

WAM CAPITAL LIMITED

ABN 34 086 587 395

Appendix 4E Preliminary Final Report for the year ended 30 June 2017

Results for Announcement to the Market

All comparisons to the year ended 30 June 2016

	\$	up/down	% mvmt
Revenue from ordinary activities	108,407,529	down	(38.8%)
Profit from ordinary activities before income tax expense	88,945,719	down	(32.7%)
Net profit from ordinary activities after income tax expense	68,912,591	down	(29.7%)

Dividend information	Cents per share	Franked amount per share	Tax rate for franking
2017 Final dividend cents per share	7.5c	7.5c	30%
2017 Interim dividend cents per share	7.5c	7.5c	30%

Final dividend dates

Ex dividend date	17 October 2017
Record date	18 October 2017
Last election date for the DRP	20 October 2017
Payment date	27 October 2017

Dividend Reinvestment Plan

The Dividend Reinvestment Plan ('DRP') is in operation and the recommended fully franked final dividend of 7.5 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 3 trading days following that date.

	30 Jun 17	30 Jun 16
Net tangible asset backing (after tax) per share	\$1.92	\$1.86

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*



Annual Report

For the year ending 30 June 2017

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 (Chairman)
Matthew Kidman
James Chirnside
Lindsay Mann
Chris Stott
Kate Thorley

Company Secretary

Kate Thorley

Investment Manager

Wilson Asset Management
(International) Pty Ltd
Level 11, 139 Macquarie Street
Sydney NSW 2000

Auditor

Pitcher Partners

Country of Incorporation

Australia

Registered Office

Level 11, 139 Macquarie Street
Sydney NSW 2000

Contact Details

Postal Address: GPO Box 4658
Sydney NSW 2001
T: (02) 9247 6755
F: (02) 9247 6855
E: info@wilsonassetmanagement.com.au
W: wilsonassetmanagement.com.au

Share Registry

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

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 2017

Annual General Meeting and Presentation

Sydney

Wednesday 29 November

AGM: 10.30am – 11.15am

Presentation: 11.30am – 1.30pm

Wesley Centre

220 Pitt Street

Sydney NSW 2000

To be streamed live on our website wilsonassetmanagement.com.au



Adelaide

Monday 20 November

10.00am – 12.00pm

The Playford

120 North Terrace

Adelaide SA 5000

Perth

Tuesday 21 November

10.00am – 12.00pm

Novotel

221 Adelaide Terrace

Perth WA 6000

Brisbane

Friday 24 November

10.00am – 12.00pm

Brisbane Convention & Exhibition

Centre, Cnr Merivale & Glenelg Streets

South Bank QLD 4101

Hobart

Monday 27 November

10.00am – 12.00pm

Best Western

156 Bathurst Street

Hobart TAS 7000

Canberra

Tuesday 28 November

10.00am – 12.00pm

The Mecure

Cnr Ainslie & Limestone Avenues

Braddon ACT 2612

Melbourne

Thursday 30 November

10.00am – 12.00pm

Melbourne Convention & Exhibition

Centre, 1 Convention Centre Place

South Wharf VIC 3006

The Future Generation Presentations will follow all Wilson Asset Management presentations in each city.

Key highlights FY2017

+14.1%

Total shareholder return

+11.7%

Investment portfolio performance

15.0c

Full year fully franked dividend

6.3%

Fully franked dividend yield

Snapshot as at 30 June 2017

Listing date	August 1999
Gross assets	\$1,239.3m
Market capitalisation	\$1,513.7m
Share price	\$2.39
Shares on issue	633,342,008
Net Tangible Assets (pre-tax)	\$1.95
Net Tangible Assets (post-tax)	\$1.92
Fully franked dividends FY2017	15.0 cents
Fully franked FY2017 dividend yield	6.3%

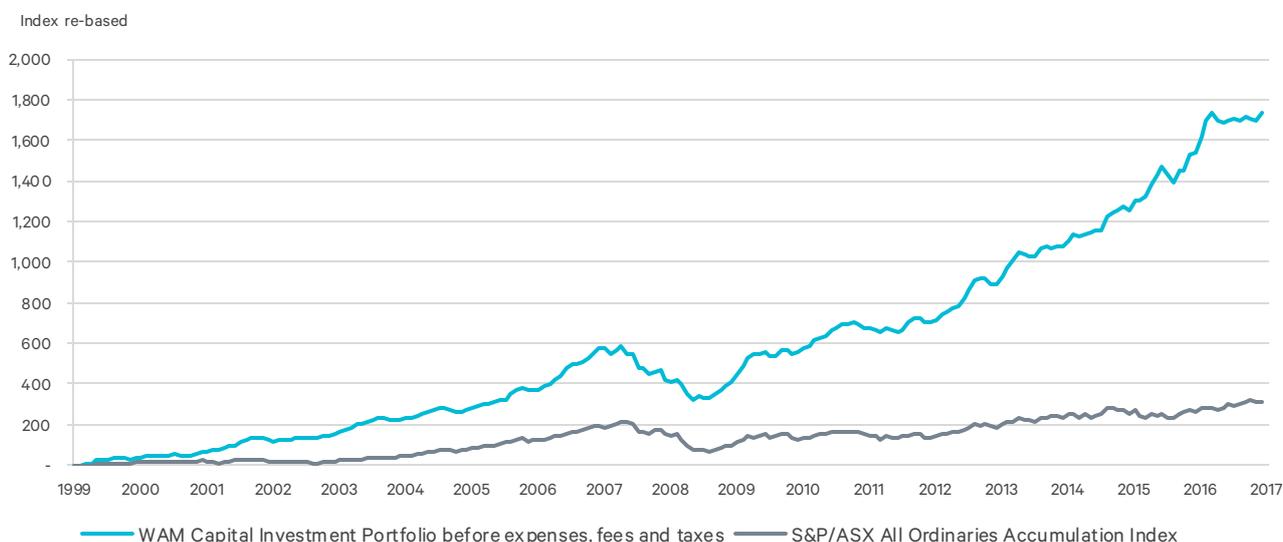
FY2017 results

WAM Capital reported an operating profit before tax of \$88.9 million for the year (FY2016: \$132.3 million), and an operating profit after tax of \$68.9 million (FY2016: \$98.0 million).

The operating profit for 2017 is reflective of the investment portfolio relative performance and the growth in assets over the period. The investment portfolio performance of 11.7% was achieved with an average cash weighting of 36.1%. Over the year, the S&P/ASX Small Ordinaries Accumulation Index increased 7.0%, while the S&P/ASX All Ordinaries Accumulation Index rose 13.1%.

The Board declared a fully franked full year dividend of 15.0 cents per share, an increase of 3.4% on the previous year with the fully franked final dividend being 7.5 cents per share.

WAM Capital's investment portfolio has returned 17.6% p.a. over 18 years outperforming the market by 9.4% p.a.



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Chairman's letter

Dear fellow shareholders,

I would like to thank all WAM Capital shareholders for your continued support of the Company during the 2017 financial year. I would also like to welcome each of the 6,909 new shareholders who have joined us during the year.

In 2017, the Company achieved strong growth as assets grew by \$300.2 million to \$1,239.3 million. For the period, the Company recorded a pre-tax profit of \$88.9 million and paid tax of \$23.4 million and dividends of \$70.8 million (net of reinvestment). The growth in assets has been achieved through the performance of the investment portfolio, which increased 11.7% for the year and the various capital management initiatives including a share purchase plan, placements and our first acquisition of an unlisted investment company. This risk-adjusted investment performance was achieved with an average 63.9% invested in equities, with the investment portfolio recording a standard deviation of 7.1% against the market's 9.2% for the year. The return on the equity portion of our portfolio was 17.2% and the return on the cash portion of the portfolio was 1.9% for the year.

