later in the report.

Interests in contracts

Lindsay Mann has no interests in contracts of the Company

Company Secretary

The following person held the position of Company Secretary at the end of the financial year:

Kate Thorley – CPA, B.Comm, Grad Dip App Fin and Inv, Grad Dip App Corp Gov

Kate Thorley has nine years' experience in the funds management industry and more than 15 years of financial accounting and corporate governance experience. She is a Director of WAM Active Limited (appointed July 2014), WAM Research Limited (appointed August 2014) and is also a non-executive Director of Sandon Capital Opportunities Pty Limited. Kate is the Chief Executive Officer of Wilson Asset Management (International) Pty Limited and is also the Company Secretary of WAM Active Limited, WAM Research Limited and Future Generation Investment Fund Limited. She previously held the positions of Chief Financial Officer and Financial Accountant for Wilson Asset Management (International) Pty Limited. Kate was appointed Company Secretary of WAM Capital in October 2008.

Remuneration Report (Audited)

This report details the nature and amount of remuneration for each Director of WAM Capital Limited.

a) Remuneration of Directors

All Directors of WAM Capital are non-executive Directors. The Board from time to time determines remuneration of Directors within the maximum amount approved by the shareholders at the Annual Shareholders Meeting. Directors are not entitled to any other remuneration.

Fees and payments to Directors reflect the demands that are made on and the responsibilities of, the Directors and are reviewed annually by the Board. The Company determines the remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced Directors.

**WAM CAPITAL LIMITED
AND CONTROLLED ENTITY**

**DIRECTORS' REPORT TO SHAREHOLDERS
FOR THE YEAR ENDED 30 JUNE 2014**

Remuneration Report (Audited) (cont'd)

The maximum total remuneration of the Directors of the Company has been set at \$170,000 per annum. Directors do not receive bonuses nor are they issued options on securities as part of their remuneration. Directors' fees cover all main Board activities and membership of committees.

Directors' remuneration received for the year ended 30 June 2014:

Director	Position	Short-term employee benefits Directors' Fees \$	Post- employment benefits Superannuation \$	Total \$
G.J. Wilson	Chairman	9,154	846	10,000
M.J. Kidman	Non-Executive Director	36,613	3,387	40,000
J.M. Chirnside	Non-Executive Director	36,613	3,387	40,000
P.D.K. Jensen	Non-Executive Director	10,000	30,000	40,000
L.R. Mann	Non-Executive Director	36,613	3,387	40,000
		128,993	41,007	170,000

Directors receive a superannuation guarantee contribution required by the government, which was 9.25% of individuals benefits for FY2014 and do not receive any other retirement benefits. Directors may also elect to salary sacrifice their fees into superannuation.

The following table reflects the Group's performance and Directors' remuneration over five years:

	2014	2013	2012	2011	2010
Operating profit after tax (\$)	68,281,401	44,218,171	4,307,262	20,352,870	24,383,192
Dividends (cents per share)	13.0	12.0	11.0	10.0	8.0
After tax net tangible asset (\$ per share)	1.75	1.66	1.56	1.63	1.52
Total Directors' remuneration (\$)	170,000	115,000	100,000	80,000	80,000
Shareholder's equity (\$)	596,254,418	486,738,757	167,219,826	171,346,450	158,746,626

As outlined above, Directors' fees are not directly linked to the Group's performance.

WAM CAPITAL LIMITED AND CONTROLLED ENTITY

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2014

Remuneration Report (Audited) (cont'd)

b) Director Related Entities Remuneration

All transactions with related entities were made on normal commercial terms and conditions and at market rates.

Geoffrey Wilson is the sole Director and beneficial owner of Wilson Asset Management (International) Pty Limited, the entity appointed to manage the investment portfolio of WAM Capital Limited. Wilson Asset Management (International) Pty Limited operates a funds management business which employs a number of investment personnel, research analysts, accountants and other administrative staff. The core duties of the Manager in addition to managing the investment portfolio include the provision of financial and administrative support to ensure the maintenance of the corporate and statutory records of the Group; liaison with the ASX with respect to compliance with the ASX Listing Rules; liaison with ASIC with respect to compliance with the *Corporations Act 2001*; liaison with the share registrar of the Company; investor relations; and the provision of information necessary for the maintenance of financial accounts of the Group to be completed. In its capacity as Manager, Wilson Asset Management (International) Pty Limited was paid a management fee of 1% p.a (plus GST) of gross assets amounting to \$6,616,703 inclusive of GST (2013: \$3,590,737). As at 30 June 2014 the balance payable to the Manager was \$561,795 (2013: \$445,775).

In addition, Wilson Asset Management (International) Pty Limited is to be paid, annually in arrears, a performance fee being 20% of:

- where the level of the S&P/ASX All Ordinaries Accumulation Index has increased over that period, the amount by which the value of the portfolio exceeds this increase; or
- where the S&P/ASX All Ordinaries Accumulation Index has decreased over that period, the amount of the increase in the value of the portfolio.

No performance fee is payable in respect of any performance period where the portfolio has decreased in value over that period. For the year ended 30 June 2014, a performance fee of \$1,983,020 inclusive of GST was payable to Wilson Asset Management (International) Pty Limited (2013: \$605,984).

Wilson Asset Management (International) Pty Limited employs accounting personnel to provide accounting services to WAM Capital Limited. These services are provided on commercial terms and amounted to \$38,500 inclusive of GST for the financial year 2014 (2013: \$38,500).

These amounts are in addition to the above Directors' remuneration. Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than those detailed above) by reason of a contract made by the Company or a related Company with the Director or with a firm of which he is a member or with a Company in which he has substantial financial interest.

c) Remuneration of Executives

There are no executives that are paid by the Group. Wilson Asset Management (International) Pty Limited, the investment manager of the Group, remunerated Geoffrey Wilson and Kate Thorley as employees and/or as a Director of the Company during the financial year. The Manager is appointed to also provide day-to-day management of the Group and is remunerated as outlined above.

**WAM CAPITAL LIMITED
AND CONTROLLED ENTITY**

**DIRECTORS' REPORT TO SHAREHOLDERS
FOR THE YEAR ENDED 30 JUNE 2014**

Remuneration Report (Audited) (cont'd)

d) Equity Instruments Disclosures of Directors and Related Parties

As at 30 June 2014, and the date of this report, the Group's Directors and their related parties held the following interests in the Company:

Directors	Ordinary Shares	Options
G.J. Wilson	3,412,902	-
M.J. Kidman	274,973	-
P.D.K. Jensen	155,083	-
J.M. Chirnside	30,793	-
L.R. Mann	85,986	-

Directors and director related entities disposed of and acquired ordinary shares and options in the Company on the same terms and conditions available to other shareholders. The Directors have not, during or since the end financial year, been granted options over unissued shares or interests in shares of the Company as part of their remuneration.

For further details, please refer to Note 23 of the financial statements.

Directors' Meetings

Director	No. eligible to attend	Attended
G.J. Wilson	8	8
M.J. Kidman	8	8
P.D.K. Jensen	8	8
J.M. Chirnside	8	8
L.R. Mann	8	8

Audit & Risk Committee Meetings

The main responsibilities of the Audit & Risk Committee are set out in the Corporate Governance Statement on page 9 of the Annual Report.

Director	No. eligible to attend	Attended
M.J. Kidman	3	3
P.D.K. Jensen	3	3
J.M. Chirnside	3	3

After Balance Date Events

Since year end the Company declared a final dividend of 6.5 cents per share fully franked to be paid on 17 October 2014.

No other matters or circumstances have arisen since the end of the financial year which significantly affect or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial years.

WAM CAPITAL LIMITED AND CONTROLLED ENTITY

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2014

Future Developments

The Group will continue to pursue investment activities – primarily investing in equities listed on the Australian Securities Exchange – to achieve the Group's stated objectives.

The Group's future performance is dependent on the performance of the Group's investments. In turn, the performance of these investments is impacted by company-specific factors and prevailing industry conditions. In addition, a range of external factors including economic growth rates, interest rates, exchange rates and macro-economic conditions impact the overall equity market and these investments.

