

# WAM CAPITAL LIMITED

ABN 34 086 587 395

## Appendix 4E Preliminary Final Report for the year ended 30 June 2019

### Results for Announcement to the Market

All comparisons to the year ended 30 June 2018

	\$	up/down	% mvmt
Revenue from ordinary activities	25,790,268	down	86.3%
Profit from ordinary activities before income tax expense	5,987,601	down	96.4%
Net profit from ordinary activities after income tax expense	14,533,222	down	88.4%

Dividend information	Cents per share	Franked amount per share	Tax rate for franking
2019 Final dividend cents per share	7.75c	7.75c	30%
2019 Interim dividend cents per share	7.75c	7.75c	30%

### Final dividend dates

Ex dividend date	17 October 2019
Record date	18 October 2019
Last election date for the DRP	22 October 2019
Payment date	25 October 2019

### Dividend Reinvestment Plan

The Dividend Reinvestment Plan ("DRP") is in operation and the recommended fully franked final dividend of 7.75 cents per share qualifies. Participating shareholders will be entitled to be allotted the number of shares (rounded to the nearest whole number) which the cash dividend would purchase at the relevant issue price. The relevant issue price will be at a 2.5% discount to the price, calculated as the VWAP (volume weighted average market price) of shares sold on the ASX on the ex date for the relevant dividend and the three trading days following that date.

	30 Jun 19	30 Jun 18
Net tangible asset backing (after tax) per share	\$1.87	\$1.98

This report is based on the Annual Report which has been audited by Pitcher Partners. The audit report is included with the Company's Annual Report which accompanies this Appendix 4E. All the documents comprise the information required by Listing Rule 4.3A.



W | A | M *Capital*

# 2019 Annual Report

For the year ended 30 June 2019

# WAM Capital Limited

WAM Capital Limited (WAM Capital or the Company) is a listed investment company and is a reporting entity. It is primarily an investor in equities listed on the Australian Securities Exchange.

## Directors

Geoff Wilson AO (Chairman)  
Dr. Philippa Ryan  
James Chirnside  
Lindsay Mann  
Kate Thorley

## Auditor

Pitcher Partners

## Country of Incorporation

Australia

## Share Registry

Boardroom Pty Limited  
Level 12, 225 George Street  
Sydney NSW 2000  
T: (02) 9290 9600  
F: (02) 9279 0664

## Company Secretary

Linda Vo

## Investment Manager

Wilson Asset Management  
(International) Pty Limited  
Level 26, Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000

## Registered Office

Level 26, Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000

## Contact Details

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Sydney NSW 2001  
T: (02) 9247 6755  
F: (02) 9247 6855  
E: [info@wilsonassetmanagement.com.au](mailto:info@wilsonassetmanagement.com.au)  
W: [wilsonassetmanagement.com.au](http://wilsonassetmanagement.com.au)

For enquiries relating to shareholdings, dividends (including participation in the dividend reinvestment plan) and related matters, please contact the share registry.

## Australian Securities Exchange

WAM Capital Limited  
Ordinary Shares (WAM)

## Shareholder Presentations 2019

### Annual General Meeting and Presentation

#### Sydney

#### Tuesday 19 November

Presentation: 10.00am – 12.00pm

AGM: 1.45pm – 2.15pm

The Westin Sydney

1 Martin Place

Sydney NSW 2000

To be streamed live on our website [wilsonassetmanagement.com.au](http://wilsonassetmanagement.com.au).



#### Canberra

##### Monday 18 November

10.00am – 12.00pm

Hotel Realm

18 National Circuit

Canberra ACT 2600

#### Brisbane

##### Thursday 21 November

10.00am – 12.00pm

Hilton Hotel

190 Elizabeth Street

Brisbane QLD 4000

#### Hobart

##### Monday 25 November

10.00am – 12.00pm

Hotel Grand Chancellor

1 Davey Street

Hobart TAS 7000

#### Perth

##### Tuesday 26 November

10.00am – 12.00pm

The Westin

480 Hay Street

Perth WA 6000

#### Adelaide

##### Wednesday 27 November

10.00am – 12.00pm

Hilton Hotel

233 Victoria Square

Adelaide SA 5000

#### Melbourne

##### Thursday 28 November

10.00am – 12.00pm

Grand Hyatt

123 Collins Street

Melbourne VIC 3000

**The Future Generation Presentations** will be held from 12.15pm - 1.15pm in each city.

Access exclusive investment ideas from leading Australian and global fund managers at the

**Future Generation Investment Forum** which will be held from 1.45pm – 3.15pm on Thursday 28 November in Melbourne.

## Key highlights FY2019

# \$14.5m

Operating profit  
after tax

# 15.5c

Fully franked full year  
dividend

# 7.7%

Fully franked  
dividend yield

### Snapshot as at 30 June 2019

Listing date	August 1999
Gross assets	\$1,324.7m
Market capitalisation	\$1,449.5m
Share price	\$2.02
Shares on issue	717,571,132
Net tangible assets (pre-tax)	\$1.84
Net tangible assets (post-tax)	\$1.87
Fully franked dividends FY2019	15.5 cents
Fully franked FY2019 dividend yield	7.7%

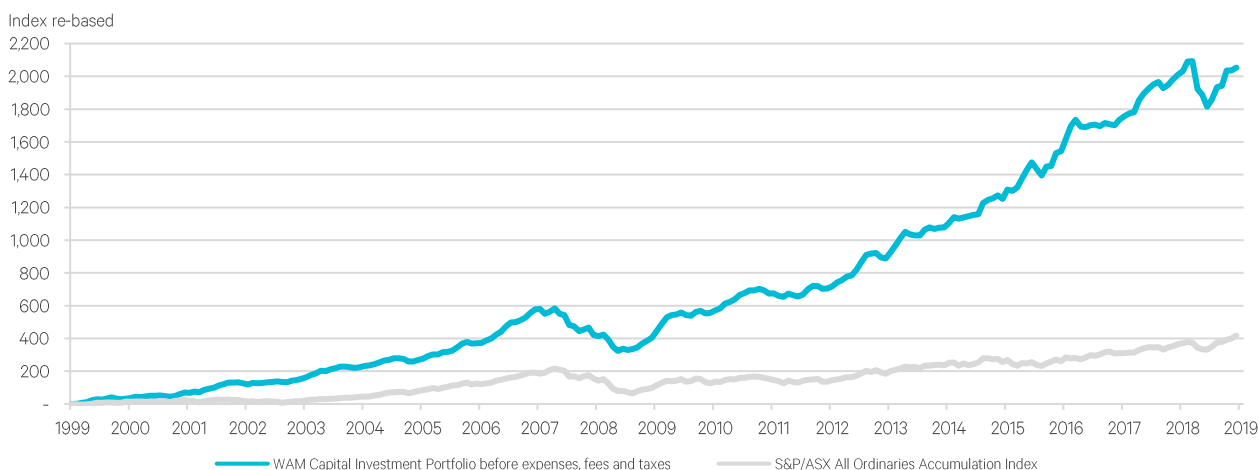
### FY2019 results

WAM Capital achieved an operating profit before tax of \$6.0 million for the year (FY2018: \$166.9 million) and an operating profit after tax of \$14.5 million (FY2018: \$125.4 million). The after tax figure was boosted by a \$8.5 million income tax benefit delivered through franking credits received on franked dividend income from investee companies.

The operating profit for 2019 is reflective of the performance of the investment portfolio over the period which was impacted by the heightened volatility in the Australian equity market. The investment portfolio increased 2.0%, while the S&P/ASX Small Ordinaries Accumulation Index rose 1.9% and the S&P/ASX All Ordinaries Accumulation Index increased 11.0%. This investment portfolio performance was achieved with an average cash weighting of 29.4%.

The Board declared a fully franked full year dividend of 15.5 cents per share, with the fully franked final dividend being 7.75 cents per share. Since inception, the Company has paid 230.75 cents per share in fully franked dividends to shareholders.

## WAM Capital's investment portfolio has returned 16.7% p.a. over 20 years outperforming the market by 8.1% p.a.



## Contents

Chairman's letter	5
Investing with Wilson Asset Management	11
Objectives and investment process	12
Directors' Report to shareholders	13
Auditor's Independence Declaration	23
Statement of comprehensive income	24
Statement of financial position	25
Statement of changes in equity	26
Statement of cash flows	27
Notes to the financial statements	28
Directors' Declaration	49
Independent Auditor's Report	50
Investments at market value	55
ASX additional information	57

## Chairman's letter

Dear Fellow Shareholders,

I would like to thank all WAM Capital shareholders for your continued support of the Company during the 2019 financial year. I would also like to welcome each of the 3,417 new shareholders who have joined us during the year.

The 2019 financial year was a dynamic year for equity markets, beginning with expectations of synchronised – albeit softening – global growth and tighter United States (US) monetary policy. In the December quarter the global economy faltered, China's growth slowed and the end of the longest US bull market appeared to be approaching. By January 2019, the US Federal Reserve was conducting its u-turn, pausing its interest rate increases and signalling the end to quantitative tightening. This, coupled with aggressive Chinese stimulus, drove equity markets to new heights as interest rates fell and the global economy weakened.

The MSCI World Index (AUD) ended the financial year up 12.0%, while the S&P Global Mid Small Index increased only 5.6% in AUD terms. Interestingly, large-cap companies drove the US market's gains as the S&P 500 Index climbed 10.4% during the year in local terms, while the small-cap focused Russell 2000 Index fell by 3.4% in local terms.

The divergence of large-cap and small-cap returns globally was mirrored in Australia, as the S&P/ASX 200 Accumulation Index increased 11.5% in the financial year and the S&P/ASX Small Ordinaries Accumulation Index rose by just 1.9%. The large-cap performance led the S&P/ASX All Ordinaries Accumulation Index, which rose 11.0% for the financial year. The WAM Capital investment portfolio increased 2.0% in the 12-month period, climbing 5.4% in the final quarter and rebounding 12.4% in the six months to 30 June 2019. Over the 12-months we adjusted our cash levels continuously while averaging 29.4% throughout the period. In 2019, the Company recorded an operating profit before tax of \$6.0 million (2018: \$166.9 million) and an operating profit after tax of \$14.5 million (2018: \$125.4 million). The after tax figure was boosted by a \$8.5 million income tax benefit delivered through franking credits received on franked dividend income from investee companies.

During the period we invested in 307 individual companies and at 30 June we had investments in 114 companies. The largest contributors to the investment portfolio's performance during the period included: global ship building company and defence contractor, Austal (ASX: ASB); financial technology business, Afterpay Touch Group (ASX: APT); artificial intelligence and machine learning specialist, Appen (ASX: APX); English language focused education provider, IDP Education (ASX: IEL); and leading plus-sized fashion retailer, City Chic Collective (ASX: CCX).

We remain cautious about the direction of the Australian market, as the record low interest rates have driven up valuations and increased speculation. The investment portfolio's cash level ended the year at 25.3%.

WAM Capital has achieved an investment portfolio return of 16.7% per annum since inception in 1999, which is 8.1% greater than the annual average return from the S&P/ASX All Ordinaries Accumulation Index. This long-term performance has enabled the Company to pay shareholders an average annualised dividend yield on the initial public offering price of 11.9% fully franked per year over the last 20 years. The fully franked full year dividend for the 2019 year was 15.5 cents per share, representing a 7.7% yield on the 30 June 2019 share price.

## Company performance

There are three key measures we use to evaluate the performance of a listed investment company: investment portfolio performance; NTA growth; and total shareholder return (TSR). Investment portfolio performance measures the growth of the underlying portfolio of equities and cash before expenses, fees and taxes. A key objective of WAM Capital is long-term outperformance against the S&P/ASX All Ordinaries Accumulation Index, which is achieved by growing the investment portfolio at a greater rate. The S&P/ASX All Ordinaries Accumulation Index is measured before expenses, fees and taxes. NTA growth is the change in value of the Company's assets, less liabilities and costs (including tax, management and performance fees) and is essentially the realisable value of the Company. The NTA is announced to shareholders on the ASX each month. TSR measures the tangible value shareholders gain from share price growth and dividends paid over the period. Importantly, TSR does not include the value of franking credits distributed to shareholders by way of fully franked dividends.