WAM Capital has consistently applied its proven investment philosophy to achieve an investment portfolio return of 17.6% per annum since inception in 1999, which is 9.4% greater than the annual average return from the S&P/ASX All Ordinaries Accumulation Index. This performance has enabled the Company to pay shareholders an average annualised dividend yield on the initial public offering price of 11.5% fully franked per year over the last 18 years. The fully franked full year dividend for the 2017 year was 15.0 cents per share, representing a 6.3% yield.

Company performance

Three key measures we use to evaluate the performance of a listed investment company are investment portfolio performance, net tangible asset (NTA) growth and total shareholder return (TSR). The investment portfolio performance is the growth in the underlying portfolio of equities and cash before expenses, fees and taxes. A key objective of WAM Capital is to grow the investment portfolio at a greater rate than the S&P/ASX All Ordinaries Accumulation Index, which is called outperformance. 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 if it was to be sold. The NTA is announced on the ASX monthly. TSR measures the 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 2017	1 Yr	3 Yrs %pa	5 Yrs %pa	10 Yrs %pa	Since Inception %pa (Aug-99)
WAM Capital Investment Portfolio*	11.7%	15.9%	17.9%	10.5%	17.6%
S&P/ASX All Ordinaries Accumulation Index	13.1%	6.8%	11.6%	3.5%	8.2%
Outperformance	-1.4%	+9.1%	+6.3%	+7.0%	+9.4%

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

WAM Capital's investment portfolio increased 11.7% in the 12 months to 30 June 2017, and was achieved while holding on average 36.1% of the investment portfolio in cash. This measure is before tax and all costs and is compared to the S&P/ASX All Ordinaries Accumulation Index, which rose by 13.1%, which is also before tax and costs.

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%

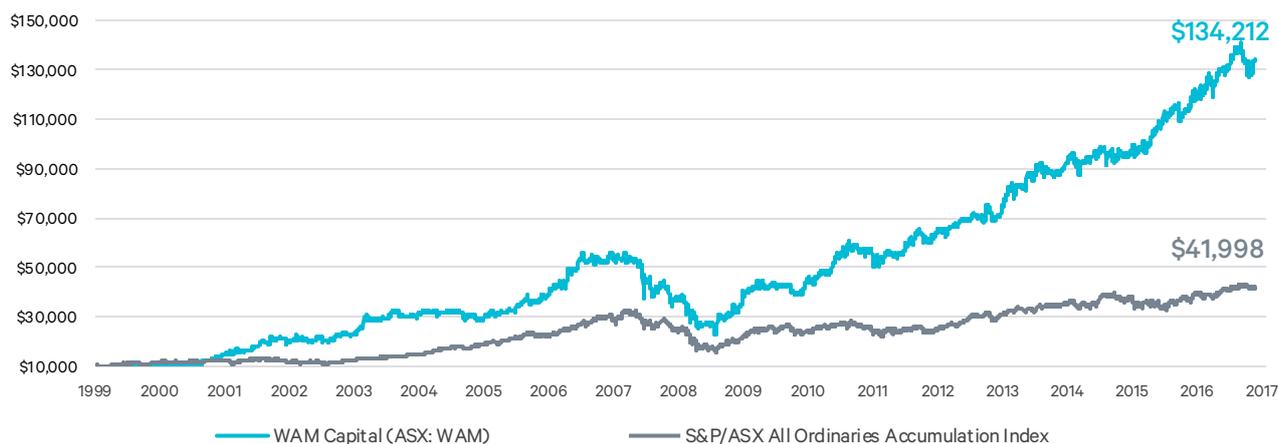
2. NTA growth

WAM Capital's before tax NTA, after adjusting for dividends, increased 9.7% for the 12 months to 30 June 2017. This increase is after tax paid of 3.7 cents per share or 2.0%, with 14.75 cents of fully franked dividends being paid during the year. This performance measure shows the change in the value of the assets that belong to the shareholders over the 12-month period. Corporate tax payments made throughout the period was the major item of difference between the investment portfolio performance of 11.7% 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 0.4%, being offset by capital raising accretion of 1.4%.

3. Total shareholder return

This measure shows the return to shareholders being the change in share price together with dividends reinvested. The TSR for WAM Capital for the year to 30 June 2017 was 14.1%. The TSR was driven by WAM Capital's investment portfolio performance of 11.7% and the continued increase in the share price premium to NTA. As at 30 June 2017, the share price premium to NTA was 24.5% (2016: 19.9%). 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 2017.
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.

Investment portfolio performance

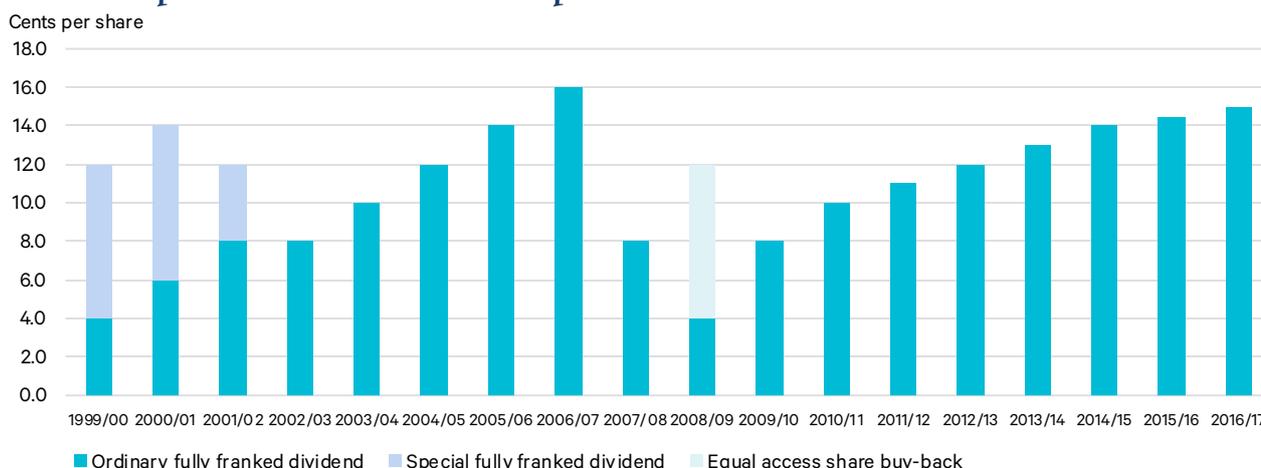
The investment portfolio continued to deliver strong absolute performance, increasing 11.7% over the period whilst holding on average 36.1% in cash. The best five performing investments in FY2017 were Credit Corp Group Limited (CCP), Afterpay Touch Group Limited (APT), Nick Scali Limited (NCK), Pinnacle Investment Management Group Limited (PNI) and Imdex Limited (NCK). We believe investment opportunities will always be available, irrespective of the direction of the overall equity market.

Dividends

The Board declared a fully franked full year dividend of 15.0 cents per share, an increase of 3.4% on the previous year with the fully franked final dividend being 7.5 cents per share.

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

WAM Capital dividends since inception



Capital management

In August 2016, WAM Capital completed a share purchase plan (SPP) and placement, which raised a combined \$247.5 million, driven by strong demand from WAM Capital shareholders.

During the year, WAM Capital raised an additional \$59.8 million through DRP shortfall placements to wholesale investors. The proceeds from the SPP and placements have been invested in accordance with WAM Capital's disciplined investment process.

The capital raising initiatives were undertaken at a premium to the Company's NTA and benefited all shareholders by increasing the NTA accordingly. WAM Capital's growth delivers benefits to all shareholders. As the Company's capital base increases, its on-market liquidity increases and its relevance in the market grows. All of these factors improve the prospect of broker and research coverage and can drive additional interest from financial planners.