As such, we do not believe it is possible or appropriate to accurately predict the future performance of the Group's investments and, therefore, the Group's performance.

Environmental Issues

The Group's operations are not regulated by any environmental regulation under a law of the Commonwealth or of a State or Territory.

Indemnification and Insurance of Officers or Auditors

During the financial year the Group paid a premium in respect of a contract insuring the Directors of the Group, the Company Secretary and any related body corporate against liability incurred as such by a Director or Secretary to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any person who is or has been an auditor of the Group.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-Audit Services

During the year Moore Stephens Sydney, the Group's auditor, did not perform any other non-assurance services in addition to their statutory duties for the Group. Moore Stephens Sydney Pty Limited, a related party of the Group's auditor, performed taxation services for the Group. Details of the amounts paid to the auditors and their related parties are disclosed in Note 5 to the financial statements.

**WAM CAPITAL LIMITED
AND CONTROLLED ENTITY**

**DIRECTORS' REPORT TO SHAREHOLDERS
FOR THE YEAR ENDED 30 JUNE 2014**

Non-Audit Services (cont'd)

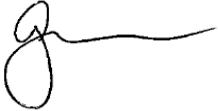
The Board of Directors, in accordance with advice from the Audit & Risk Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit & Risk Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditory independence in accordance with the APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 25 of this Annual Report.

Signed in accordance with a resolution of the Board of Directors.



G.J. Wilson
Chairman

Dated in Sydney this 30th day of September 2014

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Sydney NSW 2000

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Auditor's Independence Declaration to the Directors of WAM Capital Limited

As lead auditor for the audit of WAM Capital Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

- a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of WAM Capital Limited and the entities it controlled during the period.



Moore Stephens Sydney
Chartered Accountants



Scott Whiddett
Partner

Dated in Sydney, Tuesday, 30 September 2014

**WAM CAPITAL LIMITED
AND CONTROLLED ENTITY**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014**

	Note	2014 \$	2013 \$
Net realised and unrealised gains on financial assets		76,342,395	19,208,387
Other revenue from operating activities	2	25,533,338	29,618,167
Gains from purchase of subsidiary		-	11,713,726
Management fees		(6,165,564)	(3,345,913)
Performance fees		(1,847,814)	(553,035)
Directors fees		(170,000)	(115,000)
Brokerage expense on share purchases		(2,380,833)	(1,992,465)
Custody fees		(124,355)	(101,737)
ASX listing and chess fees		(162,465)	(112,308)
Share registry fees		(201,264)	(194,393)
Disbursements, mailing and printing		(109,106)	(114,931)
Acquisition related costs		-	(100,470)
Other Premium Investors expenses		-	(108,046)
Other expenses from ordinary activities		(180,468)	(157,521)
		<hr/>	<hr/>
Profit before income tax		90,533,864	53,644,461
Income tax expense	3(a)	(22,252,463)	(9,426,290)
		<hr/>	<hr/>
Profit attributable to members of the Company		68,281,401	44,218,171
		<hr/>	<hr/>
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
		<hr/>	<hr/>
Total comprehensive income for the year		68,281,401	44,218,171
		<hr/>	<hr/>
Basic earnings per share	15	20.68 cents	24.64 cents
Diluted earnings per share	15	20.68 cents	24.49 cents
		<hr/>	<hr/>

The accompanying notes form part of these consolidated financial statements.

**WAM CAPITAL LIMITED
AND CONTROLLED ENTITY**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014**

	Note	2014 \$	2013 \$
Assets			
Cash and cash equivalents	13	238,080,005	219,140,757
Trade and other receivables	6	16,512,124	16,849,562
Financial assets	7	389,323,405	252,672,295
Deferred tax assets	3(b)	9,146,304	12,346,833
Total assets		<u>653,061,838</u>	<u>501,009,447</u>
Liabilities			
Trade and other payables	9	24,731,271	3,343,793
Financial liabilities	8	8,643,145	-
Current tax liabilities	3(c)	9,380,293	4,899,184
Deferred tax liabilities	3(d)	14,052,711	6,027,713
Total liabilities		<u>56,807,420</u>	<u>14,270,690</u>
Net assets		<u>596,254,418</u>	<u>486,738,757</u>
Equity			
Issued capital	10	535,227,164	453,005,419
Reserves	11	76,740,804	40,420,506
Accumulated losses	12	(15,713,550)	(6,687,168)
Total equity		<u>596,254,418</u>	<u>486,738,757</u>

The accompanying notes form part of these consolidated financial statements.

**WAM CAPITAL LIMITED
AND CONTROLLED ENTITY**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014**

	Note	Issued capital \$	Accumulated losses \$	Profits reserve \$	Total equity \$
Balance at 1 July 2012		152,974,641	(1,808,999)	16,054,184	167,219,826
Profit for the year		-	44,218,171	-	44,218,171
Transfer to profits reserve		-	(49,096,340)	49,096,340	-
Other comprehensive income for the year		-	-	-	-
Shares issued via dividend reinvestment plan	10(b)	5,774,775	-	-	5,774,775
Shares issued via exercise of options	10(b)	202,436,747	-	-	202,436,747
Unallotted option monies received	10(b)	32,480	-	-	32,480
Shares issued via placement	10(b)	36,980,219	-	-	36,980,219
Shares issued at market value via acquisition	10(b)	53,624,180	-	-	53,624,180
Options issued at market value via acquisition	10(b)	1,706,956	-	-	1,706,956
Capitalised share issue costs	10(b)	(524,579)	-	-	(524,579)
Dividends paid	4(a)	-	-	(24,730,018)	(24,730,018)
Balance at 30 June 2013		453,005,419	(6,687,168)	40,420,506	486,738,757
Profit for the year		-	68,281,401	-	68,281,401
Transfer to profits reserve		-	(77,307,783)	77,307,783	-
Other comprehensive income for the year		-	-	-	-
Shares issued via dividend reinvestment plan	10(b)	14,030,590	-	-	14,030,590
Shares issued via exercise of options	10(b)	43,496,583	-	-	43,496,583
Shares issued via placement	10(b)	24,694,572	-	-	24,694,572
Dividends paid	4(a)	-	-	(40,987,485)	(40,987,485)
Balance at 30 June 2014		535,227,164	(15,713,550)	76,740,804	596,254,418

The accompanying notes form part of these consolidated financial statements.

**WAM CAPITAL LIMITED
AND CONTROLLED ENTITY**

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014**

	Note	2014 \$	2013 \$
Cash flows from operating activities			
Dividends received		15,706,917	20,972,129
Interest received		7,604,934	4,301,887
Other investment income received		2,062,605	4,405,125
Management fee (inclusive GST)		(6,500,683)	(3,622,857)
Performance fee (inclusive GST)		(605,984)	(1,127,626)
Brokerage expense on share purchases (inclusive GST)		(2,552,658)	(2,136,701)
Payments for administration expenses (inclusive GST)		(917,765)	(984,438)
Income tax paid		(6,545,827)	(3,060,385)
GST on brokerage expense on share sales		(183,470)	(115,023)
Net GST received from ATO		850,596	541,798
Net cash provided by operating activities	14	8,918,665	19,173,909
Cash flows from investing activities			
Proceeds from sale of investments		1,062,898,143	659,024,760
Payments for purchase of investments		(1,094,111,820)	(730,690,734)
Cash on acquisition of subsidiary		-	2,428,351
Payments for acquisition of subsidiary		-	(29,034,958)
Net cash used in investing activities		(31,213,677)	(98,272,581)
Cash flows from financing activities			
Proceeds from issue of shares		68,191,155	239,449,446
Payments for issue of shares		-	(749,398)
Dividends paid – net of reinvestment		(26,956,895)	(18,955,243)
Net cash provided by financing activities		41,234,260	219,744,805
Net increase in cash and cash equivalents held		18,939,248	140,646,133
Cash and cash equivalents at beginning of financial year		219,140,757	78,494,624
Cash and cash equivalents at end of financial year	13	238,080,005	219,140,757

The accompanying notes form part of these consolidated financial statements.