### 1. Investment portfolio performance

Performance at 30 June 2019	1 yr	3 yrs %pa	5 yrs %pa	10 yrs %pa	Since inception % pa (Aug-99)
WAM Capital Investment Portfolio	2.0%	9.4%	12.8%	15.6%	16.7%
S&P/ASX All Ordinaries Accumulation Index	11.0%	12.6%	9.0%	10.0%	8.6%
<b>Outperformance</b>	<b>-9.0%</b>	<b>-3.2%</b>	<b>+3.8%</b>	<b>+5.6%</b>	<b>+8.1%</b>
S&P/ASX Small Ordinaries Accumulation Index	1.9%	10.7%	9.3%	6.3%	5.6%
<b>Outperformance</b>	<b>+0.1%</b>	<b>-1.3%</b>	<b>+3.5%</b>	<b>+9.3%</b>	<b>+11.1%</b>

Investment performance and Index returns before expenses, fees and taxes.

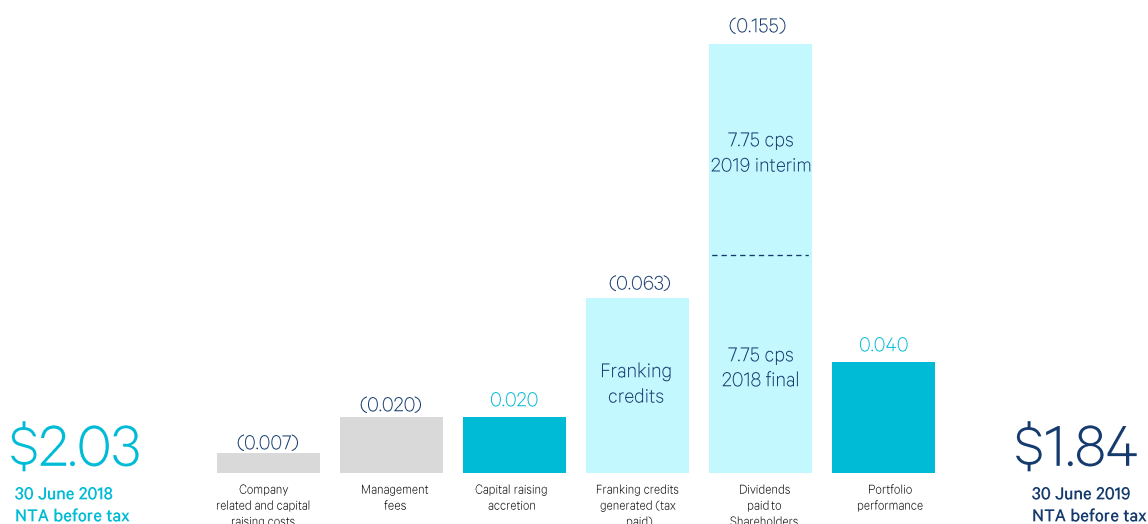
Set out below is the performance of WAM Capital since listing, on a financial year basis. The performance data excludes all expenses, fees and taxes, and is used as a guide to how the Company's investment portfolio has performed against the S&P/ASX All Ordinaries Accumulation Index over the same period.

Financial year	WAM Capital Investment Portfolio	S&P/ASX All Ordinaries Accumulation Index	Outperformance
1999/2000	33.3%	11.3%	+22.0%
2000/2001	30.2%	8.9%	+21.3%
2001/2002	32.7%	-4.5%	+37.2%
2002/2003	12.3%	-1.1%	+13.4%
2003/2004	27.3%	22.4%	+4.9%
2004/2005	13.9%	24.8%	-10.9%
2005/2006	27.4%	24.2%	+3.2%
2006/2007	44.1%	30.3%	+13.8%
2007/2008	-23.0%	-12.1%	-10.9%
2008/2009	-3.2%	-22.1%	+18.9%
2009/2010	29.8%	13.8%	+16.0%
2010/2011	17.9%	12.2%	+5.7%
2011/2012	4.2%	-7.0%	+11.2%
2012/2013	22.7%	20.7%	+2.0%
2013/2014	19.2%	17.6%	+1.6%
2014/2015	14.7%	5.7%	+9.0%
2015/2016	21.6%	2.0%	+19.6%
2016/2017	11.7%	13.1%	-1.4%
2017/2018	15.0%	13.7%	+1.3%
2018/2019	2.0%	11.0%	-9.0%

## 2. NTA growth

WAM Capital's NTA before tax decreased 1.3% in the 12 months to 30 June 2019, including the 15.5 cents per share in fully franked dividends paid to shareholders during the year. This decrease is after corporate tax paid of 6.3 cents per share or 3.1% during the year. Corporate tax payments made throughout the period were the major item of difference between the investment portfolio performance of 2.0% and the net tangible asset performance. The franking credits attached to corporate tax payments are available for distribution to shareholders through fully franked dividends. Other items contributing to the change in the value of the assets during the year were management fees of 1.0%, other company related and capital raising expenses of 0.2%, being offset by capital raising accretion of 1.0%.

### WAM Capital NTA before tax performance

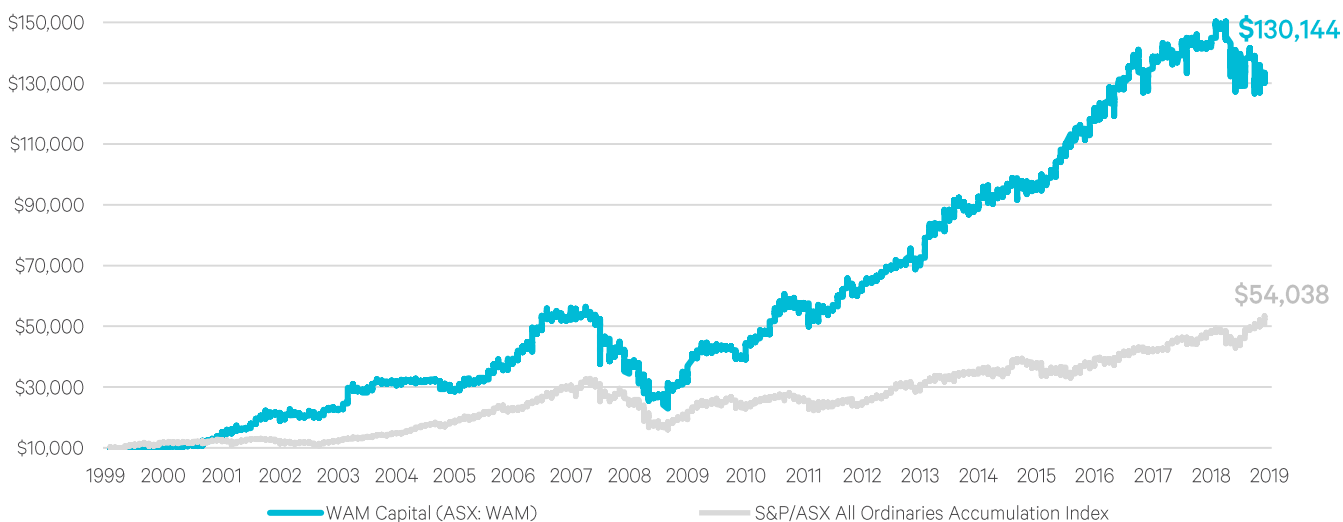


## 3. Total shareholder return

This measure shows the tangible return to shareholders, being the change in the share price together with dividends, assuming the dividends are reinvested during the period. The TSR for WAM Capital for the year to 30 June 2019 was impacted by the decline in the share price premium to NTA. As at 30 June 2019, the share price premium to NTA was 9.8% (2018: 17.2%). This was offset by the investment portfolio performance, with TSR decreasing 8.6% for the year. This measure does not value the potential benefit of franking credits distributed to shareholders through fully franked dividends.



## Growth of a \$10,000 investment since inception



Notes:

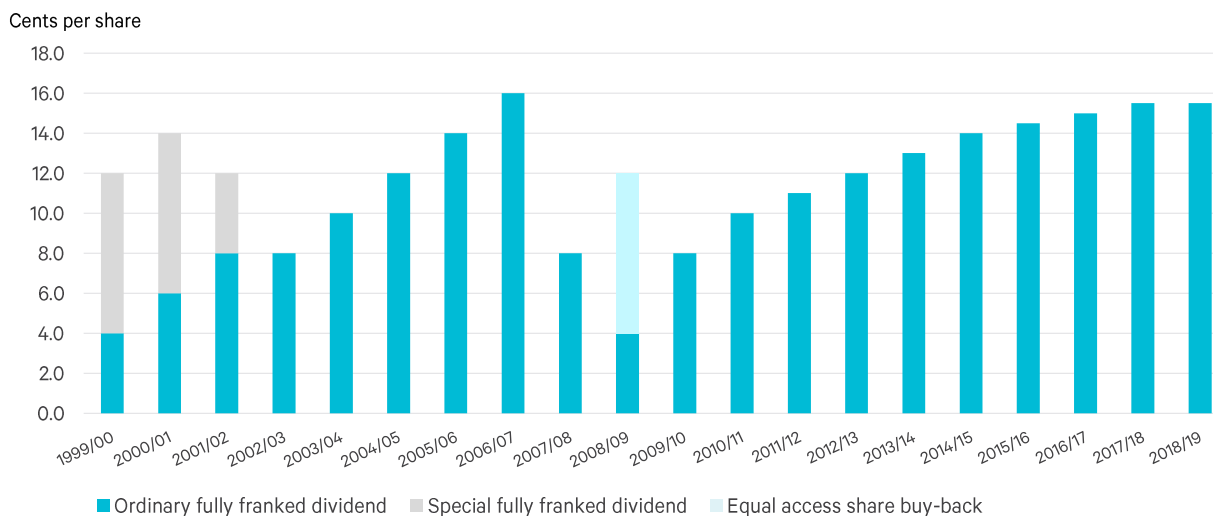
1. The above graph reflects the period from inception in August 1999 to 30 June 2019.
2. WAM Capital's performance is calculated using the closing daily share price in Australian dollars and assumes all dividends are reinvested.
3. The S&P/ASX All Ordinaries Accumulation Index has been chosen for comparison purposes only. The graph is not intended to be an indication of future performance of any asset class, index or the WAM Capital portfolio.

### Dividends

The Board declared a fully franked full year dividend of 15.5 cents per share, with the fully franked final dividend being 7.75 cents per share. Since inception, the Company has paid 230.75 cents per share in fully franked dividends to shareholders.

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. As at 31 July 2019, the Company had 13.0 cents per share available in its profits reserve, before the payment of the fully franked final dividend of 7.75 cents per share. 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 dividends since inception



### Capital management

The Company achieved continued growth during the year, increasing shareholders equity to \$1,344.4 million and total shareholder numbers by 11.0% to 34,415. This growth was achieved through the performance of the investment portfolio and the capital management initiatives throughout the year.

During the year, the Company successfully completed its takeover offer for Wealth Defender Equities (WDE). WAM Capital has a relevant interest in 100.0% of the shares in WDE, which was delisted from the ASX on 12 December 2018. As a result of the takeover offer, 41.4 million new WAM Capital shares were issued as scrip consideration for the acquisition of WDE. The shares were issued at a premium to the Company's pre-tax NTA to the benefit of all shareholders. This issue of shares was accretive to the Company's pre-tax NTA by approximately 1.0% and generated over \$15 million in value for WAM Capital shareholders as a result.

### Company outlook

WAM Capital enters the 2020 financial year with a conservative balance sheet, a high cash weighting, no debt and a flexible and proven investment approach with the patience and expertise of an experienced investment team. Following a strong rally in July 2019, August has seen a higher level of volatility driven by trade war re-escalation and sharp currency movements arising from global central banks' interest rate decisions. The preservation of shareholder capital is a key focus of our investment process. Despite our cautious outlook, we continue to identify and act on opportunities in the market and are confident that the WAM Capital portfolio is comprised of companies with valuation upside and compelling fundamentals.

### Public policy and advocacy

On behalf of our 80,000 shareholders of our six LICs as well as self-funded retirees and low-income earners throughout Australia, we advocated against the inequitable and illogical policy to remove refunds on franked dividend income that was announced on 13 March 2018. We were pleased to see the end of the proposal and thank our shareholders for their support.