In April 2017, WAM Capital purchased its first unlisted investment company. The unlisted investment company had net assets of approximately \$25.5 million. The purchase consideration for the acquisition was payable in scrip, with 13,246,376 new WAM Capital shares being issued on 19 April 2017. The primary reason for completing this transaction was to benefit existing WAM Capital shareholders by increasing the size of the investment portfolio in a cost-effective manner, whilst also increasing the number of shareholders. An additional outcome of the transaction was the contribution of \$4.6 million in franking credits to the Company. The benefit of the franking credits acquired, on a fully franked dividend per share basis, was 1.7 cents. The WAM Capital Board looks forward to engaging in similar transactions in the future.

Equity market outlook

We enter the 2018 financial year confident the Australian equity market will present attractive investment opportunities. During the 2017 financial year, small-to-mid-cap companies underperformed large-cap companies, with the S&P/ASX Small Ordinaries Accumulation Index underperforming the S&P/ASX 200 Accumulation Index by 7.1%. An estimated \$5 billion was removed from the small-cap sector into other asset classes throughout the year, placing downward pressure on the share prices of the medium to smaller listed companies. We believe this adjustment has ended and that the headwinds facing the small-cap sector have abated. Company valuations for small and mid-cap companies are more attractive compared to twelve months ago and we are confident in our ability to continue to

identify undervalued growth companies. On a global basis, \$9 trillion of liquidity has been injected into markets. This has driven equity valuations to high levels which has created another set of risks.

Company outlook

WAM Capital enters the 2018 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. The Company will continue to seek opportunities irrespective of market conditions, having achieved outperformance through various market cycles.

Shareholder engagement and communication

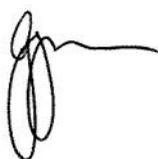
Shareholders are the owners of WAM Capital. Our job is to manage the Company on their behalf and be available to report to them on a regular basis. We encourage all shareholders to meet with us, and utilise our proactive approach to keeping them informed. We value shareholder engagement and aim to provide total transparency. We do this regularly in many ways, including:

- Weekly investor updates from our Chief Investment Officer;
- Regular investment news and market insights;
- Monthly investment updates;
- Annual and half yearly profits announcements; and
- Semi-annual shareholder calls and briefings across all major Australian cities.

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 to you and welcome all feedback on how we can improve our communication and engagement with you, the owners of the Company – please contact our Head of Corporate Affairs, James McNamara on (02) 9247 6755 or email us at info@wilsonassetmanagement.com.au.

Thank you for your continued support.



Geoff Wilson
Chairman

Investing with Wilson Asset Management

Established in 1997 by Geoff Wilson, Wilson Asset Management is an independently owned investment manager based in Sydney, Australia. Today, Wilson Asset Management employs twenty-six staff. The investment team comprises eight highly experienced professionals with more than 100 years of combined investment experience and a total focus on managing money.

We take great pride in managing six LICs and more than \$2 billion in shareholder capital for more than 55,000 retail investors. We created and continue to support Future Generation Investment Company Limited and Future Generation Global Investment Company Limited, the only companies to provide:

- Shareholders with exposure to the best Australian and global fund managers without paying management or performance fees;
- Charities with a consistent and growing stream of annual donations; and
- Fund managers with a unique opportunity to make a positive difference to Australia's future generations.

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:

Fully franked dividends. Our LICs have a proven track record of paying fully franked dividends.

Strong performance. We offer a strong track record of performance based on our rigorous research-driven and market-driven investment processes.

Deep diversification. Our LICs hold small positions in many companies, providing shareholders with diversified exposure to opportunities.

Risk-adjusted returns. Our flexible investment mandate allows for above average cash holdings and strong risk-adjusted returns.

Experienced experts. With more than 100 years' combined experience in the Australian equity market, our investment team lives and breathes financial markets.

Full market access. We hold over 1,500 company meetings each year, and our knowledge of and extensive network in the market continually provides valuable intelligence and investment opportunities.

Superior structures. LICs provide a stable, closed-ended pool of capital, allowing a total focus on managing money.

Total transparency. We value shareholder engagement and our LICs adhere to strict corporate governance requirements.

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;
- preserve capital of the Company.

Investment process

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

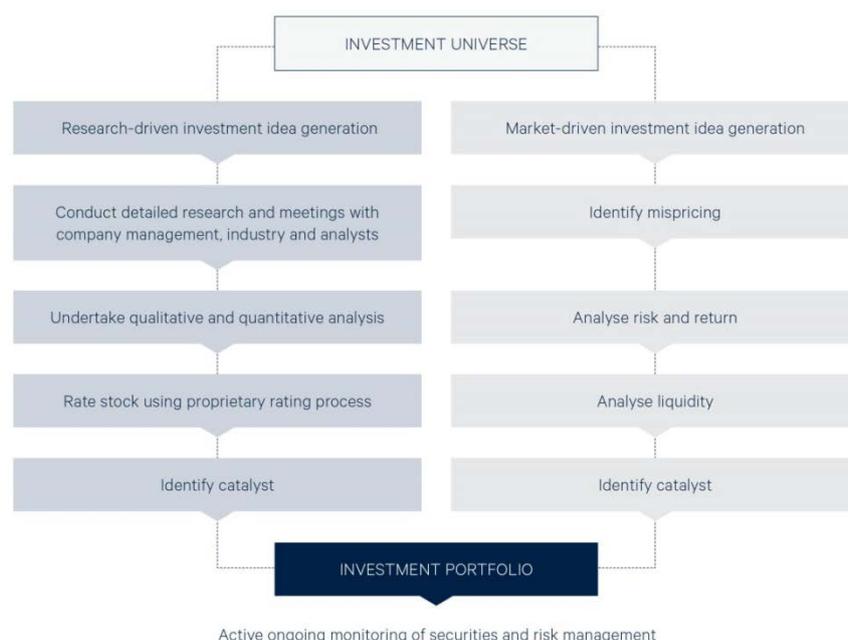
- a research-driven process focused on identifying undervalued growth companies; and
- a market-driven process that takes advantage of mispricing opportunities.

Research-driven investing

This investment process involves 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 process, our investment team will only ever invest in a security once we can identify a catalyst or event that we expect 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. This part of the investment portfolio is actively traded, and as such, opportunities are derived from initial public offerings, placements, block trades, rights issues, corporate transactions (such as takeovers, mergers, schemes of arrangement, corporate spin-offs and restructures), arbitrage opportunities, LIC discount arbitrages, short-selling and trading market themes and trends.



Corporate governance statement

The Board is committed to the Company operating effectively and in the best interests of shareholders. The Board has followed the principles and best practice recommendations established by the ASX Corporate Governance Council having regard to the nature of the Company's activities and its size. The Company has adopted the ASX Corporate Governance Principles and Recommendations with 2014 Amendments (3rd Edition) for the 2017 financial year, subject to the exceptions noted below.

Lay solid foundations for management and oversight (Recommendations:1.1 to 1.7)

The Company has a Board but no full-time employees. Subject at all times to any written guidelines issued by the Board of Directors of WAM Capital, the day-to-day management and investment of funds is carried out by Wilson Asset Management (International) Pty Limited (the Manager) pursuant to a management agreement. Consequently, there is no need to delegate functions to senior management or for a process to evaluate the performance of senior executives under Recommendations 1.1, 1.3 and 1.7.

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

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

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

Each Director has undergone background and other checks before appointment. The Board ensures that security holders are provided in advance with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director. The skills, experience and expertise relevant to the position of each Director who is in office at the date of the Annual Report and their term in office are detailed in the Directors' Report.

The Board comprises experienced company directors who have each received a formal letter of engagement and who are fully aware of the terms of their appointment including their roles and responsibilities.

The Board has appointed an experienced Company Secretary who is directly accountable to the Board.

On 20 April 2017, the Company adopted a Diversity Policy which is designed to support its commitment to diversity. As the Company has no full-time employees, the Diversity Policy will only apply to the Board.