WAM CAPITAL LIMITED AND CONTROLLED ENTITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. Summary of significant accounting policies

These consolidated financial statements and notes represent those of WAM Capital Limited ('the Company') and its controlled entity ('the Group').

The separate financial statements of the parent entity, WAM Capital Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial report was authorised for issue on 30 September 2014 by the Board of Directors.

a) Basis of preparation

The consolidated financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out the accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the Group's financial statements and notes also comply with International Financial Reporting Standards (IFRS) as issued by the IASB. Material accounting policies adopted in the preparation of these consolidated financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the consolidated financial statements have been prepared on an accruals basis and are based on historical costs with the exception of financial assets and certain other financial assets and liabilities which have been measured at fair value.

b) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (WAM Capital Limited) and its controlled entity (Premium Investors Pty Limited). A controlled entity is any entity the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In preparing the consolidated financial statements, the balances and effects of transactions between the Company and its controlled entity have been eliminated in full.

c) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method of accounting. It is accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed are recognised.

WAM CAPITAL LIMITED AND CONTROLLED ENTITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. Summary of significant accounting policies (cont'd)

c) Business combinations (cont'd)

If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Acquisition related costs, other than those associated with the issue of shares, are expensed to the Consolidated Statement of Comprehensive Income as incurred.

d) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions to the instrument. For financial assets, trade date accounting is adopted, which is equivalent to the date that the Group commits itself to purchase or sell the assets.

Financial instruments are initially measured at fair value. Transaction costs related to financial instruments are expensed to the Consolidated Statement of Comprehensive Income immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value. Current market prices for all quoted investments are used to determine fair value. For all unlisted securities that are not traded in an active market, valuation techniques are applied to determine fair value, including recent arm's length transactions and reference to similar instruments.

The Group classifies its financial instruments into the following categories:

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified 'at fair value through profit or loss' when they are held for trading for the purpose of short-term profit taking. Realised and unrealised gains and losses arising from changes in fair value are included in the Consolidated Statement of Comprehensive Income in the period in which they arise.

(ii) *Financial liabilities at fair value through profit or loss*

Financial liabilities such as borrowed stock are classified 'at fair value through profit or loss'. Realised and unrealised gains and losses arising from changes in fair value are included in the Consolidated Statement of Comprehensive Income in the period in which they arise.

WAM CAPITAL LIMITED AND CONTROLLED ENTITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. Summary of significant accounting policies (cont'd)

d) Financial instruments (cont'd)

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Group no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or have expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the Consolidated Statement of Comprehensive Income.

e) Income tax

The charge of current income tax expense is based on profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantially enacted at the reporting date. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Consolidated Statement of Comprehensive Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets relating to temporary differences and unused tax losses are recognised, to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset only where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are only offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The Company and its controlled entity have formed an income tax consolidated group under the Tax Consolidation Regime. Under this arrangement, each entity in the tax consolidated group recognises its own current tax amounts, except for any deferred tax assets arising from unused tax losses and unused tax credits, which are immediately assumed by the Company. The current tax liability of each entity in the tax consolidated group is subsequently assumed by the Company. There is no tax funding agreement between the Company and its controlled entity.

**WAM CAPITAL LIMITED
AND CONTROLLED ENTITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

1. Summary of significant accounting policies (cont'd)

f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, at call deposits with banks or financial institutions and term deposits maturing within three months or less.

g) Revenue and other income

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established. All revenue is stated net of the amount of goods and services tax (GST).

h) Trade and other receivables

Trade and other receivables are non-derivative financial assets and are initially recognised at fair value. They are subsequently stated at amortised cost, less any provision for impairment [please refer to Note 1(j) for further detail].

i) Trade and other payables

Trade and other payables are non-derivative financial liabilities and are stated at amortised cost.

j) Impairment of assets

At each reporting date, the Group reviews the carrying values of its non-financial assets to determine whether there is any indication that those assets may be impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Consolidated Statement of Comprehensive Income.

k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Consolidated Statement of Financial Position.

Cash flows are presented in the Consolidated Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

l) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

m) Profits reserve

The profits reserve is made up of amounts transferred from current and retained earnings that are preserved for future dividend payments.

WAM CAPITAL LIMITED AND CONTROLLED ENTITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. Summary of significant accounting policies (cont'd)

n) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the consolidated financial statements based on historical knowledge and the best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data.

There are no estimates or judgments that have a material impact on the Group's financial results for the year ended 30 June 2014. All material financial assets are valued by reference to quoted prices and therefore no significant estimates or judgments are required in respect to their valuation.

o) New and amended accounting policies adopted

The Group has adopted AASB 13: Fair Value Measurement and associated Amending Standards. AASB 13 defines fair value, addresses how to measure fair value and requires disclosures about fair value measurement. The amounts reported in the Group's financial statements were not affected as a consequence of applying AASB 13. However the Group has included new disclosures regarding assets and liabilities that are measured at fair value in the Group's financial statements.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly transaction between independent, knowledgeable and willing market participants at the measurement date or, in the absence of such a market, the most advantageous market to which the Group has access to at that date.

As fair value is a market-based measure, the Group uses closing quoted last prices as a basis of measuring the fair value of assets and liabilities that are listed. The fair values of assets and liabilities that are not traded in an active market are determined using valuation techniques that maximise the use of observable market data.

p) New standards and interpretations not yet adopted

The Australian Accounting Standards Board has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to adopt any of the new and amended pronouncements. The new and amended pronouncements that are relevant to the Group, but applicable in future reporting periods are set out below:

- (i) AASB 9: Financial Instruments (December 2010) and associated Amending Standards (effective 1 January 2017). AASB9 will include simplifications to the classification of financial assets and permits the recognition of fair value gains and losses in other comprehensive income if they relate to investments that are not traded. The Group has not early adopted AASB 9. This is not expected to have a significant impact on the Group's financial statements as the Group does not expect to elect any investments as not held for trading.
- (ii) AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014). This Standard adds application guidance to AASB 132: Financial Instruments: Presentation to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132. This Standard is not expected to significantly impact the Group as no financial assets and liabilities are offset in the financial statements.

**WAM CAPITAL LIMITED
AND CONTROLLED ENTITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

2. Other revenue	2014	2013
	\$	\$
Australian sourced dividends	15,457,549	20,974,204
Interest	7,501,888	5,068,796
Trust distributions	2,341,793	3,489,978
Premium Investors fee rebates	-	62,294
Underwriting fees	149,695	14,935
Foreign sourced dividends	82,413	7,960
	<u>25,533,338</u>	<u>29,618,167</u>
3. Income tax		
a) Income tax expense		
The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:		
	2014	2013
	\$	\$
Prima facie tax on profit before income tax at 30% (2013: 30%)	27,160,159	16,093,339
Imputation credit gross up	1,997,786	1,223,736
Foreign income tax offset gross up	4,363	421
Franking credit offset	(6,659,287)	(4,079,121)
Foreign income tax offset	(14,543)	(1,405)
Gains on purchase of subsidiary	-	(3,514,118)
Other non-assessable items	31,297	(294,510)
Over provision in prior year	(267,312)	(2,052)
	<u>22,252,463</u>	<u>9,426,290</u>
Total income tax expense results in a:		
Current tax liability	14,442,180	6,746,940
Deferred tax liability	8,024,998	2,656,424
Deferred tax asset	52,597	24,978
Over provision in prior year	(267,312)	(2,052)
	<u>22,252,463</u>	<u>9,426,290</u>
b) Deferred tax assets		
Tax losses	8,965,837	12,113,769
Accruals	7,203	8,860
Capitalised costs	173,264	224,204
	<u>9,146,304</u>	<u>12,346,833</u>
Movement in deferred tax assets		
Balance at the beginning of the period	12,346,833	33,222
Tax losses transferred from controlled entity	-	14,965,321
Recoupment of tax losses	(3,146,285)	(2,851,552)
Credited to the Consolidated Statement of Comprehensive Income	(52,597)	(24,978)
Over provision in prior year	(1,647)	-
Capitalised share issue costs	-	224,820
At reporting date	<u>9,146,304</u>	<u>12,346,833</u>