### Shareholder engagement and communication

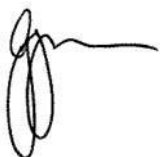
Shareholders are the owners of WAM Capital. Our responsibility is to manage the Company on your behalf and be available to report to you on a regular basis. We encourage all shareholders to meet with us and utilise our proactive approach to keeping them informed. We do this regularly in many ways, including:

- Weekly investor updates from our Lead Portfolio Managers;
- Regular investment insights and market updates;
- Regular roundtables with our shareholders and planners, advisers and their clients;
- Monthly investment updates;
- Semi-annual conference calls on our LICs;
- Semi-annual presentations and lunches across all major Australian cities; and
- Annual and semi-annual profits announcements.

WAM Capital shareholders are encouraged to use the subscription feature on the Wilson Asset Management website to receive notifications of announcements, investor updates and other important information.

We aim to provide valuable and insightful information and welcome all feedback on how we can improve our communication and engagement. Please contact myself or our Head of Corporate Affairs James McNamara on (02) 9247 6755 or email us at [info@wilsonassetmanagement.com.au](mailto:info@wilsonassetmanagement.com.au) with any questions or feedback.

Thank you for your continued support.



**Geoff Wilson AO**  
Chairman

## Investing with Wilson Asset Management

Wilson Asset Management has a strong track record of delivering risk-adjusted returns for shareholders and making a difference for investors and the community for more than 20 years. Established in 1997 by Geoff Wilson AO, Wilson Asset Management is responsible for investing more than \$3 billion in Australian and international companies on behalf of 80,000 retail investors across six LICs:

- WAM Capital (ASX: WAM) – focus on small to mid-cap Australian companies
- WAM Leaders (ASX: WLE) – focus on large-cap Australian companies
- WAM Global (ASX: WGB) – focus on small to mid-cap international companies
- WAM Microcap (ASX: WMI) – focus on micro-cap Australian companies
- WAM Research (ASX: WAX) – focus on small to mid-cap Australian companies
- WAM Active (ASX: WAA) – focus on market mispricing within the Australian equity market

Wilson Asset Management created and is the lead supporter of the first LICs to deliver both investment and social returns: Future Generation Australia (ASX: FGX) and Future Generation Global (ASX: FGG). Wilson Asset Management advocates and acts for retail investors, is a member of the global philanthropic Pledge 1% movement and provides all team members with \$10,000 each year to donate to charities of their choice. This philanthropic investment is made by the Investment Manager.

WAM Capital has an investment management agreement with Wilson Asset Management. For WAM Capital shareholders, that means an experienced team working on your behalf, to achieve your investment aims. Investing with Wilson Asset Management provides the following benefits:

**Risk-adjusted returns.** Wilson Asset Management is focused on delivering strong returns while taking the least risk possible to protect shareholders' capital. Our flexible mandate allows for above average cash holdings.

**Deep diversification.** LICs managed by Wilson Asset Management hold small positions in many companies, providing shareholders with access to highly diversified portfolios.

**Experienced experts.** Wilson Asset Management's investment team is comprised of 12 professionals with a total focus on protecting and growing shareholder capital and is informed by more than 160 years combined equity market experience.

**Full market access.** Wilson Asset Management's investment team hold more than 2,500 company meetings each year, that coupled with their extensive network in the market, provides insight, intelligence and opportunities.

**Transparency.** Wilson Asset Management values shareholder engagement and its LICs adhere to strict corporate governance requirements.

**Shareholder advocacy.** Wilson Asset Management regularly and actively engages in public debate on behalf of self-managed superannuation funds and retail investors.

**A positive impact to the community.** Wilson Asset Management is passionate about making a difference to the broader community.

## Objectives and investment process

### Investment objectives

The investment objectives of WAM Capital are to:

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

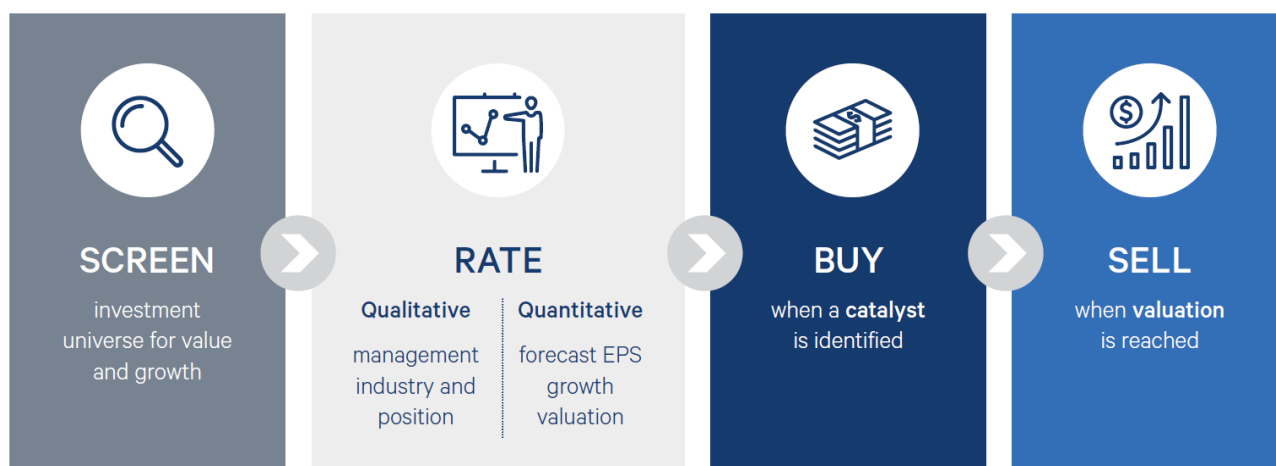
### Investment process – focus on small to mid-cap Australian companies

WAM Capital provides investors with access to Wilson Asset Management’s two distinctive processes:

- a research-driven process focused on identifying undervalued growth companies; and
- a market-driven process that takes advantage of mispricing opportunities.

### Research-driven investing

The research-driven investment process identifies undervalued growth companies through diligent and deep research that focuses on free cash flow, return on equity and the quality of a company. Each company is carefully rated with respect to management, earnings growth potential, valuation and industry position. Under this proprietary process, the investment team will only ever invest in a security once it can identify a catalyst or event that it expects will change the market’s valuation of the company.



### Market-driven investing

This investment process takes advantage of short-term mispricing opportunities in the Australian equity market. Opportunities are derived from initial public offerings, placements, block trades, rights issues, corporate transactions (such as takeovers, mergers, schemes of arrangement, corporate spinoffs and restructures), arbitrage opportunities, LIC discount arbitrages, short selling and trading market themes and trends.

## Directors' Report to shareholders for the year ended 30 June 2019

The Directors present their report together with the financial report of WAM Capital for the financial year ended 30 June 2019.

### 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, provide capital growth and preserve capital. No change in this activity took place during the year or is likely to in the future.

### Operating and financial review

Investment operations over the year resulted in an operating profit before tax of \$5,987,601 (2018: \$166,866,789) and an operating profit after tax of \$14,533,222 (2018: \$125,397,635). The after tax figure was boosted by a \$8.5 million income tax benefit delivered through franking credits received on franked dividend income from investee companies. The operating profit was impacted by the performance of the investment portfolio over the period which resulted from the heightened volatility in the Australian equity market. The investment portfolio increased 2.0% in the 12 months to 30 June 2019, whilst holding on average 29.4% in cash. The S&P/ASX Small Ordinaries Accumulation Index rose 1.9% and the S&P/ASX All Ordinaries Accumulation Index increased 11.0% for the year to 30 June 2019.

The operating profit for the period includes unrealised gains or losses arising from changes in the market value of the investments held in the portfolio during the period. This movement in the market value of investments can add to or reduce the realised gains and losses on the investment portfolio and other revenue from operating activities (such as dividend and interest income) in each period. Because of this treatment under the Accounting Standards, this can cause large variations in reported operating profits between periods.

The operating profit for each financial period is reflective of the underlying investment portfolio performance and is important to understand with context to the overall performance of equity markets in any given period. As a result, we believe the more appropriate measures of the financial results for the period are the investment portfolio performance, the change in net tangible assets (NTA) and fully franked dividends, together with total shareholder return.

Further information on the three key listed investment company performance measures and the operating and financial review of the Company is contained in the Chairman's Letter.

During the year, the Company successfully completed its takeover offer for Wealth Defender Equities (WDE). WAM Capital has a relevant interest in 100.0% of the shares in WDE, which was delisted from the ASX on 12 December 2018. As a result of the takeover offer, 41.4 million new WAM Capital shares were issued as scrip consideration for the acquisition of WDE. The shares were issued at a premium to the Company's pre-tax NTA to the benefit of all shareholders. This issue of shares was accretive to the Company's pre-tax NTA by approximately 1.0% and generated over \$15 million in value for WAM Capital shareholders as a result.

### Financial position

The net asset value of the Company as at 30 June 2019 was \$1,344,417,111 (2018: \$1,323,833,214). Further information on the financial position of the Company is contained in the Chairman's Letter.

### 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 2019.

### Dividends paid or recommended

Dividends paid or declared during the year are as follows:

	\$
Fully franked FY2018 final dividend of 7.75 cents per share paid on 26 November 2018	54,821,580
Fully franked FY2019 interim dividend of 7.75 cents per share paid on 26 April 2019	55,272,508

Since the end of the year, the Directors declared a fully franked final dividend of 7.75 cents per share to be paid on 25 October 2019.

### Directors

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

- Geoff Wilson AO
- Dr. Philippa Ryan
- James Chirnside
- Lindsay Mann
- Kate Thorley
- Chris Stott (resigned 26 July 2019)

### Information on Directors

#### Geoff Wilson (Chairman – non-independent)

##### Experience and expertise

Geoff Wilson has over 39 years' direct experience in investment markets having held a variety of senior investment roles in Australia, the UK and the US. Geoff founded Wilson Asset Management in 1997. Geoff created Australia's first listed investment companies to deliver both investment and social returns, Future Generation Australia and Future Generation Global. Geoff holds a Bachelor of Science, a Graduate Management Qualification and is a Fellow of the Financial Services Institute of Australia and the Australian Institute of Company Directors (AICD).

Geoff has been Chairman of the Company since March 1999.

### Other current directorships

Geoff Wilson is currently Chairman of WAM Research Limited (appointed June 2003), WAM Active Limited (appointed July 2007), WAM Leaders Limited (appointed March 2016), WAM Microcap Limited (appointed March 2017), WAM Global Limited (appointed February 2018) and the Australian Stockbrokers Foundation. He is the founder and a Director of Future Generation Investment Company Limited (appointed July 2014) and Future Generation Global Investment Company Limited (appointed May 2015) and a Director of Australian Leaders Fund Limited (appointed October 2003), Global Value Fund Limited (appointed April 2014), Century Australia Investments Pty Limited (appointed September 2014), 8IP Emerging Companies Limited (appointed April 2018), Incubator Capital Limited (appointed February 2000), Hearts and Minds Investments Limited (appointed September 2018), Wealth Defender

### **Geoff Wilson (Chairman – non-independent) (cont'd)**

Equities Pty Limited (appointed October 2018), Wollongong 2022 Limited (appointed March 2019), Sporting Chance Cancer Foundation, Australian Fund Managers Foundation, Australian Children's Music Foundation, and he is a Member of the Second Bite NSW Advisory Committee. He is the founder and Director of investment management companies Wilson Asset Management (International) Pty Limited and MAM Pty Limited.

#### **Former directorships in the last 3 years**

Geoff Wilson resigned as a director of Clime Capital Limited in March 2018.

#### **Special responsibilities**

Chairman of the Board.

#### **Interests in shares of the Company**

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

#### **Interests in contracts**

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

### **Philippa Ryan (Director – independent)**

#### **Experience and expertise**

Dr Philippa Ryan is a highly experienced legal academic with exceptional experience in commercial law, corporate governance, finance and technology. Dr Ryan is a lecturer at the UTS Faculty of Law, a founding member of the UTS Blockchain Cluster, a director of the Landers and Rogers Board, deputy chair of the Australian Computer Society blockchain technical committee, a member of the Standards Australia blockchain technical committee and a member of the Australian Digital Currency Association industry advisory board. Dr Ryan holds a number of legal and academic qualifications including an LLB, BA, Med and PhD.

Dr Ryan has been a director of the Company since April 2018.

#### **Other current directorships**

Philippa Ryan is a director of Landers and Rogers.