The Company's Diversity Policy requires the Board to develop measurable objectives and the strategy to meet these objectives, including fostering gender diversity and ensuring 30% female representation on the Board. The Board's composition is reviewed on an annual basis. In the event a vacancy arises, the Board will include diversity in its nomination process. Currently, there is one female on the Board who is both a Director and the Company Secretary of the Company. The Company is not a relevant employer under the Workplace Gender Equality Act. A copy of the Diversity Policy is contained in the Company's Corporate Governance Charter which is available on the Company's website.

The performance of directors will be assessed and reviewed by the Board. To determine whether it is functioning effectively, the Board shall:

- review its Corporate Governance Charter annually; and
- perform an evaluation of the Board's performance at intervals considered appropriate.

The Board is responsible for undertaking an annual performance evaluation of itself and its members in light of the Company's Board Policy. During the year, the Board reviewed its performance by discussion and by individual communication with the Chairman, and by reference to generally accepted board performance standards. A revised Board Policy was adopted by the Board on 20 April 2017 is contained in the Company's Corporate Governance Charter which is available on the Company's website.

Structure the Board to add value (Recommendations: 2.1 to 2.6)

A nomination committee has not been formed under Recommendation 2.1. The Board as a whole considers the composition of the Board and appointment of new Directors. The Board identifies suitable candidates to fill vacancies as they arise with the aim of achieving the optimal mix of skills and diversity.

The Company supports the appointment of Directors who bring a wide range of business, investment and professional skills and experience. While the Company does not have or disclose a formal skills matrix, it does consider Directors' attributes prior to any appointment. The qualifications, skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the Annual Report and their attendance at Board and Committee meetings is included in the Annual Report.

The Board has the following three independent Directors:

- James Chirnside
- Lindsay Mann
- Matthew Kidman

These Directors are considered independent as per the criteria outlined in the Company's Board Policy which includes the Company's criteria for independence of Directors. The criteria are in accordance with ASX Corporate Governance Council's Principles.

Whilst the Company agrees with the benefits of a majority of independent Directors, under Recommendation 2.4, it believes that it can better achieve the results of the Company with the current Board's level of expertise and without burdening shareholders with the additional costs associated with adding further independent Directors.

The appointment dates of each Director are shown in the Directors' Report.

The Chairman is not an independent Director. The Company believes that an independent Chairman, under Recommendation 2.5, does not necessarily improve the function of the Board. The Company believes that when the Chairman is a significant driver behind the business and is a sizeable shareholder, as is the case with this Company, it adds value to the Company and all shareholders' benefit. The Company does not employ a Chief Executive Officer, consequently Recommendation 2.5 is not applicable.

Due to the fact that Directors are chosen for their specialist knowledge and experience in their sector, the Board induction process is of an informal nature. New Directors are fully briefed about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning performance of Directors. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

Act ethically and responsibly (Recommendations: 3.1)

The Company adopted a revised Code of Conduct on 20 April 2017 which sets out the Company's key values and how they should be applied within the workplace and in dealings with those outside of the Company. The revised Code of Conduct is contained in the Company's Corporate Governance Charter which is available on the Company's website.

Safeguarding integrity in corporate reporting (Recommendations: 4.1 to 4.3)

The Company has an Audit and Risk Committee consisting of three Independent Directors. The members of the Audit and Risk Committee are:

- James Chirnside Chairman, Independent director
- Matthew Kidman Independent Director
- Lindsay Mann Independent Director

The qualifications of those appointed to the Committee are detailed in the Directors' Report.

The Audit and Risk Committee Charter was reviewed during the year and a revised Charter was adopted by the Board on 20 April 2017. A copy of the Charter is contained in the Company's Corporate Governance Charter which is available on the Company's website.

The Committee formally reports to the Board after each meeting. Details of the number of meetings of the Audit and Risk Committee during the 2017 year are set out in the Directors' Report.

The Company's external audit is undertaken by Pitcher Partners and the audit engagement partner is required to be changed at regular intervals. Chris Chandran, a partner of Pitcher Partners, is the partner responsible for the external audit of the Company for the 2017 financial year.

The external auditors are requested to attend the Annual General Meeting and are available to answer shareholders' questions regarding the conduct of the audit and preparation of the Auditor's Report.

The Company's external accountants, along with the Manager of the Company, provide written confirmations to the Board that the Company's Annual Report presents a true and fair view, in all

material respects, of the Company's financial position and operational results and are in accordance with relevant accounting standards; and that this statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

Make timely and balanced disclosure (Recommendations: 5.1)

The Company reviewed the Continuous Disclosure Policy during the year to ensure compliance with the continuous disclosure obligations under the ASX Listing Rules and the *Corporations Act 2001*. The policy aims to ensure all investors have equal and timely access to material information concerning the Company and that Company announcements are factual and presented in a clear and balanced way. A revised Continuous Disclosure Policy was adopted by the Board on 20 April 2017 is contained in the Company's Corporate Governance Charter which is available on the Company's website.

Respect the rights of security holders (Recommendations: 6.1 to 6.4)

The Company's Corporate Governance Charter is available on the Company's website.

The Board aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs. The Company Secretary is primarily responsible for coordinating the disclosure of information to shareholders and regulators under the direction of the Board.

The Company is committed to:

- ensuring that shareholders and the financial markets are provided with full and timely information about the Company's activities in a balanced and understandable way through the annual and half yearly reports, semi-annual shareholder presentations, ASX releases, general meetings and the Company's website;
- complying with continuous disclosure obligations contained in the applicable ASX Listing Rules and the *Corporations Act 2001* in Australia; and
- encouraging shareholder participation at general meetings.

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

The Continuous Disclosure Policy is contained in the Company's Corporate Governance Charter which is available on the Company's website.

The Company's registry, Boardroom Pty Limited, provides the option for shareholders to receive and send communications electronically. Shareholders are encouraged to create an online account at www.clientonline.com.au.

Recognise and manage risk (Recommendations: 7.1 to 7.4)

The Company has an Audit and Risk Committee consisting of three independent Directors. The members of the Audit and Risk Committee are:

- James Chirnside Chairman, Independent director
- Matthew Kidman Independent Director
- Lindsay Mann Independent Director

The qualifications of those appointed to the Committee and their attendance at Audit and Risk Committee meetings are detailed in the Directors' Report. The Audit and Risk Committee Charter is contained in the Company's Corporate Governance Charter which is available on the Company's website.

The Company has an established enterprise risk management program in accordance with the International Risk Standard AS/NZS ISO 31000:2009. It also has an established internal control program based upon the principles set out in the Australian Compliance Standard AS 3806:2006. This enterprise risk management program addresses the material business risks of the Company. Each identified risk is individually assessed in terms of the likelihood of the risk event occurring and the potential consequences should each risk event occur.

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

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

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

The Company does not have an internal audit function. A summary of financial risks including market, credit, and liquidity are included in Note 16 in the Annual Report.

Remunerate fairly and responsibly (Recommendations: 8.1 to 8.3)

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

The maximum total remuneration of the Directors of the Company has been set at \$190,000 per annum to be divided in such proportions as they agree. The scope of the Company's operations, and the frequency of Board meetings are principal determinants of the fee level. Further detail is provided in the Directors' Report.

All directors of WAM Capital are non-executive directors. Accordingly, the requirement under Recommendation 8.2 to distinguish the structure of the remuneration paid to executive and non-executive directors is not applicable to the Company. No equity based remuneration is paid to Directors. Directors do not receive bonuses nor are they issued options on securities as part of their remuneration.

The Chairman of WAM Capital Limited is the sole director of Wilson Asset Management (International) Pty Limited. Further details are provided in the Directors' Report.

Directors' Report to shareholders for the year ended 30 June 2017

The Directors present their report together with the financial report of WAM Capital for the financial year ended 30 June 2017.