**WAM CAPITAL LIMITED
AND CONTROLLED ENTITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

3. Income tax (cont'd)

c) Current tax liabilities	2014	2013
	\$	\$
Balance at the beginning of the year	4,899,184	843,315
Current year income tax expense on operating profit	14,442,180	6,746,940
Over provision in prior year	(268,959)	(2,052)
Transfer tax liability from realisation of investments held by controlled entity	-	3,222,918
Recoupment of tax losses	(3,146,285)	(2,851,552)
Net income tax paid	(6,545,827)	(3,060,385)
At reporting date	<u>9,380,293</u>	<u>4,899,184</u>
 d) Deferred tax liabilities		
Fair value adjustments	<u>14,052,711</u>	<u>6,027,713</u>
	<u>14,052,711</u>	<u>6,027,713</u>
 Movement in deferred tax liabilities		
Balance at the beginning of the year	6,027,713	3,371,289
Credited to the Consolidated Statement of Comprehensive Income	<u>8,024,998</u>	<u>2,656,424</u>
At reporting date	<u>14,052,711</u>	<u>6,027,713</u>

4. Dividends

a) Ordinary dividends paid during the year	2014	2013
	\$	\$
Final dividend FY2013: 6.0 cents per share fully franked at 30% tax rate paid 18 October 2013 (Final dividend FY2012: 5.5 cents per share fully franked)	19,159,237	7,569,273
Interim dividend FY2014: 6.5 cents per share fully franked at 30% tax rate paid 31 March 2014 (Interim dividend FY2013: 6.0 cents per share fully franked)	<u>21,828,248</u>	<u>17,160,745</u>
	<u>40,987,485</u>	<u>24,730,018</u>

b) Dividends not recognised at year end

In addition to the above dividends, since the end of the year, the Directors have declared a 6.5 cent per share fully franked dividend which has not been recognised as a liability at the end of the financial year:

<u>22,139,258</u>	<u>17,526,897</u>
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**WAM CAPITAL LIMITED
AND CONTROLLED ENTITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

4. Dividends (cont'd)

c) Dividend franking account	2014	2013
	\$	\$
Balance of franking account at year end	578,579	4,939,531
Adjusted for franking credits arising from:		
- Estimated income tax payable	9,380,293	4,899,184
Subsequent to the reporting period, the franking account would be reduced by the proposed dividend disclosed in Note 4 (b):	(9,488,253)	(7,511,527)
	<u>470,619</u>	<u>2,327,188</u>

The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from investments and the payment of tax.

The balance of the franking account does not include the tax to be paid on unrealised investment gains and accrued income currently recognised as a deferred tax liability of \$14,052,711 (2013: \$6,027,713).

5. Auditor's remuneration

Remuneration of the auditor for:

	2014	2013
	\$	\$
Auditing and reviewing the financial report	41,297	49,139
Other assurance services	14,138	2,200
Other services provided by a related practice of the auditor:		
Taxation services	8,827	20,900
Professional services relating to the acquisition of subsidiary	-	46,222
	<u>64,262</u>	<u>118,461</u>

The Group's Audit & Risk Committee oversees the relationship with the Group's external auditors. The Audit & Risk Committee reviews the scope of the audit and review and the proposed fee. It also reviews the cost and scope of other tax compliance services provided by a related entity of the audit firm, to ensure that they do not compromise independence.

**WAM CAPITAL LIMITED
AND CONTROLLED ENTITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

6. Trade and other receivables

	2014	2013
	\$	\$
Outstanding settlements	14,178,486	14,803,581
Income receivable	1,977,516	1,818,634
GST receivable	356,122	227,347
	<u>16,512,124</u>	<u>16,849,562</u>

Outstanding settlements are on the terms of operating in the securities industry. These do not incur interest and require settlement within three days of the date of the transaction. Income receivable relates to interest, sub-underwriting fees, dividend and trust distributions receivable at the end of the reporting period.

7. Financial assets

	2014	2013
	\$	\$
Listed investments at fair value	377,480,107	251,871,145
Unlisted investments at fair value	11,843,298	801,150
	<u>389,323,405</u>	<u>252,672,295</u>

The majority of unlisted investments held at 30 June 2014 relate to Initial Public Offerings that have listed on the Australian Securities Exchange since year end. The market values of individual investments held at the end of the reporting period are disclosed on pages 56 to 58 of the Annual Report.

8. Financial liabilities

	2014	2013
	\$	\$
Borrowed stock	<u>8,643,145</u>	<u>-</u>

Borrowed stock is carried at fair value. The Group provides cash collateral backing of 105% of the fair value of the borrowed stock to the stock lender. The level of borrowed stock plus other borrowings cannot exceed 50% of the net asset value of the Group as outlined in the Management Agreement.

9. Trade and other payables

	2014	2013
	\$	\$
Outstanding settlements	21,962,053	2,135,254
Management fee payable	561,795	445,775
Performance fee payable	1,983,020	605,984
Sundry payables	224,403	156,780
	<u>24,731,271</u>	<u>3,343,793</u>

Outstanding settlements are on the terms operating in the securities industry. These do not incur interest and require settlement within three days of the date of the transaction. Sundry payables are settled within the terms of payment offered. No interest is applicable on these accounts.

**WAM CAPITAL LIMITED
AND CONTROLLED ENTITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

10. Issued capital	2014	2013
	\$	\$
a) Paid-up capital		
340,603,969 ordinary shares fully paid (2013: 292,114,947)	<u>535,227,164</u>	<u>453,005,419</u>
b) Ordinary shares		
Balance at the beginning of the year	453,005,419	152,974,641
27,205,665 ordinary shares issued from the exercise of options allotted July 2013 to August 2013	43,496,583	-
2,663,881 ordinary shares issued on 18 October 2013 under a dividend reinvestment plan	4,732,344	-
13,834,494 ordinary shares issued from the placement on 21 October 2013	24,694,572	-
2,848,177 ordinary shares issued on 31 March 2014 under a dividend reinvestment plan	5,534,646	-
1,936,805 ordinary shares issued on 2 April 2014 under a dividend reinvestment plan underwriting agreement	3,763,600	
22,885,209 ordinary shares issued from the placement on 31 August 2012	-	36,980,219
32,206,715 ordinary shares issued at market value as consideration for acquisitions on 31 December 2012	-	53,624,180
32,206,715 options issued at market value as consideration for acquisitions on 31 December 2012	-	1,706,956
Share issue costs (net of tax)	-	(524,579)
126,522,967 ordinary shares issued from the exercise of options allotted July 2012 to June 2013	-	202,436,747
Options exercised at \$1.60, not yet allotted at 30 June 2013	-	32,480
1,061,390 ordinary shares issued on 21 September 2012 under a dividend reinvestment plan	-	1,634,951
2,575,638 ordinary shares issued on 30 April 2013 under a dividend reinvestment plan	-	4,139,824
At reporting date	<u>535,227,164</u>	<u>453,005,419</u>

Holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at shareholder meetings, otherwise each member present at a meeting or by proxy has one vote on a show of hands. In the event of winding up of the Group, ordinary shareholders rank after creditors and share in any proceeds on winding up in proportion to the number of shares held.

**WAM CAPITAL LIMITED
AND CONTROLLED ENTITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

10. Issued capital (cont'd)

c) Capital management

The Board manages the Company's capital by regularly reviewing the most efficient manner by which the Company employs its capital including share capital and unexercised options. At the core of this, management is of the belief that shareholder value should be preserved through the management of the level of distributions to shareholders, share and options issues as well as the use of share buy-backs. These capital management initiatives will be used when deemed appropriate by the Board. There have been no changes in the strategy adopted by the Board to control the capital of the Group since the prior year. The Group is not subject to any externally imposed capital requirements.

d) Options

On 31 July 2013, the WAM Capital options expired. A total of 153,771,706 options were exercised and allotted for a total consideration of \$246.0 million. During the year to 30 June 2014, 27,205,665 options were allotted from the exercise of options (2013: 126,522,967).