#### **Former directorships in the last 3 years**

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

#### **Special responsibilities**

Member of the Audit and Risk Committee.

#### **Interests in shares of the Company**

Philippa Ryan has no interests in shares of the Company.

#### **Interests in contracts**

Philippa Ryan has no interests in contracts of the Company.



## **James Chirnside (Director – independent)**

### **Experience and expertise**

James Chirnside has been involved in financial markets for over 30 years mainly as an equities fund manager across a broad range of sectors. James is currently Chairman and Managing Director of Dart Mining NL. Prior to this, James worked as a fund manager and proprietary metals trader in Sydney, Hong Kong, London, and Melbourne. Between 2002 and 2012, James ran equities fund manager Asia Pacific Asset Management. From 2000-2001, James worked for Challenger Financial Group in Sydney as a product manager responsible for hedge fund investments. During the 1990s, James managed frontier and 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.

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), Ask Funding Limited (appointed September 2015), Dart Mining NL (appointed June 2015), IPE Limited (appointed August 2018) and Wealth Defender Equities Pty Limited (appointed October 2018).

### **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.

### **Special responsibilities**

Chairman of the Audit and 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.

## **Lindsay Mann (Director – independent)**

### **Experience and expertise**

Lindsay Mann has more than 40 years' financial services experience. He was formerly Chairman of Premium Investors Pty Limited (formerly Premium Investors 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, Lindsay was CEO of AXA Investment Managers in Hong Kong. He is a Fellow of the Institute of Actuaries of Australia and a Graduate member of the Australian Institute of Company Directors.

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

## **Lindsay Mann (Director – independent) (cont'd)**

### **Other current directorships**

Lindsay Mann is currently an independent non-executive director of UCA Funds Management Limited, an independent Director of WAM Leaders Limited (appointed March 2016), Wealth Defender Equities Pty Limited (appointed October 2018) and Century Australia Investments Pty Limited (appointed March 2019).

### **Former directorships in the last 3 years**

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

### **Special responsibilities**

Member of the Audit and Risk Committee.

### **Interests in shares of the Company**

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

### **Interests in contracts**

Lindsay Mann has no interests in contracts of the Company.

## **Kate Thorley (Director – non-independent)**

### **Experience and expertise**

Kate Thorley has over 14 years' experience in the funds management industry and more than 20 years of financial accounting and corporate governance experience. Kate is the Chief Executive Officer of Wilson Asset Management (International) Pty Limited, Director of WAM Research Limited, WAM Active Limited, WAM Leaders Limited, WAM Microcap Limited, WAM Global Limited and Future Generation Investment Company Limited. Kate is the Joint Company Secretary of Future Generation Global Investment Company Limited. She holds a Bachelor of Commerce, a Graduate Diploma in Applied Finance and Investment, Graduate Diploma of Applied Corporate Governance and is a fully qualified CA. She is a member of the Australian Institute of Company Directors (AICD).

Kate has been a Director of the Company since August 2016.

### **Other current directorships**

Kate Thorley is a Director of WAM Active Limited (appointed July 2014), WAM Research Limited (appointed August 2014), Future Generation Investment Company Limited (appointed April 2015), WAM Leaders Limited (appointed March 2016), WAM Microcap Limited (appointed March 2017) and WAM Global Limited (appointed February 2018).

### **Former directorships in the last 3 years**

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

### **Special responsibilities**

None.

### **Interests in shares of the Company**

Details of Kate Thorley's interests in shares of the Company are included later in this report.

## Kate Thorley (Director – non-independent) (cont'd)

### Interests in contracts

Kate Thorley 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:

#### Linda Vo

Linda Vo has over 15 years' experience in financial accounting including more than 11 years in the funds management industry. As the Finance Manager of Wilson Asset Management (International) Pty Limited, Linda oversees finance and accounting and is also the Company Secretary for six listed investment companies, WAM Capital Limited, WAM Research Limited, WAM Active Limited, WAM Leaders Limited, WAM Microcap Limited and WAM Global Limited. Linda holds a Bachelor of Commerce and is a fully qualified CPA. She is a certified member of the Governance Institute of Australia.

Linda was appointed Company Secretary of WAM Capital Limited in October 2017.

### Remuneration Report (Audited)

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

#### 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 General 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.

The maximum total remuneration of the Directors of the Company has been set at \$190,000 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 2019:

Director	Position	Short-term employee benefits	Post-employment benefits	Total
		Directors' fees	Superannuation	
		\$	\$	\$
Geoff Wilson	Chairman	9,132	868	10,000
Philippa Ryan	Director	36,530	3,470	40,000
James Chirnside	Director	36,530	3,470	40,000
Lindsay Mann	Director	36,530	3,470	40,000
Kate Thorley	Director	9,132	868	10,000
Chris Stott (resigned 26 July 2019)	Director	9,132	868	10,000
		<b>136,986</b>	<b>13,014</b>	<b>150,000</b>

**Remuneration Report (Audited) (cont'd)****a) Remuneration of Directors (cont'd)**

Directors receive a superannuation guarantee contribution required by the government, which was 9.5% of individuals benefits for FY2019 and do not receive any other retirement benefits. Directors may also elect to salary sacrifice their fees into superannuation.

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

	2019	2018	2017	2016	2015
Operating profit after tax (\$)	14,533,222	125,397,635	68,912,591	97,994,040	53,988,609
Dividends (cents per share)	15.5	15.5	15.0	14.5	14.0
NTA after tax (\$ per share)	1.87	1.98	1.92	1.86	1.78
Total Directors' remuneration (\$)	150,000	150,109	175,589	180,000	170,000
Shareholder's equity (\$)	1,344,417,111	1,323,833,214	1,214,898,458	878,749,246	806,499,635

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

**b) Director related entities remuneration**

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

The Company has an investment management agreement with Wilson Asset Management (International) Pty Limited (the Investment Manager or the Manager). Geoff Wilson is the director of Wilson Asset Management (International) Pty Limited, the entity appointed to manage the investment portfolio of WAM Capital. Entities associated with Geoff Wilson hold 100% of the issued shares of Wilson Asset Management (International) Pty Limited. In its capacity as the Manager and in accordance with the investment management agreement, Wilson Asset Management (International) Pty Limited was paid a management fee of 1% p.a. (plus GST) of the value of the portfolio amounting to \$14,683,441 inclusive of GST (2018: \$14,495,629). As at 30 June 2019, the balance payable to the Manager was \$1,213,947 inclusive of GST (2018: \$1,244,428).

In addition, Wilson Asset Management (International) Pty Limited is to be paid, annually in arrears, a performance fee being 20% (plus GST) 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 value of the portfolio has decreased over that period. For the year ended 30 June 2019, no performance fee was payable to Wilson Asset Management (International) Pty Limited (2018: \$364,295).

Wilson Asset Management (International) Pty Limited has a service agreement in place with WAM Capital to provide accounting and Company Secretarial services on commercial terms. For the year ended 30 June 2019, the fee for accounting services amounted to \$46,200 inclusive of GST (2018: \$46,200) and the fee for Company Secretarial services amounted to \$16,500 inclusive of GST (2018: \$16,500).

**Remuneration Report (Audited) (cont'd)****b) Director related entities remuneration (cont'd)**

These amounts are in addition to the 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 of the Director or with a firm of which he/she is a member or with a Company in which he/she has substantial financial interest.

**c) Remuneration of executives**

There are no executives that are paid by the Company. Wilson Asset Management (International) Pty Limited, the Investment Manager of the Company, provides the day-to-day management of the Company and is remunerated for these services as outlined above.

**d) Equity instruments disclosures of Directors and related parties**

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

Ordinary shares held Directors	Balance at 30 June 2018	Acquisitions	Disposals	Balance at the date of this report
Geoff Wilson	259,303	153,581	-	412,884
Philippa Ryan	-	-	-	-
James Chirnside	30,793	2,351	-	33,144
Lindsay Mann	63,880	-	-	63,880
Kate Thorley	53,991	3,500	-	57,491
	<b>407,967</b>	<b>159,432</b>	<b>-</b>	<b>567,399</b>

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

- End of Remuneration Report -

**Directors' meetings**

Director	No. eligible to attend	Attended
Geoff Wilson	9	9
Philippa Ryan	9	8
James Chirnside	9	9
Lindsay Mann	9	8
Kate Thorley	9	9
Chris Stott (resigned 26 July 2019)	9	8

### Audit and Risk Committee meetings

The main responsibilities of the Audit and Risk Committee are set out in the Company's 2019 Corporate Governance Statement.

Audit and Risk Committee member	No. eligible to attend	Attended
James Chirnside	4	4
Lindsay Mann	4	4
Philippa Ryan	4	4

### After balance date events

Since the end of the year, the Directors declared a fully franked final dividend of 7.75 cents per share to be paid on 25 October 2019.

On 29 July 2019, the Company announced the resignation of Chris Stott from the Board of Directors.

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

### Future developments

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

The Company's future performance is dependent on the performance of the Company's investments. In turn, the performance of these investments is impacted by investee 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 Company's investments and, therefore, the Company's performance.

### Environmental regulation

The Company'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 Company paid a premium in respect of a contract insuring the Directors of the Company, 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 Company.

### Proceedings on behalf of the Company

No person has applied for leave of the Court to bring proceedings on behalf of the Company or to 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 Pitcher Partners, the Company's auditor, performed taxation and other services for the Company. Details of the amounts paid to the auditors and their related parties are disclosed in Note 5 to the financial statements.

The Board of Directors, in accordance with advice from the Audit and 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 and Risk Committee 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 auditor independence in accordance with the APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

### Rounding of amounts to nearest dollar

In accordance with ASIC Corporations (rounding in Directors' Reports) Instrument 2016/191, the amounts in the Directors' Report have been rounded to the nearest dollar, unless otherwise indicated.

### Corporate Governance Statement

The Company's Corporate Governance Statement for the year ended 30 June 2019 is provided on the Company's website at [wilsonassetmanagement.com.au](http://wilsonassetmanagement.com.au).

### 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 23 of the Annual Report.

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



**Geoff Wilson AO**  
Chairman

Dated in Sydney this 20<sup>th</sup> day of August 2019

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**Auditor's Independence Declaration  
To the Directors of WAM Capital Limited  
ABN 34 086 587 395**

In relation to the independent audit of WAM Capital Limited for the year ended 30 June 2019,  
I declare that to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor's independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



**S M Whiddett**  
Partner

**Pitcher Partners**  
Sydney

20 August 2019



## Statement of comprehensive income for the year ended 30 June 2019

	Note	2019 \$	2018 \$
Net realised and unrealised (losses)/gains on financial investments		(18,324,114)	144,556,373
Other revenue from operating activities	2	44,114,382	43,640,946
Management fees		(13,682,297)	(13,507,291)
Performance fees		-	(339,457)
Directors fees		(150,000)	(150,109)
Brokerage expense on share purchases		(4,251,736)	(5,174,373)
Expenses paid on borrowed stock		(93,367)	(930,945)
Custody fees		(101,841)	(98,734)
ASX listing and chess fees		(224,441)	(213,988)
Share registry fees		(315,925)	(216,965)
Disbursements, mailing and printing		(272,441)	(211,018)
Legal and professional fees		(170,203)	(112,069)
ASIC industry funding levy		(112,582)	-
Other expenses from ordinary activities		(427,834)	(375,581)
<b>Profit before income tax</b>		<b>5,987,601</b>	<b>166,866,789</b>
Income tax benefit/(expense)	3(a)	8,545,621	(41,469,154)
<b>Profit after income tax attributable to members of the Company</b>		<b>14,533,222</b>	<b>125,397,635</b>
<b>Other comprehensive income</b>			
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		<b>14,533,222</b>	<b>125,397,635</b>
<b>Basic and diluted earnings per share</b>	15	<b>2.08 cents</b>	<b>19.30 cents</b>

The accompanying notes form part of these financial statements.