Principal activity

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

Operating and financial review

Investment operations over the year resulted in an operating profit before tax of \$88,945,719 (2016: \$132,259,344) and an operating profit after tax of \$68,912,591 (2016: \$97,994,040). The operating profit for 2017 is reflective of the investment portfolio relative performance and the growth in assets over the period. The investment portfolio performance of 11.7% was achieved whilst holding on average 36.1% in cash. The S&P/ASX Small Ordinaries Accumulation Index rose by 7.0%, while the S&P/ASX All Ordinaries Accumulation Index increased 13.1% for the year to 30 June 2017.

Under Accounting Standards, realised gains and losses on the investment portfolio and dividend income are added to, or reduced by, changes in the market value of the Company's investments. This can lead to large variations in reported profits between periods. We believe a more appropriate measure of the results is the change in Net Tangible Asset (NTA) per share and the fully franked dividends paid. The before tax NTA, after adjusting for dividends, increased 9.7% for the 12 months to 30 June 2017. This increase is after tax paid of 3.7 cents per share.

The NTA before tax for each share as at 30 June 2017 amounted to \$1.95 per share (2016: \$1.92). The NTA after tax was \$1.92 per share (2016: \$1.86). These figures are after 14.75 cents in fully franked dividends paid to shareholders during the year (2016: 14.25 cents).

The total shareholder return for the financial year was 14.1%. This was driven by WAM Capital's investment portfolio performance of 11.7% and the continued increase in the share price's premium to NTA.

The Company achieved continued growth during the year increasing shareholders equity by 38.3% to \$1,214.9 million and total shareholder numbers by 33.8% to 27,339. This growth was achieved through the strong absolute performance of the investment portfolio and the capital management initiatives during the year which raised \$354.8 million.

Further information on the operating and financial review of the Company is contained in the Chairman's Letter.

Financial position

The net asset value of the Company as at 30 June 2017 was \$1,214,898,458 (2016: \$878,749,246). 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 2017.

Dividends paid or recommended

Dividends paid or declared are as follows:

	\$
Fully franked FY2016 final dividend of 7.25 cents per share was paid on 28 October 2016	42,570,166
Fully franked FY2017 interim dividend of 7.5 cents per share was paid on 28 April 2017	44,991,649

Since year end, the Board has declared a final dividend of 7.5 cents per share fully franked to be paid on 27 October 2017.

Directors

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

- Geoff Wilson
- Matthew Kidman
- James Chirnside
- Lindsay Mann
- Chris Stott
- Kate Thorley (appointed 31 August 2016)
- Paul Jensen (resigned 20 February 2017)

Information on Directors

Geoff Wilson (Chairman – Non-independent)

Experience and expertise

Geoff Wilson has over 37 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 philanthropic wealth creation vehicles, Future Generation Investment Company and Future Generation Global Investment Company. 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) and the Australian Stockbrokers Foundation. He is the founder and a Director of Future Generation Global Investment Company Limited (appointed May 2015) and Future Generation Investment Company Limited (appointed July 2014) and a Director of Australian Leaders Fund Limited (appointed October 2003), Clime Capital Limited (appointed September 2003), Global Value Fund Limited (appointed April 2014), Century Australia Investments Limited (appointed September 2014), Incubator Capital Limited (appointed February 2000), Sporting Chance Cancer Foundation, Australian

Geoff Wilson (Chairman – Non-independent) (cont'd)

Fund Managers Foundation, Odyssey House McGrath Foundation, Australian Children's Music Foundation and he is a Member of the Second Bite NSW Advisory Committee. He is also 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 has not resigned as a Director from any listed companies within the last three years.

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.

Matthew Kidman (Director – independent)

Experience and expertise

In 2015, Matthew Kidman became Principal and Portfolio Manager of Centennial Asset Management Pty Limited. Previously, Matthew worked as a Portfolio Manager at Wilson Asset Management (International) Pty Limited for 13 years between 1998 and 2011. Prior to joining Wilson Asset Management, Matthew worked as a finance journalist at the Sydney Morning Herald between the years 1994 and 1998. In 1997 he was made Business Editor of the paper and was charged with the responsibility of company coverage. He has degrees in Law and Economics and a Graduate Diploma in Applied Finance.

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

Other current directorships

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

Former directorships in the last 3 years

Matthew Kidman is a former Director of Centrepoint Alliance Limited (February 2012 to November 2015).

Special responsibilities

Member of the Audit and Risk Committee.

Interests in shares of the Company

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

Interests in contracts

Matthew Kidman has no interests in contracts of the Company.

James Chirnside (Director – independent)

Experience and expertise

James Chirnside has been involved in financial markets for 32 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) and Dart Mining NL (appointed June 2015).

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.

Other current directorships

Lindsay Mann is currently an independent non-executive director of UCA Funds Management Limited and an independent Director of WAM Leaders Limited (appointed March 2016).

Lindsay Mann (Director – Independent) (cont'd)

Former directorships in the last 3 years

Lindsay Mann is a former Director of Lionport Asia Fund.

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.

Chris Stott (Director – Non-independent)

Experience and expertise

Chris Stott has more than 14 years' experience in the funds management industry. Chris is the Chief Investment Officer and Portfolio Manager of Wilson Asset Management (International) Pty Limited, having joined the company in 2006. Chris was previously employed with Challenger Financial Services Group in various research roles specialising in Australian equities. He holds a Bachelor of Business and a Graduate Diploma in Applied Finance and Investment. He is a member of the Australian Institute of Company Directors and the Financial Services Institute of Australasia.

Chris Stott has been a Director of the Company since May 2015.

Other current directorships

Chris Stott is a Director of WAM Research Limited (appointed August 2014) WAM Active Limited (appointed July 2014), WAM Leaders Limited (appointed March 2016), WAM Microcap Limited (appointed March 2017) and Century Australia Investments Limited (appointed April 2017).

Former directorships in the last 3 years

Chris Stott 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 Chris Stott's interests in shares of the Company are included later in this report.

Interests in contracts

Chris Stott has no interests in contracts of the Company.

Kate Thorley (Director – Non-independent/Company Secretary)

Experience and expertise

Kate Thorley has over 12 years' experience in the funds management industry and more than 18 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, Future Generation Investment Company Limited and is a non-executive Director of Sandon Capital Opportunities Pty Limited. Kate is also the

Kate Thorley (Director – Non-independent/Company Secretary) (cont'd)

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 CPA. She is a member of the Australian Institute of Company Directors.

Kate has been a Director of the Company since August 2016 and Company Secretary since October 2008.

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) and WAM Microcap Limited (appointed March 2017).

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

Company Secretary

Interests in shares of the Company

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

Interests in contracts

Kate Thorley has no interests in contracts of the Company.

Remuneration Report (Audited)

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

a) Remuneration of Directors

All Directors of WAM Capital are non-executive Directors. The Board from time to time determines remuneration of Directors within the maximum amount approved by the shareholders at the Annual 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.

Remuneration Report (Audited) (cont'd)

Directors' remuneration received for the year ended 30 June 2017:

Director	Position	Short-term employee benefits Directors' Fees \$	Post-employment benefits Superannuation \$	Total \$
Geoff Wilson	Chairman	9,132	868	10,000
Matthew Kidman	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
Chris Stott	Director	9,132	868	10,000
Kate Thorley	Director	9,132	868	10,000
Paul Jensen (resigned 20/2/17)	Director	5,104	20,485	25,589
		142,090	33,499	175,589

Directors receive a superannuation guarantee contribution required by the government, which was 9.5% of individuals benefits for FY2017 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:

	2017	2016	2015	2014	2013
Operating profit after tax (\$)	68,912,591	97,994,040	53,988,609	68,281,401	44,218,171
Dividends (cents per share)	15.0	14.5	14.0	13.0	12.0
After tax net tangible asset (\$ per share)	1.92	1.86	1.78	1.75	1.66
Total Directors' remuneration (\$)	175,589	180,000	170,000	170,000	115,000
Shareholder's equity (\$)	1,214,898,458	878,749,246	806,499,635	596,254,418	486,738,757

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

b) Director related entities remuneration

All transactions with related entities 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 Limited. Entities associated with Geoff Wilson also hold 100% of the issued shares of Wilson Asset Management (International) Pty Limited. In its capacity as Manager, Wilson Asset Management (International) Pty Limited was paid a management fee of 1% p.a (plus GST) of gross assets amounting to \$13,091,442 inclusive of GST (2016: \$9,930,647). As at 30 June 2017 the balance payable to the Manager was \$1,135,675 (2016: \$858,212).