11. Reserves

	2014	2013
	\$	\$
Profits reserve	<u>76,740,804</u>	<u>40,420,506</u>

The profits reserve details an amount preserved for future dividend payments as outlined in accounting policy Note 1(m).

	2014	2013
	\$	\$
Movement in profits reserve		
Balance at the beginning of the year	40,420,506	16,054,184
Transfer from retained earnings	77,307,783	49,096,340
Final dividend FY2013 paid (refer to note 4a)	(19,159,237)	(7,569,273)
Interim dividend FY2014 paid (refer to note 4a)	<u>(21,828,248)</u>	<u>(17,160,745)</u>
At reporting date	<u>76,740,804</u>	<u>40,420,506</u>

12. Accumulated losses

	2014	2013
	\$	\$
Balance at the beginning of the year	(6,687,168)	(1,808,999)
Profit for the year attributable to members of the Company	68,281,401	44,218,171
Transfer to profits reserve	<u>(77,307,783)</u>	<u>(49,096,340)</u>
At reporting date	<u>(15,713,550)</u>	<u>(6,687,168)</u>

**WAM CAPITAL LIMITED
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

13. Cash and cash equivalents

Cash at the end of the financial year as shown in the Consolidated Statement of Cash Flows is reconciled to the related items in the Consolidated Statement of Financial Position as follows:

	2014	2013
	\$	\$
Cash at bank and on hand	5,282,521	3,740,757
Term deposits	232,797,484	215,400,000
	<u>238,080,005</u>	<u>219,140,757</u>

The weighted average interest rate for cash and term deposits as at 30 June 2014 is 3.38% (2013: 3.98%). The term deposits have an average maturity of 63 days (2013: 80 days). The majority of term deposits are invested with major Australian banks and their banking subsidiaries that have Standard & Poor's A-1+ rating. The term deposits include the cash collateral for the borrowed stock (refer Note 8).

14. Cash flow information

	2014	2013
	\$	\$
Reconciliation of profit after tax to cash flow from operations:		
Profit after income tax	68,281,401	44,218,171
Cash flows excluded from profit attributable to operating activities:		
Realised gains on sale of investments	(42,826,727)	(14,540,326)
Non-cash flow items in profit:		
Unrealised gains on investments	(33,515,668)	(4,668,061)
Changes in assets and liabilities:		
Increase in receivables	(287,657)	(18,774)
Decrease/(increase) in deferred tax assets	3,200,529	(12,060,115)
Increase/(decrease) in payables	1,560,680	(469,279)
Increase in current tax liabilities	4,481,109	4,055,869
Increase in deferred tax liabilities	8,024,998	2,656,424
Cash flow from operating activities	<u>8,918,665</u>	<u>19,173,909</u>

**WAM CAPITAL LIMITED
AND CONTROLLED ENTITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

15. Earnings per share

	2014	2013
	\$	\$
Profit after income tax used in the calculation of basic and diluted earnings per share	68,281,401	44,218,171
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	330,157,222	179,462,303
Weighted average number of dilutive options outstanding	-	1,061,096
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive earnings per share	330,157,222	180,523,399

16. Financial risk management

The Group's financial instruments consist of listed and unlisted investments, trade receivables, trade payables and borrowed stock. The risks exposed to through these financial instruments are discussed below and include credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objective, policies and processes for managing or measuring the risks from the previous period.

Under delegation from the Board, the Manager has the responsibility for assessing and monitoring the financial market risk of the Group. The Manager monitors these risks daily. On a formal basis the investment team meet on a weekly basis to monitor and manage the below risks as appropriate.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge a contracted obligation. The Manager monitors the credit worthiness of counterparties on an ongoing basis and evaluates the credit quality of all new counterparties before engaging them.

The maximum exposure to credit risk on financial assets, excluding investments of the Group which have been recognised in the Consolidated Statement of Financial Position, is the carrying amount net of any provision for impairment of those assets.

The Manager is responsible for ensuring there is appropriate diversification across counterparties and that they are of a sufficient quality rating. The Manager is satisfied that the counterparties are of sufficient quality and diversify to minimise any individual counterparty credit risk. The majority of the Group's receivables arise from unsettled trades at year end which are settled three days after trade date. Engaging with counterparties via the Australian Securities Exchange facilitates the Group in both mitigating and managing its credit risk.

**WAM CAPITAL LIMITED
AND CONTROLLED ENTITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

16. Financial risk management (cont'd)

a) Credit risk (cont'd)

Credit risk is not considered to be a major risk to the Group as the majority of cash and term deposits held by the Group or in its portfolios are invested with financial institutions that have a Standard and Poor's short term rating of A-1+ and long term rating of AA-. Also the majority of maturities are within three months.

None of the assets exposed to a credit risk are overdue or considered to be impaired.

b) Liquidity risk

Liquidity risk represents the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group's major cash payments are the purchase of securities and dividends paid to shareholders, the levels of which are managed by the Board and the Manager.

The Group's cash receipts depend upon the level of sales of securities, dividends and interest received and the exercise of options that may be on issue from time to time.

The Manager monitors the Group's cash-flow requirements daily by reference to known sales and purchases of securities, dividends and interest to be paid or received. Should these decrease by a material amount the Group can alter its cash outflows as appropriate. The Group also holds a portion of its portfolio in cash and term deposits sufficient to ensure that it has cash readily available to meet all payments. Furthermore the assets of the Group are largely in the form of tradable securities which, if liquidity is available, can be sold on market when, and if required.

The table below reflects an undiscounted contractual maturity analysis for the Group's liabilities. The timing of cash flows presented in the table to settle liabilities reflects the earliest possible contractual settlement date to the reporting date.

30 June 2014	>1 month	<1 month	Total
	\$	\$	\$
Liabilities			
Trade and other payables	-	24,731,271	24,731,271
Financial liabilities	-	8,643,145	8,643,145
Total	-	33,374,416	33,374,416

30 June 2013	>1 month	<1 month	Total
	\$	\$	\$
Liabilities			
Trade and other payables	-	3,343,793	3,343,793
Financial liabilities	-	-	-
Total	-	3,343,793	3,343,793

**WAM CAPITAL LIMITED
AND CONTROLLED ENTITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

16. Financial risk management (cont'd)

c) Market risk

Market risk is the risk that changes in market prices, such as interest rates and other market prices will affect the fair value or future cash flows of the Group's financial instruments.

By its nature, as a listed investment company that invests in tradable securities, the Group will always be subject to market risk as it invests its capital in securities which are not risk free as the market price of these securities can fluctuate.

(i) Interest rate risk

The Group's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing level of market interest rates on its financial position and cash flows. The Group however is not materially exposed to interest rate risk as the majority of its cash and term deposits mature within three months. As the Group's exposure to interest rate risk is not significant, interest rate sensitivities have not been performed.

At the end of the reporting period, the Group's exposure to interest rate risk and the effective weighted average interest rate was as follows:

30 June 2014	Weighted average interest rate (% pa)	Interest bearing \$	Non- interest bearing \$	Total \$
Assets				
Cash and cash equivalents	3.38%	238,080,005	-	238,080,005
Trade and other receivables		-	16,512,124	16,512,124
Financial assets		-	389,323,405	389,323,405
Total		238,080,005	405,835,529	643,915,534
Liabilities				
Trade and other payables		-	24,731,271	24,731,271
Financial liabilities		-	8,643,145	8,643,145
Total		-	33,374,416	33,374,416

**WAM CAPITAL LIMITED
AND CONTROLLED ENTITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

16. Financial risk management (cont'd)

c) Market risk (cont'd)

(i) Interest rate risk (cont'd)

30 June 2013	Weighted average interest rate (% pa)	Interest bearing \$	Non-interest bearing \$	Total \$
Assets				
Cash and cash equivalents	3.98%	219,140,757	-	219,140,757
Trade and other receivables		-	16,849,562	16,849,562
Financial assets		-	255,672,295	252,672,295
Total		219,140,757	269,521,857	488,662,614
Liabilities				
Trade and other payables		-	3,343,793	3,343,793
Financial liabilities		-	-	-
Total		-	3,343,793	3,343,793

(ii) Other price risk

Other market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the majority of the Group's investments are carried at fair value with fair value changes recognised in the Consolidated Statement of Comprehensive Income, all changes in market conditions will directly affect net investment income.