## Statement of financial position as at 30 June 2019

	Note	2019 \$	2018 \$
<b>Current assets</b>			
Cash and cash equivalents	13	325,988,043	389,675,066
Trade and other receivables	6	37,858,074	33,758,932
Financial assets	7	1,000,725,212	973,929,383
<b>Total current assets</b>		<b>1,364,571,329</b>	<b>1,397,363,381</b>
<b>Non-current assets</b>			
Deferred tax assets	3(b)	23,613,806	2,598,344
<b>Total non-current assets</b>		<b>23,613,806</b>	<b>2,598,344</b>
<b>Total assets</b>		<b>1,388,185,135</b>	<b>1,399,961,725</b>
<b>Current liabilities</b>			
Trade and other payables	9	31,424,411	31,383,915
Financial liabilities	8	10,049,817	9,851,683
Current tax liabilities	3(c)	2,293,796	20,094,479
<b>Total current liabilities</b>		<b>43,768,024</b>	<b>61,330,077</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	3(d)	-	14,798,434
<b>Total non-current liabilities</b>		<b>-</b>	<b>14,798,434</b>
<b>Total liabilities</b>		<b>43,768,024</b>	<b>76,128,511</b>
<b>Net assets</b>		<b>1,344,417,111</b>	<b>1,323,833,214</b>
<b>Equity</b>			
Issued capital	10	1,337,451,236	1,221,306,473
Profits reserve	11	54,582,036	130,146,739
Accumulated losses	12	(47,616,161)	(27,619,998)
<b>Total equity</b>		<b>1,344,417,111</b>	<b>1,323,833,214</b>

The accompanying notes form part of these financial statements.

## Statement of changes in equity for the year ended 30 June 2019

	Note	Issued capital \$	Accumulated losses \$	Profits reserve \$	Total equity \$
<b>Balance at 1 July 2017</b>		<b>1,139,486,184</b>	<b>(27,619,998)</b>	<b>103,032,272</b>	<b>1,214,898,458</b>
Profit for the year		-	125,397,635	-	125,397,635
Transfer to profits reserve		-	(125,397,635)	125,397,635	-
Other comprehensive income for the year		-	-	-	-
<b>Transactions with owners:</b>					
Shares issued via dividend reinvestment plan	10(b)	16,210,218	-	-	16,210,218
Shares issued via DRP shortfall placement	10(b)	66,155,750	-	-	66,155,750
Share issue costs (net of tax)	10(b)	(545,679)	-	-	(545,679)
Dividends paid	4(a)	-	-	(98,283,168)	(98,283,168)
<b>Balance at 30 June 2018</b>		<b>1,221,306,473</b>	<b>(27,619,998)</b>	<b>130,146,739</b>	<b>1,323,833,214</b>
Profit for the year		-	14,533,222	-	14,533,222
Transfer to profits reserve		-	(34,529,385)	34,529,385	-
Other comprehensive income for the year		-	-	-	-
<b>Transactions with owners:</b>					
Shares issued via dividend reinvestment plan	10(b)	16,237,620	-	-	16,237,620
Shares issued via scrip consideration for acquisition of Wealth Defender Equities	10(b)	99,976,817	-	-	99,976,817
Share issue costs (net of tax)	10(b)	(69,674)	-	-	(69,674)
Dividends paid	4(a)	-	-	(110,094,088)	(110,094,088)
<b>Balance at 30 June 2019</b>		<b>1,337,451,236</b>	<b>(47,616,161)</b>	<b>54,582,036</b>	<b>1,344,417,111</b>

The accompanying notes form part of these financial statements.

## Statement of cash flows for the year ended 30 June 2019

	Note	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Proceeds from sale of investments		3,100,686,678	3,206,321,323
Payments for purchase of investments		(3,052,055,397)	(3,209,713,092)
Dividends received		32,001,949	27,955,581
Interest received		7,329,164	7,468,206
Other investment income received		5,330,021	7,391,017
Management fee (GST inclusive)		(14,713,922)	(14,386,876)
Performance fee (GST inclusive)		(364,295)	-
Brokerage expense on share purchases (GST inclusive)		(4,556,885)	(5,552,654)
Payments for administration expenses (GST inclusive)		(1,853,707)	(2,538,859)
Income tax paid		(42,959,890)	(32,021,890)
GST on brokerage expense on share sales		(309,398)	(369,914)
Net GST received from ATO		1,734,661	1,794,165
<b>Net cash provided by/(used in) operating activities</b>	<b>14</b>	<b>30,268,979</b>	<b>(13,652,993)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	66,155,750
Dividends paid – net of reinvestment		(93,856,468)	(82,072,950)
Share issue costs		(99,534)	(779,542)
<b>Net cash used in financing activities</b>		<b>(93,956,002)</b>	<b>(16,696,742)</b>
<b>Net decrease in cash and cash equivalents held</b>		<b>(63,687,023)</b>	<b>(30,349,735)</b>
Cash and cash equivalents at beginning of the year		389,675,066	420,024,801
<b>Cash and cash equivalents at the end of the year</b>	<b>13</b>	<b>325,988,043</b>	<b>389,675,066</b>
<b>Non-cash transactions:</b>			
Shares issued via dividend reinvestment plan		16,237,620	16,210,218
Shares issued via scrip consideration for acquisition of Wealth Defender Equities		99,976,817	-

The accompanying notes form part of these financial statements.

# Notes to the financial statements for the year ended 30 June 2019

## 1. Significant accounting policies

### Basis of preparation

The 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*.

WAM Capital is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial report was authorised for issue on 20 August 2019 by the Board of Directors.

WAM Capital is a listed public company, incorporated and domiciled in Australia.

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 to which they apply. Compliance with Australian Accounting Standards ensures that the Company'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 financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, except for financial assets and certain other financial assets and liabilities which have been measured at fair value. All amounts are presented in Australian dollars.

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The Company has applied AASB 9: *Financial Instruments* from 1 July 2018. All of the Company's investments in financial assets continue to be accounted for at fair value through profit or loss under AASB 9. Accordingly, first time application of AASB 9 had no impact on the Company's accounting for its investments in financial assets. AASB 9 has also introduced the expected credit loss model which is a forward looking model applicable to other financial assets of the Company. Please refer to Note 1(g) for further details.

### a) Financial instruments

#### Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument. For financial assets, trade date accounting is adopted, which is equivalent to the date that the Company 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 Statement of comprehensive income immediately.

## 1. Significant accounting policies (cont'd)

### a) Financial instruments (cont'd)

#### 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 listed or 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 Company 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 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 Statement of comprehensive income in the period in which they arise.

#### (iii) Investment entity

WAM Capital owns 100% of the shares on issue in Wealth Defender Equities (WDE) and another unlisted investment entity. The Directors have assessed the requirements of *AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities* and have applied the criteria set out in that standard to the operations of the Company. WAM Capital is therefore considered to be an investment entity and as a result, the wholly owned entities of the Company are not consolidated into the financial statements, but rather are accounted for as financial assets at fair value through profit or loss.

#### 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 Company 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 Statement of comprehensive income.

### b) 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 financial statements.

## 1. Significant accounting policies (cont'd)

### b) Income tax (cont'd)

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 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 wholly owned 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 currently no tax funding agreement between the Company and its wholly owned entity.

### c) 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 six months or less.

### d) 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).

### e) 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. Refer to Note 1 (g) for further detail.

## 1. Significant accounting policies (cont'd)

### f) Trade and other payables

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

### g) Impairment of assets

The company applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition (this has replaced the incurred loss model). All the trade receivables of the company share the same credit risk characteristics. Indicators that there is no reasonable expectation of recovery include, amongst others, the Standard & Poor's credit risk rating of a debtor, and a failure to make contractual payments for a period of greater than 30 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within the Statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited against the same line item. As at 30 June 2019 there are no expected credit losses recognised (2018: nil).

### h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised exclusive 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 Statement of financial position.

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

### i) Comparative figures

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

### j) Profits reserve

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

### k) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### l) Dividends

Dividends are recognised when declared during the financial year.

### m) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the 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.



## 1. Significant accounting policies (cont'd)

### m) Critical accounting estimates and judgments (cont'd)

There are no estimates or judgments that have a material impact on the Company's financial results for the year ended 30 June 2019. 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.

### n) New standards and interpretations not yet adopted

There are no new standards or interpretations applicable that would have a material impact for the Company.

## 2. Other revenue

	2019 \$	2018 \$
Australian sourced dividends	33,130,634	27,112,931
Trust distributions	3,745,230	8,342,914
Interest	7,025,085	7,621,716
Foreign sourced dividends	25,670	356,226
Underwriting fees	166,844	207,159
Other income	20,919	-
	<b>44,114,382</b>	<b>43,640,946</b>

## 3. Income tax

### a) Income tax (benefit)/expense

The prima facie tax on profit before income tax is reconciled to the income tax (benefit)/expense as follows:

	2019 \$	2018 \$
Prima facie tax on profit before income tax at 30% (2018: 30%)	1,796,280	50,060,037
Imputation credit gross up	4,026,310	3,737,941
Foreign income tax offset gross up	14,456	5,817
Franking credit offset	(13,421,034)	(12,459,803)
Foreign income tax offset	(48,186)	(19,390)
Other non-assessable items*	(913,447)	144,552
	<b>(8,545,621)</b>	<b>41,469,154</b>
Effective tax rate	<b>(14.2.7%)</b>	<b>24.9%</b>

The effective tax rate reflects the benefit to the Company of franking credits received on dividend income during the year, which was in excess of the corporate tax rate of 30% on the Company's profit before income tax. The decrease in the effective tax rate from the comparative year is reflective of the

### 3. Income tax (cont'd)

#### a) Income tax (benefit)/expense (cont'd)

higher proportion of franked dividend income received in comparison to the net profit before tax for the period.

Other non-assessable items primarily relate to timing differences on dividends receivable and investments.

	2019 \$	2018 \$
<b>Total income tax (benefit)/expense results in a:</b>		
Current tax liability	25,159,207	38,423,758
Deferred tax liability	(14,798,434)	2,911,769
Deferred tax asset	(18,906,394)	133,627
	<b>(8,545,621)</b>	<b>41,469,154</b>

#### b) Deferred tax assets

	2019 \$	2018 \$
Tax losses	5,954,192	2,159,583
Fair value adjustments	17,181,798	-
Accruals	11,963	10,956
Share issue costs	465,853	427,805
	<b>23,613,806</b>	<b>2,598,344</b>
<b>Movement in deferred tax assets</b>		
Balance at the beginning of the year	2,598,344	2,498,108
Tax losses transferred from acquisition of controlled entity	1,927,546	-
Credited/(charged) to the statement of comprehensive income	18,906,394	(133,627)
Share issue costs	181,522	233,863
At reporting date	<b>23,613,806</b>	<b>2,598,344</b>

### 3. Income tax (cont'd)

#### c) Current tax liabilities

	2019 \$	2018 \$
Balance at the beginning of the year	20,094,479	13,692,611
Current year income tax on operating profit	25,159,207	38,423,758
Net income tax paid	(42,959,890)	(32,021,890)
At reporting date	<b>2,293,796</b>	<b>20,094,479</b>

#### d) Deferred tax liabilities

	2019 \$	2018 \$
Fair value adjustments	-	14,798,434
	-	<b>14,798,434</b>
<b>Movement in deferred tax liabilities</b>		
Balance at the beginning of the year	14,798,434	11,886,665
(Credited)/charged to the statement of comprehensive income	(14,798,434)	2,911,769
At reporting date	-	<b>14,798,434</b>

### 4. Dividends

#### a) Ordinary dividends paid during the year

	2019 \$	2018 \$
Final dividend FY2018: 7.75 cents per share fully franked at 30% tax rate, paid 26 November 2018 (Final dividend FY2017: 7.5 cents per share fully franked)	54,821,580	47,500,699
Interim dividend FY2019: 7.75 cents per share fully franked at 30% tax rate, paid 26 April 2019 (Interim dividend FY2018: 7.75 cents per share fully franked)	55,272,508	50,782,469
	<b>110,094,088</b>	<b>98,283,168</b>

#### b) Dividends not recognised at year end

	2019 \$	2018 \$
In addition to the above dividends, since the end of the year, the Directors have declared a 7.75 cents per share fully franked dividend (2018: 7.75 cents per share fully franked) which has not been recognised as a liability at the end of the financial year:	<b>55,611,763</b>	<b>51,798,133</b>

#### 4. Dividends (cont'd)

##### c) Dividend franking account

	2019 \$	2018 \$
Balance of franking account at year end	15,125,194	3,551,897
Adjusted for franking credits arising from: - Estimated income tax payable	2,293,796	20,094,479
Subsequent to the reporting period, the franking account would be reduced by the proposed dividend disclosed in Note 4(b):	(23,833,613)	(22,199,200)
	<b>(6,414,623)</b>	<b>1,447,176</b>

##### d) Deferred tax liabilities

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 tax on unrealised investment gains at the end of the reporting period. As at 30 June 2019, the deferred tax liability in relation to fair value movements on the investment portfolio is in a debit balance of \$17,181,798 and this amount has been presented as a deferred tax asset (2018: credit balance of \$14,798,434 presented as a deferred tax liability).