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

Remuneration Report (Audited) (cont'd)

- where the S&P/ASX All Ordinaries Accumulation Index has decreased over that period, the amount of the increase in the value of the portfolio.

No performance fee is payable in respect of any performance period where the portfolio has decreased in value over that period. For the year ended 30 June 2017, no performance fee was payable to Wilson Asset Management (International) Pty Limited (2016: \$32,335,391).

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 financial year 2017, the accounting services amounted to \$46,200 inclusive of GST (2016: \$38,500) and the Company Secretarial services amounted to \$16,500 inclusive of GST (2016: \$16,500).

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 with 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, remunerated Geoff Wilson, Chris Stott and Kate Thorley as employees and/or as a Director of the Manager during the financial year. The Manager is appointed to also provide day-to-day management of the Company and is remunerated 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 2016	Acquisitions/balance held on appointment	Disposals	Balance as at the date of this report
Geoff Wilson	238,276	21,027	-	259,303
Matthew Kidman	316,062	20,461	-	336,523
James Chirnside	30,793	-	-	30,793
Lindsay Mann	93,880	-	-	93,880
Chris Stott	46,718	12,636	-	59,354
Kate Thorley*	-	51,191	-	51,191
	725,729	105,315	-	831,044

*Kate Thorley was appointed Director of WAM Capital on 31 August 2016. On this date, Kate held 45,702 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 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	6	6
Matthew Kidman	6	4
James Chirnside	6	6
Lindsay Mann	6	6
Chris Stott	6	6
Kate Thorley (appointed 31 August 2016)	4	4
Paul Jensen (resigned 20 February 2017)	4	4

Audit and Risk Committee meetings

The main responsibilities of the Audit and Risk Committee are set out in the Corporate governance statement on pages 14 to 16 of the Annual Report.

Director	No. eligible to attend	Attended
Matthew Kidman	5	3
James Chirnside	5	5
Lindsay Mann	5	5
Paul Jensen (resigned 20 February 2017)	4	4

After balance date events

Since year end, the Company declared a final dividend of 7.5 cents per share fully franked to be paid on 27 October 2017.

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

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 Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

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

Non-audit services

During the year 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 prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with the APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

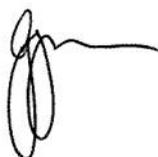
Rounding of amounts to nearest dollar

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.

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 27 of the Annual Report.

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



Geoff Wilson
Chairman

Dated in Sydney this 31st day of July 2017

**Auditor's Independence Declaration
To the Directors of WAM Capital Limited
A.B.N. 34 086 587 395**

In relation to the independent audit for the year ended 30 June 2017, 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.

This declaration is in respect of WAM Capital Limited during the year.



C I Chandran
Partner

Pitcher Partners
Sydney

31 July 2017

Statement of comprehensive income for the year ended 30 June 2017

	Note	2017 \$	2016 \$
Net realised and unrealised gains on financial assets		65,529,244	142,946,690
Other revenue from operating activities	2	42,878,285	34,316,102
Management fees		(12,198,844)	(9,253,555)
Performance fees		-	(30,130,705)
Directors fees		(175,589)	(180,000)
Brokerage expense on share purchases		(4,906,503)	(4,122,592)
Expenses paid on borrowed stock		(981,213)	(384,248)
Custody fees		(79,359)	(95,782)
ASX listing and chess fees		(197,343)	(187,095)
Share registry fees		(315,945)	(204,978)
Disbursements, mailing and printing		(172,161)	(168,869)
Legal and professional fees		(163,177)	(53,732)
Other expenses from ordinary activities		(271,676)	(221,892)
Profit before income tax		88,945,719	132,259,344
Income tax expense	3(a)	(20,033,128)	(34,265,304)
Profit after income tax attributable to members of the Company		68,912,591	97,994,040
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		68,912,591	97,994,040
Basic and diluted earnings per share	15	11.78 cents	21.17 cents

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2017

	Note	2017 \$	2016 \$
Current assets			
Cash and cash equivalents	13	420,024,801	290,991,754
Trade and other receivables	6	40,035,802	82,302,938
Financial assets	7	840,804,123	598,828,104
Total current assets		1,300,864,726	972,122,796
Non-current assets			
Deferred tax assets	3(b)	2,498,108	1,833,204
Total non-current assets		2,498,108	1,833,204
Total assets		1,303,362,834	973,956,000
Current liabilities			
Trade and other payables	9	19,340,411	55,065,844
Financial liabilities	8	43,544,689	11,504,217
Current tax liabilities	3(c)	13,692,611	18,251,214
Total current liabilities		76,577,711	84,821,275
Non-current liabilities			
Deferred tax liabilities	3(d)	11,886,665	10,385,479
Total non-current liabilities		11,886,665	10,385,479
Total liabilities		88,464,376	95,206,754
Net assets		1,214,898,458	878,749,246
Equity			
Issued capital	10	1,139,486,184	784,687,748
Profits reserve	11	103,032,272	121,681,496
Accumulated losses	12	(27,619,998)	(27,619,998)
Total equity		1,214,898,458	878,749,246

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2017

	Note	Issued capital \$	Accumulated losses \$	Profits reserve \$	Total equity \$
Balance at 1 July 2015		744,928,101	(27,619,998)	89,191,532	806,499,635
Profit for the year		-	97,994,040	-	97,994,040
Transfer to profits reserve		-	(97,994,040)	97,994,040	-
Other comprehensive income for the year		-	-	-	-
Shares issued via dividend reinvestment plan	10(b)	14,809,705	-	-	14,809,705
Shares issued via DRP shortfall placement	10(b)	25,135,899	-	-	25,135,899
Capitalised share issue costs	10(b)	(185,957)	-	-	(185,957)
Dividends paid	4(a)	-	-	(65,504,076)	(65,504,076)
Balance at 30 June 2016		784,687,748	(27,619,998)	121,681,496	878,749,246
Profit for the year		-	68,912,591	-	68,912,591
Transfer to profits reserve		-	(68,912,591)	68,912,591	-
Other comprehensive income for the year		-	-	-	-
Shares issued via dividend reinvestment plan	10(b)	16,783,686	-	-	16,783,686
Shares issued via share purchase plan	10(b)	128,397,982	-	-	128,397,982
Shares issued via placement	10(b)	119,114,202	-	-	119,114,202
Shares issued via DRP shortfall placement	10(b)	59,842,569	-	-	59,842,569
Shares issued via scrip consideration for acquisition	10(b)	31,392,586	-	-	31,392,586
Share issue costs (net of tax)	10(b)	(732,589)	-	-	(732,589)
Dividends paid	4(a)	-	-	(87,561,815)	(87,561,815)
Balance at 30 June 2017		1,139,486,184	(27,619,998)	103,032,272	1,214,898,458