The Manager seeks to manage and reduce the other price risk of the Group by diversification of the investment portfolio across numerous stocks and multiple industry sectors. The relative weightings of the individual securities and market sectors are reviewed daily and the risk managed on a daily basis. The Group does not have set parameters as to a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

**WAM CAPITAL LIMITED
AND CONTROLLED ENTITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

16. Financial risk management (cont'd)

c) Market risk (cont'd)

(ii) Other price risk (cont'd)

The Group's industry sector weighting of the gross assets as at 30 June 2014 is as below:

Industry sector	2014	2013
	%	%
Financials	23.2	16.7
Consumer Discretionary	14.7	8.5
Industrials	9.1	7.9
Information Technology	6.0	4.3
Telecommunication Services	2.6	4.5
Consumer Staples	2.4	7.2
Health Care	2.4	0.7
Materials	2.0	1.6
Utilities	1.0	-
Energy	0.1	0.5
Total	63.5%	51.9%

Securities representing over 5 per cent of the gross assets of the Group at 30 June were:

Company name	2014 (%)
N/A	N/A

Company name	2013 (%)
Graincorp Limited	6.0

Sensitivity analysis

For investments held by the Group at the end of the reporting period, a sensitivity analysis was performed relating to its exposure to other price risk. This analysis demonstrates the effect on current year net assets after tax as a result from a reasonably possible change in the risk variable. The sensitivity assumes all other variables to remain constant.

Investments represent 63.5% (2013: 51.9%) of gross assets at year end. A 5% movement in the market value of each of the investments within the investment portfolio would result in a 3.2% (2013: 2.6%) movement in the net assets after tax. This would result in the 30 June 2014 net asset backing after tax moving by 5.5 cents per share (2013: 4.3 cents per share).

**WAM CAPITAL LIMITED
AND CONTROLLED ENTITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

16. Financial risk management (cont'd)

d) Financial instruments measured at fair value

AASB 13: Fair Value Measurement requires the disclosure of fair value information using a fair value hierarchy reflecting the significance of the inputs in making the measurements. The fair value hierarchy consists of the following levels:

- Level 1:** Quoted prices in active markets for identical assets or liabilities.
- Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).
- Level 3:** Inputs for the asset or liability are not based on observable market data (unobservable inputs).

Included within Level 1 of the hierarchy are listed investments. The fair values of these financial assets and liabilities have been based on the closing quoted last prices at the end of the reporting period, excluding transaction costs.

The majority of the investments included in Level 2 of the hierarchy include amounts in relation to Initial Public Offerings and Placements in which the Group has subscribed to during the year. These investments have not listed on the Australian Securities Exchange as at 30 June 2014 and therefore represent investments in an inactive market. In valuing these unlisted investments, included in Level 2 of the hierarchy, the fair value has been determined using the valuation technique of the subscription price and the amount of securities subscribed for by the Group under the relevant offers. The remaining investments included in Level 2 of the hierarchy are unlisted securities which have been valued using techniques such as comparisons to similar investments for which market observable prices are available or the last sale price have been adopted to determine the fair value of these investments.

30 June 2014	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets	377,480,107	11,843,298	-	389,323,405
Financial liabilities	(8,643,145)	-	-	(8,643,145)
Total	368,836,962	11,843,298	-	380,680,260

30 June 2013	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets	251,871,145	801,150	-	252,672,295
Financial liabilities	-	-	-	-
Total	251,871,145	801,150	-	252,672,295

**WAM CAPITAL LIMITED
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

17. Parent entity information

The following sets out information about the parent entity of the Group, WAM Capital Limited for the current and previous financial years:

	2014	2013
	\$	\$
Result of parent entity		
Profit for the year	74,387,483	37,832,688
Total comprehensive income for the year	74,387,483	37,832,688
Financial position of parent entity at year end		
Current assets	643,915,534	488,662,614
Non-current assets	9,146,306	105,179,896
Total assets	653,061,840	593,842,510
Current liabilities	(42,754,709)	(8,242,977)
Non-current liabilities	(14,052,713)	(98,860,776)
Total liabilities	(56,807,422)	(107,103,753)
Net assets	596,254,418	486,738,757
Total equity of the parent entity comprising of:		
Issued capital	535,227,164	453,005,419
Reserves	76,740,804	46,526,588
Accumulated losses	(15,713,550)	(12,793,250)
Total equity	596,254,418	486,738,757

18. Controlled entity

a) Controlled entity consolidated

The following controlled entity has been included in the consolidated financial statements:

	Country of Incorporation	Percentage owned	
		2014	2013
		%	%
Premium Investors Pty Limited	Australia	100	100

b) Acquisition of a controlled entity

During the year ended 30 June 2014, there were no Controlled Entity acquisitions.

Previous comparative period – 30 June 2013

On 31 December 2012, the Company increased its ownership of Premium Investors to 100% when it acquired 97.3% of its issued capital via a scheme of arrangement. The purchase consideration consisted of the issue of 32,206,715 WAM Capital shares for the value of \$53,624,180, 32,206,715 WAM Capital options for the value of \$1,706,956 and the payment of \$28,934,488 to those that elected to receive cash. The acquisition resulted in WAM Capital Limited obtaining control of Premium Investors.

In the 6 months to 30 June 2013, Premium Investors contributed revenue of \$1,121,792 and profit before tax of \$1,265,185 to the Group's results.

WAM CAPITAL LIMITED AND CONTROLLED ENTITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

18. Controlled entity (cont'd)

b) Acquisition of a controlled entity (cont'd)

Had the results relating to Premium Investors been consolidated from 1 July 2012, revenue of the Group would have been \$58,886,412 and profit before tax of the Group would have been \$60,614,418 for the year ended 30 June 2013.

Details of the acquisition were disclosed in note 18(b) on pages 50 to 51 of the Group's Annual Report for the year ended 30 June 2013.

19. Investment transactions

The total number of contract notes that were issued for transactions in securities during the financial year was 6,060 (2013: 6,065). Each contract note could involve multiple transactions. The total brokerage paid on these contract notes was \$4,900,306 (2013: \$3,578,978).

20. Segment reporting

The Group currently engages in investing activities, including cash, term deposits and equity investments. It has no reportable business or geographic segments.

21. Capital commitments

There were no capital commitments entered into by the Group before year end which settle after year end (2013: nil).

22. Contingent liabilities

There were no contingent liabilities for the Group as at 30 June 2014 (2013: WAM Capital had a \$75,403 contingent liability in relation to a placement for Netcomm Wireless Limited).

23. Key management personnel compensation

The names and position held of the Group's key management personnel (including Directors) in office at any time during the financial year are:

G.J. Wilson	Chairman
M.J. Kidman	Non-Executive Director
P.D.K. Jensen	Non-Executive Director
J.M. Chirnside	Non-Executive Director
L.R. Mann	Non-Executive Director

a) Remuneration

There are no executives that are paid by the Group. Wilson Asset Management (International) Pty Limited, the Manager of the Group, remunerated Geoffrey Wilson as an employee and/or Director of the Manager during the financial year to 30 June 2014.

**WAM CAPITAL LIMITED
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

23. Key management personnel compensation (cont'd)

a) Remuneration (cont'd)

Information regarding individual Directors' remuneration is provided in the Remuneration Report of the Directors' Report on page 21, as permitted by Corporations Regulations 2M.3.03 and 2M.6.04.