#### 5. Auditor's remuneration

	2019 \$	2018 \$
Remuneration of the auditor for:		
Auditing and reviewing the financial report	52,318	47,533
Acquisition of controlled entity	5,500	-
Other services provided by a related practice of the auditor:		
Taxation services	12,952	11,770
Acquisition of controlled entity	8,664	-
Other non-assurance services	-	16,611
	<b>79,434</b>	<b>75,914</b>

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

## 6. Trade and other receivables

	2019 \$	2018 \$
Outstanding settlements	35,540,840	30,821,467
Investment income receivable	1,922,985	2,469,736
GST receivable	394,249	467,729
	<b>37,858,074</b>	<b>33,758,932</b>

Outstanding settlements are on the terms operating in the securities industry. These do not incur interest and require settlement within two days from the date of the transaction. Investment income receivable relates to interest, dividends and trust distributions receivable at the end of the reporting period.

## 7. Financial assets

	2019 \$	2018 \$
Listed investments at fair value	997,388,145	971,572,828
Unlisted investments at fair value	3,337,067	2,356,555
	<b>1,000,725,212</b>	<b>973,929,383</b>

The market values of individual investments held at the end of the reporting period are disclosed on pages 55 to 56 of the Annual Report.

The balance of unlisted investments held at fair value as at 30 June 2019 includes AMP Capital China Growth Fund (\$1.2m), which was delisted on 30 December 2016 and other unlisted investments (\$2.1m), including WAM Capital's investments in unlisted investment companies. The fair value of these unlisted investment companies have been based on their respective net asset backing, being the underlying residual cash and cash equivalents at the end of the reporting period. The fair value of AMP Capital China Growth Fund was determined using its net asset backing per share at the end of the reporting period.

## 8. Financial liabilities

	2019 \$	2018 \$
Borrowed stock	<b>10,049,817</b>	<b>9,851,683</b>

Borrowed stock is carried at fair value. The Company 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 Company, as outlined in the investment management agreement.

## 9. Trade and other payables

	2019 \$	2018 \$
Outstanding settlements	29,822,089	29,447,235
Management fee payable	1,213,947	1,244,428
Performance fee payable	-	364,295
Sundry payables	388,375	327,957
	<b>31,424,411</b>	<b>31,383,915</b>

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

## 10. Issued capital

### a) Paid-up capital

	2019 \$	2018 \$
717,571,132 ordinary shares fully paid (2018: 668,363,006)	<b>1,337,451,236</b>	<b>1,221,306,473</b>

### b) Ordinary shares

	2019 \$	2018 \$
Balance at the beginning of the year	1,221,306,473	1,139,486,184
39,011,851 ordinary shares issued on 31 October 2018 as scrip consideration for acquisition of Wealth Defender Equities	94,798,798	-
3,891,095 ordinary shares issued on 26 November 2018 under a dividend reinvestment plan	8,149,614	-
2,342,995 ordinary shares issued on 10 December 2018 as scrip consideration for acquisition of Wealth Defender Equities	5,178,019	-
3,962,185 ordinary shares issued on 26 April 2019 under a dividend reinvestment plan	8,088,006	-
3,480,336 ordinary shares issued on 27 October 2017 under a dividend reinvestment plan	-	8,189,396
18,434,971 ordinary shares issued on 10 November 2017 under a DRP shortfall placement	-	43,377,487
3,412,813 ordinary shares issued on 27 April 2018 under a dividend reinvestment plan	-	8,020,822
9,692,878 ordinary shares issued on 30 April 2018 under a DRP shortfall placement	-	22,778,263
Share issue costs (net of tax)	(69,674)	(545,679)
At reporting date	<b>1,337,451,236</b>	<b>1,221,306,473</b>

## 10. Issued capital (cont'd)

### b) Ordinary shares (cont'd)

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 Company, ordinary shareholders rank after creditors and share in any proceeds on winding up in proportion to the number of shares held.

### c) Capital management

The Board manages the Company's capital by regularly reviewing the most efficient manner by which the Company deploys its capital. 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 placements, share purchase plans, option issues and 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 manage the capital of the Company during the year. The Company is not subject to any externally imposed capital requirements.

### d) Acquisition of Wealth Defender Equities

During the year, WAM Capital successfully completed its takeover offer for Wealth Defender Equities (WDE). The offer consideration for the takeover bid was 1 WAM Capital share for every 2.5 WDE shares. The non-executive directors of WDE recommended that WDE shareholders accept the takeover offer on 26 September 2018.

On 18 October 2018, the takeover bid was declared free of the defeating conditions and the offer closed on 26 October 2018 with WAM Capital receiving acceptances for 95.26% of the shares on issue in WDE. The Company subsequently proceeded with the compulsory acquisition of the remaining WDE shares that it did not hold. As a result, WAM Capital has a relevant interest in 100.0% of the shares in WDE, which was delisted from the ASX on 12 December 2018 and was subsequently converted from a public company to a proprietary limited company.

WDE is a wholly owned subsidiary of WAM Capital. The investment in WDE has been accounted for as a financial asset at fair value through profit or loss (FVTPL), consistent with the Company's accounting policies. See Note 16(d) for further information.

The successful takeover bid of WDE resulted in the issuance of 41,354,846 new WAM Capital shares at a premium to its pre-tax NTA to the benefit of all shareholders. This issue of shares was accretive to the Company's pre-tax NTA by approximately 1.0% and generated over \$15 million in value for WAM Capital shareholders as a result.

## 11. Profits reserve

	2019 \$	2018 \$
Profits reserve	<b>54,582,036</b>	<b>130,146,739</b>

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

	2019 \$	2018 \$
<b>Movement in profits reserve</b>		
Balance at the beginning of the year	130,146,739	103,032,272
Transfer of profits during the year	34,529,385	125,397,635
Final dividend paid (refer to note 4(a))	(54,821,580)	(47,500,699)
Interim dividend paid (refer to note 4(a))	(55,272,508)	(50,782,469)
At reporting date	<b>54,582,036</b>	<b>130,146,739</b>

## 12. Accumulated losses

	2019 \$	2018 \$
Balance at the beginning of the year	(27,619,998)	(27,619,998)
Profit for the year attributable to members of the Company	14,533,222	125,397,635
Transfer to profits reserve	(34,529,385)	(125,397,635)
At reporting date	<b>(47,616,161)</b>	<b>(27,619,998)</b>

## 13. Cash and cash equivalents

Cash at the end of the financial year as shown in the Statement of cash flows is reconciled to the related items in the Statement of financial position as follows:

	2019 \$	2018 \$
Cash at bank	224,810,898	202,364,788
Term deposits	90,812,118	177,316,104
Cash collateral for borrowed stock	10,365,027	9,994,174
	<b>325,988,043</b>	<b>389,675,066</b>

The weighted average interest rate for cash and term deposits as at 30 June 2019 is 1.44% (2018: 2.10%). The term deposits have an average maturity of 43 days from the end of the period (2018: 66 days). All the term deposits are invested with major Australian banks and their 100% owned banking subsidiaries that have Standard & Poor's A-1+ rating.



**14. Cash flow information**

	2019 \$	2018 \$
<b>Reconciliation of profit after tax to cash flow from operations:</b>		
Profit after income tax	14,533,222	125,397,635
Fair value gains and movements in financial assets	66,955,395	(147,948,142)
<b>Changes in assets and liabilities:</b>		
Decrease/(increase) in receivables	620,231	(882,914)
(Increase)/decrease in deferred tax assets	(18,906,394)	133,627
(Decrease)/increase in payables	(334,358)	333,164
(Decrease)/increase in current tax liabilities	(17,800,683)	6,401,868
(Decrease)/increase in deferred tax liabilities	(14,798,434)	2,911,769
Net cash provided by/(used in) operating activities	<b>30,268,979</b>	<b>(13,652,993)</b>

**15. Earnings per share**

	2019 Cents per share	2018 Cents per share
Basic and diluted earnings per share	2.08	19.30
<b>2019 \$</b>		
Profit after income tax used in the calculation of basic and diluted earnings per share	14,533,222	125,397,635
<b>2019 No.</b>		
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted earnings per share	699,115,322	649,848,477

There are no outstanding securities that are potentially dilutive in nature for the Company at the end of the year.

## 16. Financial risk management

The Company'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 Company is exposed to, how these risks arise, or the Board's objective, policies and processes for managing or measuring the risks during the period.

Under delegation from the Board, the Manager has the responsibility for assessing and monitoring the financial market risk of the Company. The Manager monitors these risks daily. On a formal basis, the investment team meet twice weekly 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 with them.

The maximum exposure to credit risk on financial assets, excluding investments of the Company which have been recognised in the Statement of financial position, is the carrying amount net of any expected credit losses 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 diversity to minimise any individual counterparty credit risk. The majority of the Company's receivables arise from unsettled trades at year end which are settled two days after trade date. Engaging with counterparties via the Australian Securities Exchange facilitates the Company in both mitigating and managing its credit risk on an ongoing basis.

Credit risk is not considered to be a major risk to the Company as the majority of cash and term deposits held by the Company or in its portfolios are invested with major Australian banks and their 100% owned banking subsidiaries that have a Standard and Poor's short-term rating of A-1+ and long-term rating of AA-. The majority of all maturities for cash and term deposits held by the Company are within two 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 Company's major cash payments are the purchase of securities and dividends paid to shareholders, the levels of which are managed respectively by the Manager and the Board.

The Company's cash receipts depend upon the level of sales of securities, dividends and interest received, the exercise of options or other capital management initiatives that may be implemented by the Board from time to time.

## 16. Financial risk management (cont'd)

### b) Liquidity risk (cont'd)

The Manager monitors the Company'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 Company can alter its cash outflows as appropriate. The Company 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 Company are largely in the form of tradable securities which, where liquidity is available, can be sold on market when, and if required.

The table below reflects an undiscounted contractual maturity analysis for the Company'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 2019	>1 month \$	<1 month \$	Total \$
<b>Liabilities</b>			
Trade and other payables	-	31,424,411	31,424,411
Financial liabilities	-	10,049,817	10,049,817
<b>Total</b>	-	<b>41,474,228</b>	<b>41,474,228</b>

30 June 2018	>1 month \$	<1 month \$	Total \$
<b>Liabilities</b>			
Trade and other payables	-	31,383,915	31,383,915
Financial liabilities	-	9,851,683	9,851,683
<b>Total</b>	-	<b>41,235,598</b>	<b>41,235,598</b>

### 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 Company's financial instruments.

By its nature, as a listed investment company that invests in tradable securities, 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.

#### (i) Interest rate risk

The Company'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 Company however is not materially exposed to interest rate risk as the majority of its cash and term deposits mature within two months. As the Company's exposure to interest rate risk is not significant, interest rate sensitivities have not been performed.

## 16. Financial risk management (cont'd)

### c) Market risk (cont'd)

#### (i) Interest rate risk (cont'd)

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

30 June 2019	Weighted average interest rate (% pa)	Interest bearing \$	Non-interest bearing \$	Total \$
<b>Assets</b>				
Cash and cash equivalents	1.44%	325,988,043	-	325,988,043
Trade and other receivables		-	37,858,074	37,858,074
Financial assets		-	1,000,725,212	1,000,725,212
<b>Total</b>		<b>325,988,043</b>	<b>1,038,583,286</b>	<b>1,364,571,329</b>
<b>Liabilities</b>				
Trade and other payables		-	31,424,411	31,424,411
Financial liabilities		-	10,049,817	10,049,817
<b>Total</b>		<b>-</b>	<b>41,474,228</b>	<b>41,474,228</b>
30 June 2018	Weighted average interest rate (% pa)	Interest bearing \$	Non-interest bearing \$	Total \$
<b>Assets</b>				
Cash and cash equivalents	2.10%	389,675,066	-	389,675,066
Trade and other receivables		-	33,758,932	33,758,932
Financial assets		-	973,929,383	973,929,383
<b>Total</b>		<b>389,675,066</b>	<b>1,007,688,315</b>	<b>1,397,363,381</b>
<b>Liabilities</b>				
Trade and other payables		-	31,383,915	31,383,915
Financial liabilities		-	9,851,683	9,851,683
<b>Total</b>		<b>-</b>	<b>41,235,598</b>	<b>41,235,598</b>

#### (ii) Other price risk

Other 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 Company's investments are carried at fair value with fair value changes recognised in the Statement of comprehensive income, all changes in market conditions will directly

## 16. Financial risk management (cont'd)

### c) Market risk (cont'd)

#### (ii) Other price risk (cont'd)

affect net investment income. Due to the short-term nature of receivables and payables, the carrying amounts of these financial assets and financial liabilities approximate their fair values.