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Proceeds from sale of investments		2,860,625,970	1,992,238,283
Payments for purchase of investments		(2,941,992,716)	(1,979,661,302)
Dividends received		26,806,200	18,511,030
Interest received		8,475,660	7,785,747
Other investment income received		11,987,927	4,112,520
Management fee (GST inclusive)		(12,813,979)	(11,377,724)
Performance fee (GST inclusive)		(32,335,391)	(11,028,731)
Brokerage expense on share purchases (GST inclusive)		(5,261,415)	(4,421,405)
Payments for administration expenses (GST inclusive)		(2,345,130)	(1,366,479)
Income tax paid		(23,441,483)	(21,072,380)
GST on brokerage expense on share sales		(309,337)	(271,880)
Net GST received from ATO		4,106,673	1,694,388
Net cash used in operating activities	14	(106,497,021)	(4,857,933)
Cash flows from financing activities			
Proceeds from issue of shares		307,354,753	25,135,899
Dividends paid – net of reinvestment		(70,778,130)	(50,694,371)
Share issue costs		(1,046,555)	(265,653)
Net cash provided by/(used in) financing activities		235,530,068	(25,824,125)
Net increase/(decrease) in cash and cash equivalents held		129,033,047	(30,682,058)
Cash and cash equivalents at beginning of financial year		290,991,754	321,673,812
Cash and cash equivalents at end of financial year	13	420,024,801	290,991,754
Non-cash transactions:			
Shares issued via dividend reinvestment plan		16,783,686	14,809,706
Shares issued via scrip consideration for acquisition		31,392,586	-

The accompanying notes form part of these financial statements

Notes to the financial statements for the year ended 30 June 2017

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

The financial report was authorised for issue on 31 July 2017 by the Board of Directors.

WAM Capital Limited 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.

a) Financial instruments

Initial recognition and measurement

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

Classification and subsequent measurement

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

1. Significant accounting policies (cont'd)

a) Financial instruments (cont'd)

Classification and subsequent measurement (cont'd)

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

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 entity of the Company acquired throughout the period is not consolidated into the financial statements, but rather is accounted for as a financial asset 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.

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

1. Significant accounting policies (cont'd)

b) Income tax (cont'd)

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 five 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.

f) Trade and other payables

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

g) Impairment of assets

At each reporting date, the Company reviews the carrying values of its non-financial assets to determine whether there is any indication that those assets may be impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell

1. Significant accounting policies (cont'd)

g) Impairment of assets (cont'd)

and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of comprehensive income.

h) Goods and Services Tax (GST)

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

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

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

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.

There are no estimates or judgments that have a material impact on the Company's financial results for the year ended 30 June 2017. 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

The Australian Accounting Standards Board has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The Company will not early adopt the new and amended pronouncements at this point in time. A new and amended pronouncement that is relevant to the Company, but applicable in future reporting periods is AASB 9: *Financial Instruments and its associated amending standards*.

1. Significant accounting policies (cont'd)

n) New standards and interpretations not yet adopted (cont'd)

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 (AASB 139) - *Financial Instruments: Recognition and Measurement*. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The Company has not early adopted AASB 9. This is not expected to have a significant impact on the Company's financial statements as the Company does not expect to elect any investments as not held for trading.

2. Other revenue

	2017 \$	2016 \$
Australian sourced dividends	22,190,532	24,751,742
Interest	8,171,432	7,576,300
Trust distributions	11,225,539	1,697,653
Underwriting fees	171,569	240,144
Foreign sourced dividends	1,083,724	50,263
Other income	35,489	-
	42,878,285	34,316,102

3. Income tax

a) Income tax expense

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

	2017 \$	2016 \$
Prima facie tax on profit before income tax at 30% (2016: 30%)	26,683,716	39,677,803
Imputation credit gross up	3,088,502	1,838,172
Foreign income tax offset gross up	24,619	2,661
Franking credit offset	(10,295,008)	(6,127,240)
Foreign income tax offset	(82,062)	(8,871)
Other non-assessable items*	613,361	(1,117,221)
	20,033,128	34,265,304
Effective tax rate	22.5%	25.9%

The effective tax rate reflects the benefit to the Company of franking credits received on dividend income. The decrease in the effective tax rate from the comparative year is reflective of the higher proportion of franked dividend income received in comparison to the net profit before tax for the period.

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

Total income tax expense results in a:

Current tax liability	20,555,849	41,413,894
Deferred tax liability	1,501,186	(7,232,822)
Deferred tax asset	(2,023,907)	84,232
	20,033,128	34,265,304

b) Deferred tax assets

	2017 \$	2016 \$
Tax losses	2,159,583	1,672,969
Accruals	9,570	7,673
Capitalised share issue costs	328,955	152,562
	2,498,108	1,833,204
Movement in deferred tax assets		
Balance at the beginning of the period	1,833,204	6,911,458
Recoupment of tax losses	(1,672,969)	(5,073,718)
Credited/(charged) to the statement of comprehensive income	2,023,907	(84,232)
Capitalised share issue costs	313,966	79,696
At reporting date	2,498,108	1,833,204

3. Income tax (cont'd)

c) Current tax liabilities

	2017 \$	2016 \$
Balance at the beginning of the year	18,251,214	2,983,418
Current year income tax on operating profit	20,555,849	41,413,894
Recoupment of tax losses	(1,672,969)	(5,073,718)
Net income tax paid	(23,441,483)	(21,072,380)
At reporting date	13,692,611	18,251,214

d) Deferred tax liabilities

	2017 \$	2016 \$
Fair value adjustments	11,886,665	10,385,479
	11,886,665	10,385,479
Movement in deferred tax liabilities		
Balance at the beginning of the year	10,385,479	17,618,301
Charged/(credited) to the statement of comprehensive income	1,501,186	(7,232,822)
At reporting date	11,886,665	10,385,479

4. Dividends

a) Ordinary dividends paid during the year

	2017 \$	2016 \$
Final dividend FY2016: 7.25 cents per share fully franked at 30% tax rate paid 28 October 2016 (Final dividend FY2015: 7.0 cents per share fully franked)	42,570,166	31,573,550
Interim dividend FY2017: 7.5 cents per share fully franked at 30% tax rate paid 28 April 2017 (Interim dividend FY2016: 7.25 cents per share fully franked)	44,991,649	33,930,526
	87,561,815	65,504,076

b) Dividends not recognised at year end

	2017 \$	2016 \$
In addition to the above dividends, since the end of the year, the Directors have declared a 7.5 cents per share fully franked dividend which has not been recognised as a liability at the end of the financial year:	47,500,651	34,184,806

4. Dividends (cont'd)

c) Dividend franking account

	2017 \$	2016 \$
Balance of franking account at year end	1,206,801	429,043
Adjusted for franking credits arising from: - Estimated income tax payable	13,692,611	18,251,214
Subsequent to the reporting period, the franking account would be reduced by the proposed dividend disclosed in Note 4 (b):	(20,357,422)	(14,650,631)
	(5,458,010)	4,029,626

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

The balance of the franking account does not include the tax to be paid on unrealised investment gains and accrued income currently recognised as a deferred tax liability of \$11,886,665 (2016: \$10,385,479).

5. Auditor's remuneration

	2017 \$	2016 \$
Remuneration of the auditor for:		
Auditing and reviewing the financial report	57,741	44,210
Other services provided by a related practice of the auditor:		
Taxation services	12,100	7,480
Other non-assurance services	16,193	3,300
	86,034	54,990

The Company's Audit and Risk Committee oversees the relationship with the Company's external auditors. 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

	2017 \$	2016 \$
Outstanding settlements	37,981,251	73,404,595
Investment income receivable	1,643,594	6,035,097
GST receivable	410,957	2,863,246
	40,035,802	82,302,938

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

7. Financial assets

	2017 \$	2016 \$
Listed investments at fair value	805,692,539	593,217,144
Unlisted investments at fair value	35,111,584	5,610,960
	840,804,123	598,828,104

The market values of individual investments held at the end of the reporting period are disclosed on pages 59 to 60 of the Annual Report.

The balance of unlisted investments held at fair value as at 30 June 2017 includes the unlisted investment company acquired by WAM Capital on 18 April 2017 (\$25.7m), AMP Capital China Growth Fund (\$8.5m) and other unlisted investments (\$929k).