	Short-term employee benefits Directors' fees \$	Post-employment benefits Superannuation \$	Total \$
Total Directors remuneration paid by the Group for the year ended 30 June 2014	128,993	41,007	170,000
Total Directors remuneration paid by the Group for the year ended 30 June 2013	97,981	17,019	115,000

b) Share and option holdings

The number of ordinary shares and options held in the Company during the financial year by each key management personnel of the Group and their related parties are set out below:

30 June 2014

Ordinary shares held

	Balance at 30 June 2013	Acquisitions	Disposals	Balance at 30 June 2014
Directors				
G.J. Wilson	3,958,672	-	545,770	3,412,902
M.J. Kidman	257,380	17,593	-	274,973
P.D.K. Jensen	154,403	680	-	155,083
J.M. Chirnside	28,823	1,970	-	30,793
L.R Mann	85,986	-	-	85,986
	4,485,264	20,243	545,770	3,959,737

Options held

	Balance at 30 June 2013	Acquisitions	Disposals	Balance at 30 June 2014
Directors				
G.J. Wilson	-	-	-	-
M.J. Kidman	-	-	-	-
P.D.K. Jensen	-	-	-	-
J.M. Chirnside	-	-	-	-
L.R Mann	-	-	-	-
	-	-	-	-

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

23. Key management personnel compensation (cont'd)

b) Share and option holdings (cont'd)

30 June 2013

Ordinary shares held

	Balance at 30 June 2012	Acquisitions	Disposals	Balance at 30 June 2013
Directors				
G.J. Wilson	3,596,896	4,867,191	4,505,415	3,958,672
M.J. Kidman	217,564	385,894	346,078	257,380
P.D.K. Jensen	108,772	45,885	254	154,403
J.M. Chirnside	13,414	15,409	-	28,823
L.R Mann (appointed 31 December 2012)	-	85,986	-	85,986
	3,936,646	5,400,365	4,851,747	4,485,264

Options held

	Balance at 30 June 2012	Acquisitions	Exercised/ Disposals	Balance at 30 June 2013
Directors				
G.J. Wilson	3,578,194	3,545,770	7,123,964	-
M.J. Kidman	217,564	-	217,564	-
P.D.K. Jensen	108,772	245	109,017	-
J.M. Chirnside	13,414	-	13,414	-
L.R Mann (appointed 31 December 2012)	-	42,993	42,993	-
	3,917,944	3,589,008	7,506,952	-

Directors and Director related entities disposed of and acquired ordinary shares and options in the Company on the same terms and conditions available to other shareholders.

The Directors have not, during or since the end financial year, been granted options over unissued shares or interests in shares of the Company as part of their remuneration.

24. Related party transactions

All transactions with related parties were made on normal commercial terms and conditions and at market rates.

Geoffrey Wilson is the Director and beneficial owner of Wilson Asset Management (International) Pty Limited, the entity appointed to manage the investment portfolio. Wilson Asset Management (International) Pty Limited operates a funds management business which employs a number of investment personnel, research analysts, accountants and other administrative staff. The core duties of the Manager in addition to managing the investment portfolio include the provision of financial and administrative support to ensure the maintenance of the corporate and statutory records of the Group; liaison with the ASX with respect to compliance with the ASX Listing Rules; liaison with ASIC

**WAM CAPITAL LIMITED
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

24. Related party transactions (cont'd)

with respect to compliance with the Corporations Act; liaison with the share registrar of the Company; investor relations; and the provision of information necessary for the maintenance of financial accounts of the Group to be completed. In its capacity as Manager, Wilson Asset Management (International) Pty Limited was paid a management fee of 1% p.a (plus GST) of gross assets amounting to \$6,616,703 inclusive of GST (2013: \$3,590,737). At 30 June 2014, the balance payable to the Manager was \$561,795 (2013: \$445,775).

In addition, Wilson Asset Management (International) Pty Limited is to be paid, annually in arrears, a performance fee being 20% of:

- where the level of the All Ordinaries Accumulation Index has increased over that period, the amount by which the value of the portfolio exceeds this increase; or
- where the All Ordinaries Accumulation Index has decreased over that period, the amount of the increase in value of the portfolio.

No performance fee is payable in respect of any performance period where the portfolio has decreased in value over that period. For the year ended 30 June 2014, a performance fee of \$1,983,020 inclusive of GST was payable to Wilson Asset Management (International) Pty Limited (2013: \$605,984).

Wilson Asset Management (International) Pty Limited employs accounting personnel to provide accounting services to WAM Capital Limited. These services are provided on commercial terms and include a standard charge of \$2,750 inclusive of GST per month and an additional charge of \$5,500 inclusive of GST is charged for preparing the half year and full year consolidated financial statements. These accounting services total \$38,500 inclusive of GST for the financial year 2014 (2013: \$38,500).

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than those detailed above) by reason of a contract made by the Company or a related Company with the Director or with a firm of which he is a member or with a Company in which he has substantial financial interest.

25. Events subsequent to reporting date

Since year end the Directors declared a final dividend of 6.5 cents per share fully franked to be paid on 17 October 2014.

No other matters or circumstances have arisen since the end of the financial year which significantly affect or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

**WAM CAPITAL LIMITED
AND CONTROLLED ENTITY**

DIRECTORS' DECLARATION

The Directors of WAM Capital Limited declare that:

- 1) The financial statements as set out in pages 26 to 52 and the additional disclosures included in the Directors' Report designated as "Remuneration Report", as set out on pages 19 to 22, are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Australian Accounting Standards, which, as stated in Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - b) giving a true and fair view of the financial position of the Group as at 30 June 2014 and of its performance, as represented by the results of the operations and the cash flows, for the year ended on that date; and
- 2) The sole Director of the Manager, Wilson Asset Management (International) Pty Limited has declared that:
 - a) the financial records of the Group for the financial year have been properly maintained in accordance with the Section 286 of the *Corporations Act 2001*;
 - b) the Group's financial statements and notes for the financial year comply with the Accounting Standards; and
 - c) the Group's financial statements and notes for the financial year give a true and fair view.
- 3) At the date of this declaration, in the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.



G.J. Wilson, Chairman

Dated in Sydney this 30th day of September 2014

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**Independent Auditor's Report
To the Members of WAM Capital Limited
A.B.N. 34 086 587 395**

Report on the Financial Report

We have audited the accompanying financial report of WAM Capital Limited and its Controlled Entity ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group and the entity it controlled at the year's end.

Directors' Responsibility for the Financial Report

The directors of the Group are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state that, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- a) the financial report of WAM Capital Limited and its Controlled Entity is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 22 of the directors' report for the year ended 30 June 2014. The directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of WAM Capital Limited and its Controlled Entity for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report for the year ended 30 June 2014 included on WAM Capital Limited's website. The Group's directors are responsible for the integrity of WAM Capital Limited's website. We have not been engaged to report on the integrity of WAM Capital Limited's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.



Moore Stephens Sydney
Chartered Accountants



Scott Whiddett
Partner

Dated in Sydney, Tuesday, 30 September 2014

**WAM CAPITAL LIMITED
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**INVESTMENTS AT MARKET VALUE
AS AT 30 JUNE 2014**

Company Name	Code	Market Value \$	% of Gross Assets
Financials			
Ask Funding Limited	AKF	443,829	0.1%
Centrepont Alliance Limited	CAF	1,821,828	0.3%
CBA Perpetual Exc Resale Listed Sec - PERLS V	CBAPA	23,247,025	3.7%
Challenger Limited	CGF	9,619,920	1.5%
Clime Investment Management Limited	CIW	5,314,837	0.9%
CIC Australia Limited	CNB	1,844,181	0.3%
Contango Microcap Limited	CTN	3,498,651	0.6%
Century Australia Investments Limited	CYA	13,999,910	2.3%
Equity Trustees Limited	EQT	5,618,066	0.9%
Galileo Japan Trust	GJT	3,030,851	0.5%
Genworth Mortgage Insurance Australia Limited	GMA	6,434,848	1.0%
Hunter Hall Global Value Limited	HHV	5,897,417	0.9%
Ironbark Capital Limited	IBC	5,416,725	0.9%
IPE Limited	IPE	9,965,313	1.6%
Keybridge Capital Limited	KBC	2,459,444	0.4%
Mystate Limited	MYS	3,039,455	0.5%
Naos Emerging Opportunities Company Limited	NCC	1,311,924	0.2%
Ozgrowth Limited	OZG	1,371,433	0.2%
Sunland Group Limited	SDG	4,265,826	0.7%
SFG Australia Limited	SFW	6,424,214	1.0%
Servcorp Limited	SRV	3,139,200	0.5%
Tidewater Investments Limited	TDI	55,519	0.0%
Tower Limited	TWR	497,805	0.1%
WBC Stapled Preferred Security II	WBPCPB	10,336,652	1.7%
Westoz Investment Company Limited	WIC	10,588,182	1.7%
Yellow Brick Road Holdings Limited	YBR	2,989,045	0.5%
		142,632,100	23.0%
Consumer Discretionary			
Ardent Leisure Group	AAD	6,307,801	1.0%
Amalgamated Holdings Limited	AHD	5,960,013	1.0%
Automotive Holdings Group Limited	AHE	8,975,496	1.4%
APN News & Media Limited	APN	3,651,824	0.6%
Beacon Lighting Group Limited	BLX	2,281,572	0.4%
ZipTel Limited	ZIP	14,700	0.0%
Corporate Travel Management Limited	CTD	4,862,797	0.8%
DMX Corporation Limited	DMX	100,728	0.0%
Enero Gorup Limited	EGG	2,537,593	0.4%
Fairfax Media Limited	FXJ	9,454,892	1.5%
Indoor Skydive Australia Group Limited	IDZ	280,749	0.0%
iSelect Limited	ISU	59,795	0.0%
Invocare Limited	IVC	3,522,132	0.6%
Mantra Group Limited	MTR	7,881,374	1.3%