The Manager seeks to manage and reduce the other price risk of the Company by diversification of the investment portfolio across numerous stocks and multiple industry sectors. The risks and relative weightings of the individual securities and market sectors are reviewed daily in order to manage risk. 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.

The Company's industry sector weighting of gross assets as at 30 June 2019 is as below:

Industry sector	2019 %	2018 %
Consumer Discretionary	20.6	25.7
Financials	16.2	17.8
Industrials	13.4	8.4
Information Technology	11.4	2.1
Health Care	3.5	3.0
Materials	3.3	4.2
Consumer Staples	3.2	2.5
Energy	2.0	1.2
Telecommunication Services	1.3	1.2
Real Estate	0.6	5.6
<b>Total</b>	<b>75.5</b>	<b>71.7</b>

There were no securities representing over 5 per cent of gross assets of the Company as at 30 June 2019 (2018: nil).

#### Sensitivity analysis

For investments held by the Company 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 75.5% (2018: 71.7%) of gross assets at year end. A 5.0% movement in the market value of each of the investments within the investment portfolio would result in a 2.6% (2018: 2.5%) movement in the net assets after tax. This would result in the 30 June 2019 net asset backing after tax moving by 4.8 cents per share (2018: 5.0 cents per share).

## 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.

Included within Level 2 of the hierarchy are WAM Capital's investments in unlisted investment companies. The fair value of these investments have been based on their respective net asset backing, being the underlying value of their residual cash and cash equivalents and investment portfolio values at the end of the reporting period.

WAM Capital's wholly owned investment in WDE, included in Level 2 of the hierarchy, was acquired as a result of the successful takeover bid completed during the period. WDE was delisted from the ASX on 12 December 2018. The investment has been valued at its underlying net asset backing at the end of the reporting period, in accordance with the above. WAM Capital's initial interest in WDE before the completion of the takeover bid, representing its holding in the entity previously listed on the ASX, was historically included in Level 1 of the hierarchy and valued using its quoted last price on the ASX. As a result of the takeover bid, the investment was transferred from Level 1 to Level 2 in the hierarchy during the period upon completion of the takeover offer.

The remaining balance of the investments in Level 2 of the hierarchy include unlisted investments which have been valued using valuation techniques such as comparisons to similar investments for which market observable prices are available, the net asset backing per share or the last sale price to determine fair value.

During the period, Ask Funding Limited was delisted from the ASX (11 October 2018) and subsequently transferred to level 2 in the fair value hierarchy.

30 June 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	997,388,145	3,337,067	-	1,000,725,212
Financial liabilities	(9,917,200)	(132,617)	-	(10,049,817)
<b>Total</b>	<b>987,470,945</b>	<b>3,204,450</b>	<b>-</b>	<b>990,675,395</b>

## 16. Financial risk management (cont'd)

### d) Financial instruments measured at fair value (cont'd)

30 June 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	971,572,828	2,356,555	-	973,929,383
Financial liabilities	(9,719,066)	(132,617)	-	(9,851,683)
<b>Total</b>	<b>961,853,762</b>	<b>2,223,938</b>	<b>-</b>	<b>964,077,700</b>

## 17. Investment transactions

The total number of contract notes that were issued for transactions in securities during the financial year was 8,480 (2018: 8,133). Each contract note could involve multiple transactions. The total brokerage paid on these contract notes was \$8,527,343 (2018: \$10,264,019).

## 18. Segment reporting

The Company currently engages in investing activities, including cash, term deposits and equity investments. It has no reportable operating segments.

## 19. Capital commitments

There were no capital commitments for the Company as at 30 June 2019 (2018: nil).

## 20. Contingent liabilities

There were no contingent liabilities for the Company as at 30 June 2019 (2018: nil).

## 21. Key management personnel compensation

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

- Geoff Wilson AO Chairman
- Dr. Philippa Ryan Director
- James Chirnside Director
- Lindsay Mann Director
- Kate Thorley Director
- Chris Stott Director (resigned 26 July 2019)

### a) Remuneration

There are no executives that are paid by the Company. Wilson Asset Management (International) Pty Limited, the Investment Manager of the Company, provides the day-to-day management of the Company and is remunerated for these services as outlined in Note 22.

Information regarding individual Directors' remuneration is provided in the Remuneration Report of the Directors' Report on page 18, as required by Corporations Regulations 2M.3.03 and 2M.6.04.

**21. Key management personnel compensation (cont'd)****a) Remuneration (cont'd)**

	Short-term employee benefits Directors' fees \$	Post-employment benefits Superannuation \$	Total \$
Total Directors remuneration paid by the Company for the year ended 30 June 2019	136,986	13,014	<b>150,000</b>
Total Directors remuneration paid by the Company for the year ended 30 June 2018	137,086	13,023	<b>150,109</b>

**b) Share holdings**

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

Ordinary shares held Directors	Balance at 30 June 2018	Acquisitions	Disposals	Balance at 30 June 2019
Geoff Wilson	259,303	153,581	-	412,884
Philippa Ryan	-	-	-	-
James Chirnside	30,793	2,351	-	33,144
Lindsay Mann	63,880	-	-	63,880
Kate Thorley	53,991	3,500	-	57,491
Chris Stott*	65,652	-	55,652	10,000
	<b>473,619</b>	<b>159,432</b>	<b>55,652</b>	<b>577,399</b>

Ordinary shares held Directors	Balance at 30 June 2017	Acquisitions/balance held on appointment	Disposals	Balance at 30 June 2018
Geoff Wilson	259,303	-	-	259,303
Philippa Ryan (appointed 5 April 2018)	-	-	-	-
James Chirnside	30,793	-	-	30,793
Lindsay Mann	93,880	-	30,000	63,880
Kate Thorley	51,191	2,800	-	53,991
Chris Stott*	59,354	6,298	-	65,652
	<b>494,521</b>	<b>9,098</b>	<b>30,000</b>	<b>473,619</b>

\*Chris Stott resigned as a Director of WAM Capital on 26 July 2019. On resignation, Chris held 10,000 ordinary shares in the Company.

Directors and Director related entities disposed of and acquired ordinary shares 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.



## 22. Related party transactions

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

The Company has an investment management agreement with Wilson Asset Management (International) Pty Limited. Geoff Wilson is the director of Wilson Asset Management (International) Pty Limited, the entity appointed to manage the investment portfolio of WAM Capital. Entities associated with Geoff Wilson hold 100% of the issued shares of Wilson Asset Management (International) Pty Limited. In its capacity as the Manager and in accordance with the investment management agreement, Wilson Asset Management (International) Pty Limited was paid a management fee of 1% p.a. (plus GST) of the value of the portfolio amounting to \$14,683,441 inclusive of GST (2018: \$14,495,629). At 30 June 2019, the balance payable to the Manager was \$1,213,947 inclusive of GST (2018: \$1,244,428).

In addition, Wilson Asset Management (International) Pty Limited is to be paid, annually in arrears, a performance fee being 20% (plus GST) 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 value of the portfolio.

No performance fee is payable in respect of any performance period where the value of the portfolio has decreased over that period. For the year ended 30 June 2019, no performance fee was payable to Wilson Asset Management (International) Pty Limited (2018: \$364,295).

Wilson Asset Management (International) Pty Limited has a service agreement in place with WAM Capital to provide accounting and Company Secretarial services on commercial terms. For the year ended 30 June 2019, the fee for accounting services amounted to \$46,200 inclusive of GST (2018: \$46,200) and the fee for Company Secretarial services amounted to \$16,500 inclusive of GST (2018: \$16,500).

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 of the Director or with a firm of which he/she is a member or with a Company in which he/she has substantial financial interest.

## 23. Events subsequent to reporting date

Since the end of the year, the Directors declared a fully franked final dividend of 7.75 cents per share to be paid on 25 October 2019.

On 29 July 2019, the Company announced the resignation of Chris Stott from the Board of Directors.


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

## Directors' Declaration

The Directors of WAM Capital Limited declare that:

- 1) The financial statements as set out in pages 24 to 48 and the additional disclosures included in the Directors' Report designated as "Remuneration Report", as set out on pages 18 to 20, 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), the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - b) giving a true and fair view of the financial position of the Company as at 30 June 2019 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 Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer of the Manager, Wilson Asset Management (International) Pty Limited declaring that:
  - a) the financial records of the Company for the financial year have been properly maintained in accordance with the Section 286 of the *Corporations Act 2001*;
  - b) the Company's financial statements and notes for the financial year comply with the Accounting Standards; and
  - c) the Company'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 Company 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.



**Geoff Wilson AO**  
**Chairman**

Dated in Sydney this 20<sup>th</sup> day of August 2019

**Independent Auditor's Report  
To the Members of WAM Capital Limited  
ABN 34 086 587 395**

**Report on the Audit of the Financial Report**

*Opinion*

We have audited the financial report of WAM Capital Limited ("the Company"), which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of WAM Capital Limited is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be on the same terms if given to the Directors as at the time of this auditor's report.

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key audit matter</b>	<b>How our audit addressed the matter</b>
<p><b>Completeness, Existence and Valuation of Financial Assets and Financial Liabilities</b>  <b>Refer to Note 7: Financial Assets and Note 8: Financial Liabilities</b></p>	
<p>We focused our audit effort on the completeness, existence and valuation of the Company's financial assets and financial liabilities as they represent the most significant driver of the Company's Net Tangible Assets and Profit.</p> <p>The majority of the Company's investments are considered to be non-complex in nature with fair value based on readily observable data from the ASX or other observable markets. Consequently, these investments are classified under Australian Accounting Standards as either "level 1" (i.e. where the valuation is based on quoted prices in active markets) or "level 2" (i.e. where key inputs to valuation are based on other observable inputs).</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▪ Obtaining an understanding of and evaluating the investment management processes and controls;</li> <li>▪ Reviewing and evaluating the independent audit reports on the design and operating effectiveness of internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Custodians;</li> <li>▪ Making enquiries as to whether there have been any changes to these controls or their effectiveness from the periods to which the audit reports relate to and where necessary obtaining bridging letters;</li> <li>▪ Obtaining confirmations of the investment holdings directly from the Custodians;</li> <li>▪ Assessing and recalculating the Company's valuation of individual investment holdings using independent pricing sources;</li> <li>▪ Evaluating the accounting treatment of revaluations of financial assets and financial liabilities for current/deferred tax and unrealised gains or losses; and</li> <li>▪ Assessing the adequacy of disclosures in the financial statements.</li> </ul>

<b>Key audit matter</b>	<b>How our audit addressed the matter</b>
<b>Accuracy, Completeness and Existence of Management and Performance Fees</b> <b>Refer to Note 9: Trade and other payables and Note 22: Related party transactions</b>	
<p>We focused our audit effort on the accuracy, completeness and existence of management and performance fees as they are significant expenses of the Company and their calculation requires adjustments and key inputs. Adjustments include company dividends, tax payments, capital raisings, capital reductions and other relevant expenses. Key inputs include the value of the portfolio, the performance of the relevant comparable benchmark and application of the correct fee percentage in accordance with the Investment Management Agreement between the Company and the Investment Manager.</p> <p>In addition, to their quantum, as these transactions are made with related parties, there are additional inherent risks associated with these transactions, including the potential for these transactions to be made on terms and conditions more favourable than if they had been with an independent third-party.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▪ Obtaining an understanding of and evaluating the processes and controls for calculating the management and performance fees;</li> <li>▪ Making enquiries with the Investment Manager and those charged with governance with respect to any significant events during the period and associated adjustments made as a result, in addition to reviewing ASX announcements and Board meeting minutes;</li> <li>▪ Testing of adjustments such as company dividends, tax payments, capital raisings, capital reductions as well as any other relevant expenses used in the calculation of management and performance fees;</li> <li>▪ Testing of key inputs including the value of the portfolio, the performance of the relevant comparable benchmark and application of the correct fee percentage in accordance with our understanding of the Investment Management Agreement; and</li> <li>▪ Assessing the adequacy of disclosures made in the financial statements.</li> </ul>

### *Other Information*

The Directors are responsible for the other information. The other information comprises the information included in the Company's Annual Report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the Directors for the Financial Report*

The Directors of the Company are responsible for the preparation 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 controls as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on the Remuneration Report**

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 18 to 20 of the Directors' Report for the year ended 30 June 2019. In our opinion, the Remuneration Report of WAM Capital Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

The Directors of the Company 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.



**S M Whiddett**  
Partner

20 August 2019



**Pitcher Partners**  
Sydney

## Investments at market value as at 30 June 2019

Company Name	Code	Market Value \$	% of Gross Assets
<b>Consumer discretionary</b>			
IDP Education Limited	IEL	28,090,261	2.1%
InvoCare Limited	IVC	23,937,798	1.8%
Myer Holdings Limited	MYR	20,707,837	1.6%
Collins Food Limited	CKF	20,557,174	1.6%
Corporate Travel Management Limited	CTD	20,185,470	1.5%
Harvey Norman Holdings Limited	HVN	19,792,068	1.5%
Nine Entertainment Co. Holdings Limited	NEC	16,253,648	1.2%
Automotive Holdings Group Limited	AHG	16,189,888	1.2%
Noni B Limited	NBL	10,301,350	0.8%
City Chic Collective Limited	CCX	10,223,862	0.8%
Lovisa Holdings Limited	LOV	9,712,823	0.7%
Macquarie Media Limited	MRN	9,070,430	0.7%
Accent Group Limited	AX1	8,560,220	0.6%
Kogan.Com Limited	KGN	8,274,272	0.6%
AP Eagers Limited	APE	7,809,208	0.6%
Jumbo Interactive Limited	JIN	6,464,039	0.5%
Premier Investments Limited	PMV	5,973,870	0.5%
G8 Education Limited	GEM	5,501,523	0.4%
Village Roadshow Limited	VRL	4,848,009	0.4%
Propel Funeral Partners Limited	PFP	4,157,918	0.3%
Event Hospitality and Entertainment Limited	EVT	3,373,963	0.3%
Vita Group Limited	VTG	3,246,018	0.2%
ARB Corporation Limited	ARB	3,231,756	0.2%
Baby Bunting Group Limited	BBN	2,999,964	0.2%
Nick Scali Limited	NCK	2,134,685	0.2%
GTN Limited	GTN	1,534,032	0.1%
		<b>273,132,086</b>	<b>20.6%</b>

### Financials

Pengana International Equities Limited	PIA	26,073,919	2.0%
Credit Corp Group Limited	CCP	24,719,531	1.9%
Templeton Global Growth Fund Limited	TGG	24,095,605	1.8%
PSC Insurance Group Limited	PSI	20,638,433	1.6%
carsales.com Limited	CAR	15,853,493	1.2%
Steadfast Group Limited	SDF	13,801,871	1.0%
Eclix Group Limited	ECX	10,725,778	0.8%
Navigator Global Investments Limited	NGI	9,532,637	0.7%
Westoz Investment Company Limited	WIC	7,733,243	0.6%

Company Name	Code	Market Value \$	% of Gross Assets
Concentrated Leaders Fund Limited	CLF	7,456,606	0.5%
EML Payments Limited	EML	6,692,291	0.5%
NAOS Small Cap Opportunities Company Limited	NSC	5,461,653	0.4%
GPT Group	GPT	5,021,752	0.4%
Cromwell Property Group	CMW	4,499,547	0.3%
Argo Global Listed Infrastructure Limited	ALI	4,095,931	0.3%
Clime Investment Management Limited	CIW	4,002,252	0.3%
FlexiGroup Limited	FXL	3,258,854	0.2%
Contango Income Generator Limited	CIE	3,151,876	0.2%
Prospra Group Limited	PGL	2,622,838	0.2%
Australian Finance Group Limited	AFG	2,469,460	0.2%
Keybridge Capital Limited	KBC	2,183,561	0.2%
National Storage REIT	NSR	1,834,604	0.1%
Keybridge Capital Limited CPRN	KBCPA	1,567,291	0.1%
AMP Capital China Growth Fund*	n/a	1,249,908	0.1%
8IP Emerging Companies Limited	8EC	1,189,912	0.1%
HHY Fund	HHY	1,042,751	0.1%
Growthpoint Properties Australia	GOZ	836,850	0.1%
Clime Private Limited*	n/a	826,800	0.1%
Ozgrowth Limited	OZG	784,153	0.1%
Ironbark Capital Limited	IBC	676,068	0.1%
Ask Funding Limited*	n/a	512,246	0.0%
DMX Corporation Limited*	n/a	42,868	0.0%
		<b>214,654,582</b>	<b>16.2%</b>

### Industrials

Austal Limited	ASB	27,024,635	2.0%
Seven West Media Limited	SWM	26,208,669	2.0%
Service Stream Limited	SSM	22,716,551	1.7%
Cleanaway Waste Management Limited	CWY	16,193,218	1.2%
Downer EDI Limited	DOW	16,151,847	1.2%
AMA Group Limited	AMA	15,415,461	1.2%
Monadelphous Group Limited	MND	13,458,818	1.0%
CIMIC Group Limited	CIM	12,928,815	1.0%
Emeco Holdings Limited	EHL	10,216,077	0.8%
Johns Lyng Group Limited	JLG	8,067,451	0.6%
People Infrastructure Limited	PPE	3,461,806	0.3%
Smartgroup Corporation Limited	SIQ	3,202,568	0.2%
NRW Holdings Limited	NWH	1,499,941	0.1%
Virgin Australia Holdings Limited	VAH	1,122,473	0.1%



Investments at market value as at 30 June 2019

Company Name	Code	Market Value \$	% of Gross Assets
<b>Industrials (cont'd)</b>			
IVE Group Limited	IGL	429,325	0.0%
		<b>178,097,655</b>	<b>13.4%</b>
<b>Information technology</b>			
Afterpay Touch Group Limited	APT	22,040,065	1.7%
Megaport Limited	MP1	14,145,515	1.1%
Vista Group International Limited	VGL	13,704,648	1.0%
Infomedia Limited	IFM	13,208,867	1.0%
Xero Limited	XRO	12,988,638	1.0%
Appen Limited	APX	12,881,726	1.0%
Codan Limited	CDA	10,972,185	0.8%
Altium Limited	ALU	10,856,174	0.8%
Audinate Group Limited	AD8	6,333,673	0.5%
Data#3 Limited	DTL	6,222,346	0.5%
Bravura Solutions Limited	BVS	6,050,093	0.5%
Nearmap Limited	NEA	5,996,857	0.5%
Reckon Limited	RKN	5,407,818	0.4%
Rhipe Limited	RHP	5,294,718	0.4%
Pushpay Holdings Limited	PPH	764,100	0.1%
IRESS Limited	IRE	755,772	0.1%
Integrated Research Limited	IRI	647,189	0.0%
		<b>148,270,384</b>	<b>11.4%</b>
<b>Health care</b>			
CSL Limited	CSL	27,767,465	2.1%
Polynovo Limited	PNV	7,600,732	0.6%
Integral Diagnostics Limited	IDX	3,735,907	0.3%
Monash IVF Group Limited	MVF	3,547,710	0.3%
Starpharma Holdings Limited	SPL	3,031,129	0.2%
Volpara Health Technologies Limited	VHT	616,208	0.0%
Virtus Health Limited	VRT	233,753	0.0%
		<b>46,532,904</b>	<b>3.5%</b>
<b>Materials</b>			
CSR Limited	CSR	14,524,125	1.1%
Ausdrill Limited	ASL	13,350,862	1.0%
Brickworks Limited	BKW	9,352,447	0.7%

Company Name	Code	Market Value \$	% of Gross Assets
Fletcher Building Limited	FBU	3,633,579	0.3%
Macmahon Holdings Limited	MAH	1,686,965	0.1%
Evolution Mining Limited	EVN	1,338,398	0.1%
		<b>43,886,376</b>	<b>3.3%</b>
<b>Consumer staples</b>			
The a2 Milk Company Limited	A2M	28,466,265	2.1%
Elders Limited	ELD	6,512,787	0.5%
GrainCorp Limited	GNC	6,511,259	0.5%
Bubs Australia Limited	BUB	1,980,497	0.1%
Metcash Limited	MTS	468,308	0.0%
		<b>43,939,116</b>	<b>3.2%</b>
<b>Energy</b>			
Viva Energy Group Limited	VEA	12,051,037	0.9%
WorleyParsons Limited	WOR	9,562,309	0.7%
Senex Energy Limited	SXY	5,411,646	0.4%
		<b>27,024,992</b>	<b>2.0%</b>
<b>Telecommunication services</b>			
Vocus Group Limited	VOC	14,513,718	1.1%
Credible Labs Inc.	CRD	2,575,186	0.2%
		<b>17,088,904</b>	<b>1.3%</b>
<b>Real estate</b>			
360 Capital Group	TGP	7,392,968	0.6%
		<b>7,392,968</b>	<b>0.6%</b>
<b>Total long portfolio</b>		<b>1,000,019,967</b>	<b>75.5%</b>
<b>Investment in unlisted investment companies<sup>^</sup></b>		<b>705,245</b>	<b>0.1%</b>
<b>Total short portfolio</b>		<b>(10,049,817)</b>	<b>(0.8%)</b>
<b>Total cash and cash equivalents, income receivable and net outstanding settlements</b>		<b>334,024,028</b>	<b>25.2%</b>
<b>Gross assets</b>		<b>1,324,699,423</b>	

<sup>^</sup>Unlisted investments.

<sup>^</sup>The investment in two unlisted investment companies primarily represents their residual cash and cash equivalents at the end of the reporting period.

The total number of stocks held at the end of the financial year was 114.

## ASX additional information

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

### Shareholdings

**Substantial shareholders (as at 31 July 2019)** - there are currently no substantial shareholders.

**On-market buy back (as at 31 July 2019)** - there is no current on-market buy back.

### Distribution of shareholders (as at 31 July 2019)

Category	Number of shareholders
1 – 1,000	3,556
1,001 – 9,999	14,035
10,000 – 99,999	15,957
100,000 – 999,999	966
1,000,000 and over	20
	<b>34,534</b>

The number of shareholdings held in less than marketable parcels is 762.

### Twenty largest shareholders – Ordinary shares (as at 31 July 2019)

Name	Number of ordinary shares held	% of issued capital held
HSBC Custody Nominees (Australia) Limited	8,812,095	1.2%
EHJ Investments Pty Limited	6,323,188	0.7%
Netwealth Investments Limited <Wrap Services A/C>	3,082,722	0.4%
National Nominees Limited	2,947,210	0.4%
BNP Paribas Nominees Pty Limited Hub24 Custodial Serv Limited DRP	2,270,804	0.3%
Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	2,220,011	0.3%
Mrs F Martin-Weber	2,170,000	0.3%
Neale Edwards Pty Limited	2,099,724	0.3%
Seweta Pty Limited <Trss A/C>	1,960,000	0.3%
R & R Corbett Pty Ltd <R C Corbett Family A/C>	1,959,862	0.3%
Mr VJ Plummer	1,816,972	0.3%
Alamo Holdings Limited	1,500,000	0.2%
Wilmar Enterprises Pty Limited	1,487,209	0.2%
Marbear Holdings Pty Limited	1,440,300	0.2%
Eneber Investment Company Limited	1,322,000	0.2%
Citicorp Nominees Pty Limited	1,197,014	0.2%
Navigator Australia Limited <MLC Investment Sett A/C>	1,182,205	0.2%
Netwealth Investments Limited <Super Services A/C>	1,131,991	0.2%
Southern Steel Investments Pty Limited	1,025,504	0.1%
Mr PM and Mrs VM Antaw <Petavic Super Fund A/C>	985,894	0.1%
	<b>46,934,705</b>	<b>6.4%</b>

### Stock exchange listing

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

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