**WAM CAPITAL LIMITED
AND CONTROLLED ENTITY**

**INVESTMENTS AT MARKET VALUE
AS AT 30 JUNE 2014**

Company Name	Code	Market Value \$	% of Gross Assets
Myer Holdings Limited	MYR	6,487,412	1.0%
Noni B Limited	NBL	674,749	0.1%
RCG Corporation Limited	RCG	1,960,442	0.3%
Slater & Gordon Limited	SGH	11,577,611	1.9%
Southern Cross Media Group Limited	SXL	6,084,337	1.0%
Ten Network Holdings Limited	TEN	1,370,580	0.2%
Vocation Limited	VET	6,093,019	1.0%
		90,139,616	14.5%
Industrials			
Australian Infrastructure Fund Limited	AIX	352,750	0.1%
Austal Limited	ASB	1,484,481	0.2%
Credit Corp Group Limited	CCP	6,611,078	1.1%
Crowe Horwath Australasia Limited	CRH	1,620,173	0.3%
Coventry Group Limited	CYG	6,658,949	1.1%
Hills Limited	HIL	9,825,676	1.6%
Logicamms Limited	LCM	606,981	0.1%
Macquarie Atlas Roads Group	MQA	11,922,054	1.9%
PMP Limited	PMP	1,858,340	0.3%
Royal Wolf Holdings Limited	RWH	3,937,662	0.6%
Smartgroup Corporation Limited	SIQ	3,976,320	0.6%
Seymour Whyte Limited	SWL	2,224,866	0.4%
Transpacific Step-Up Preference Securities	TPAPA	3,819,390	0.6%
Transfield Services Limited	TSE	1,075,561	0.2%
		55,974,281	9.1%
Information Technology			
3P Learning Limited	TPN	5,150,250	0.8%
CSG Limited	CSV	8,038,219	1.3%
Freelancer Limited	FLN	278,766	0.0%
Infomedia Limited	IFM	5,265,632	0.7%
iSentia Group Limited	ISD	6,154,821	1.0%
Nearmap Limited	NEA	4,101,194	0.7%
Praemium Limited	PPS	248,699	0.0%
Technology One Limited	TNE	7,607,132	1.2%
		36,844,713	5.7%
Telecommunication Services			
iiNet Limited	IIN	6,555,762	1.1%
M2 Telecommunications Group Limited	MTU	2,740,292	0.4%
Vocus Communications Limited	VOC	6,398,021	1.0%
		15,694,075	2.5%

**WAM CAPITAL LIMITED
AND CONTROLLED ENTITY**

**INVESTMENTS AT MARKET VALUE
AS AT 30 JUNE 2014**

Company Name	Code	Market Value \$	% of Gross Assets
Consumer Staples			
Bellamys Australia Limited	BAL	2,616,000	0.4%
Coca-Cola Amatil Limited	CCL	3,261,808	0.5%
Gage Roads Brewing Co Limited	GRB	371,213	0.1%
Tassal Group Limited	TGR	2,828,218	0.5%
Treasury Wine Estates Limited	TWE	4,318,620	0.7%
Yowie Group Limited	YOW	1,101,019	0.2%
		14,496,878	2.4%
Health Care			
Azure Healthcare Limited	AZV	1,264,193	0.2%
Greencross Limited	GXL	4,881,252	0.8%
Monash Group IVF Limited	MVF	1,430,144	0.2%
Pulse Health Limited	PHG	151,423	0.0%
Sirtex Medical Limited	SRX	3,705,160	0.6%
Vita Life Sciences Limited	VSC	3,046,390	0.5%
		14,478,562	2.3%
Materials			
Alexium International Group Limited	AJX	315,150	0.1%
DuluxGroup Limited	DLX	9,402,166	1.5%
Intrepid Mines Limited	IAU	2,285,946	0.4%
		12,003,262	2.0%
Utilities			
Energy Developments Limited	ENE	6,244,904	1.0%
		6,244,904	1.0%
Energy			
Matrix Composites & Engineering Limited	MCE	815,014	0.1%
		815,014	0.1%
Total Long Portfolio		389,323,405	62.6%
Total Cash and cash equivalents, income receivable and net outstanding settlements		232,543,014	37.4%
Total Short Portfolio		(8,643,145)	
Gross Assets		613,223,274	

WAM CAPITAL LIMITED AND CONTROLLED ENTITY

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report.

Shareholdings

Substantial shareholders (as at 31 August 2014)

There are currently no substantial shareholders of WAM Capital Limited.

On-market buy back (as at 31 August 2014)

There is no current on-market buy back.

Distribution of shareholders (as at 31 August 2014)

Category	No. of shareholders Ordinary Shares	%
1 – 1,000	783	0.1
1,001 – 5,000	2,918	2.7
5,001 – 10,000	2,819	6.3
10,001 – 100,000	6,807	56.9
100,001 and over	426	34.0
	13,753	100.0

The number of shareholdings held in less than marketable parcels is 174.

Twenty largest shareholders – Ordinary shares (as at 31 August 2014)

Name	Number of ordinary shares held	Percentage of issued capital held
UBS Wealth Management Australia Nominees Pty Ltd	4,715,678	1.4
VBS Investments Pty Ltd	4,572,535	1.3
HSBC Custody Nominees (Australia) Ltd	4,081,775	1.2
Mr Victor John Plummer	3,200,000	0.9
Pineross Pty Ltd	3,060,434	0.9
VBS Investments Pty Ltd	2,716,211	0.8
Entities Associated with Mr Geoffrey Wilson	3,100,000	0.9
Mrs Fay Martin-Weber	2,063,068	0.6
Marbear Holdings Pty Ltd	1,440,300	0.4
Eneber Investment Company Ltd	1,322,000	0.4
Takita Exploration Pty Ltd	1,200,000	0.4
Nulis Nominees (Australia) Ltd	1,030,402	0.3
Seweta Pty Ltd	1,014,067	0.3
Trophy Components Distributors Pty Ltd	1,000,000	0.3
Neale Edwards Pty Ltd	984,650	0.3
Investment Custodial Services Ltd	960,169	0.3
Mr & Mrs Heathers (Heathers Family S/F A/C)	858,196	0.3
Balderstone Investments Pty Ltd	640,740	0.2
Citicorp Nominees Pty Ltd	632,895	0.2
Mr & Mrs Antaw (Petavic Super Fund A/C)	601,432	0.2
	39,194,552	11.5

**WAM CAPITAL LIMITED
AND CONTROLLED ENTITY**

ASX ADDITIONAL INFORMATION

Stock Exchange Listing

Quotation has been granted for all of the ordinary shares and options of the Company on all Member Exchanges of the ASX Limited.



WILSON
ASSET MANAGEMENT

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