During the period, the Company acquired all the issued capital of an unlisted investment company with net assets of \$25.5 million. The purchase consideration for the acquisition was payable in scrip, with 13,246,376 new WAM Capital shares being issued on 19 April 2017. At the end of the reporting period, the fair value of the unlisted investment company primarily represents its net asset backing, being cash and cash equivalents.

AMP Capital China Growth Fund was delisted on 30 December 2016. The fair value of this investment was determined using its net asset backing per share at the end of the reporting period.

8. Financial liabilities

	2017 \$	2016 \$
Borrowed stock	43,544,689	11,504,217

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 Management Agreement.

9. Trade and other payables

	2017 \$	2016 \$
Outstanding settlements	17,736,895	21,513,270
Management fee payable	1,135,675	858,212
Performance fee payable	-	32,335,391
Sundry payables	467,841	358,971
	19,340,411	55,065,844

Outstanding settlements are on the terms operating in the securities industry. These do not incur interest and require settlement within two days of 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

	2017 \$	2016 \$
633,342,008 ordinary shares fully paid (2016: 471,514,559)	1,139,486,184	784,687,748

b) Ordinary shares

	2017 \$	2016 \$
Balance at the beginning of the year	784,687,748	744,928,101
59,999,057 ordinary shares issued on 26 August 2016 under a share purchase plan	128,397,982	-
55,660,842 ordinary shares issued on 26 August 2016 under a placement	119,114,202	-
3,713,713 ordinary shares issued on 28 October 2016 under a dividend reinvestment plan	8,394,037	-
8,999,858 ordinary shares issued on 28 October 2016 under a dividend reinvestment plan shortfall placement	20,342,379	-
13,246,376 ordinary shares issued on 19 April 2017 as scrip consideration for acquisition of an unlisted investment company	31,392,586	-
3,540,153 ordinary shares issued on 28 April 2017 under a dividend reinvestment plan	8,389,649	-
16,667,450 ordinary shares issued on 28 April 2017 under a dividend reinvestment plan shortfall placement	39,500,190	-
Share issue costs (net of tax)	(732,589)	-
3,855,003 ordinary shares issued on 30 October 2015 under a dividend reinvestment plan	-	7,396,301
13,101,167 ordinary shares issued on 3 November 2015 under a dividend reinvestment plan shortfall placement	-	25,135,899
3,507,674 ordinary shares issued on 13 May 2016 under a dividend reinvestment plan	-	7,413,404
Share issue costs (net of tax)	-	(185,957)
At reporting date	1,139,486,184	784,687,748

Holder 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.

10. Issued capital (cont'd)

c) Capital management

The Board manages the Company's capital by regularly reviewing the most efficient manner by which the Company 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, options 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 control the capital of the Company since the prior year. The Company is not subject to any externally imposed capital requirements.

11. Profits reserve

	2017 \$	2016 \$
Profits reserve	103,032,272	121,681,496

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

	2017 \$	2015 \$
Movement in profits reserve		
Balance at the beginning of the year	121,681,496	89,191,532
Transfer of profits during the period	68,912,591	97,994,040
Final dividend paid (refer to note 4a)	(42,570,166)	(31,573,550)
Interim dividend paid (refer to note 4a)	(44,991,649)	(33,930,526)
At reporting date	103,032,272	121,681,496

12. Accumulated losses

	2017 \$	2016 \$
Balance at the beginning of the year	(27,619,998)	(27,619,998)
Profit for the year attributable to members of the Company	68,912,591	97,994,040
Transfer to profits reserve	(68,912,591)	(97,994,040)
At reporting date	(27,619,998)	(27,619,998)

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:

	2017 \$	2016 \$
Cash at bank	226,781,036	147,502,987
Term deposits	147,068,705	131,341,915
Cash collateral for Borrowed Stock	46,175,060	12,146,852
	420,024,801	290,991,754

The weighted average interest rate for cash and term deposits as at 30 June 2017 is 2.03% (2016: 2.45%). The term deposits have an average maturity of 75 days (2016: 69 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

	2017 \$	2016 \$
Reconciliation of profit after tax to cash flow from operations:		
Profit after income tax	68,912,591	97,994,040
Fair value gains and movements in financial assets	(146,895,990)	(130,369,709)
Changes in assets and liabilities:		
Decrease/(increase) in receivables	6,843,792	(5,725,108)
(Increase)/decrease in deferred tax assets	(350,939)	5,157,950
(Decrease)/increase in payables	(31,949,058)	20,049,920
(Decrease)/increase in current tax liabilities	(4,558,603)	15,267,796
Increase/(decrease) in deferred tax liabilities	1,501,186	(7,232,822)
Cash outflow from operating activities	(106,497,021)	(4,857,933)

15. Earnings per share

	2017 Cents per share	2016 Cents per share
Basic and diluted earnings per share	11.78	21.17

	2017 \$	2016 \$
Profit after income tax used in the calculation of basic and diluted earnings per share	68,912,591	97,994,040

	2017 No.	2016 No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted earnings per share	584,844,431	462,955,615

There are no outstanding securities that are potentially dilutive in nature for the Company.

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 from the previous 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 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 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 provision for impairment of those assets.

The Manager is responsible for ensuring there is appropriate diversification across counterparties and that they are of a sufficient quality rating. The Manager is satisfied that the counterparties are of sufficient quality and 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.

16. Financial risk management (cont'd)

a) Credit risk (cont'd)

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-. Also, the majority of maturities are within three months.

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

b) Liquidity risk

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

The 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.

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, if 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 2017	>1 month \$	<1 month \$	Total \$
Liabilities			
Trade and other payables	-	19,340,411	19,340,411
Financial liabilities	-	43,544,689	43,544,689
Total	-	62,885,100	62,885,100

30 June 2016	>1 month \$	<1 month \$	Total \$
Liabilities			
Trade and other payables	-	55,065,844	55,065,844
Financial liabilities	-	11,504,217	11,504,217
Total	-	66,570,061	66,570,061

16. Financial risk management (cont'd)

c) Market risk

Market risk is the risk that changes in market prices, such as interest rates and other market prices will affect the fair value or future cash flows of the 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 five months. As the Company's exposure to interest rate risk is not significant, interest rate sensitivities have not been performed.

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 2017	Weighted average interest rate (% pa)	Interest bearing \$	Non-interest bearing \$	Total \$
Assets				
Cash and cash equivalents	2.03%	420,024,801	-	420,024,801
Trade and other receivables		-	40,035,802	40,035,802
Financial assets		-	840,804,123	840,804,123
Total		420,024,801	880,839,925	1,300,864,726
Liabilities				
Trade and other payables		-	19,340,411	19,340,411
Financial liabilities		-	43,544,689	43,544,689
Total		-	62,885,100	62,885,100

16. Financial risk management (cont'd)**c) Market risk (cont'd)****(i) Interest rate risk (cont'd)**

30 June 2016	Weighted average interest rate (% pa)	Interest bearing \$	Non-interest bearing \$	Total \$
Assets				
Cash and cash equivalents	2.45%	290,991,754	-	290,991,754
Trade and other receivables		-	82,302,938	82,302,938
Financial assets		-	598,828,104	598,828,104
Total		290,991,754	681,131,042	972,122,796
Liabilities				
Trade and other payables		-	55,065,844	55,065,844
Financial liabilities		-	11,504,217	11,504,217
Total		-	66,570,061	66,570,061

(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 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 and managed on a daily basis. 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.

16. Financial risk management (cont'd)**c) Market risk (cont'd)****(ii) Other price risk (cont'd)**

The Company's industry sector weighting of the gross assets as at 30 June 2017 is as below:

Industry sector	2017 %	2016 %
Financials	20.4	21.5
Consumer Discretionary	15.1	17.3
Information Technology	9.9	4.4
Industrials	7.2	10.7
Health Care	5.6	7.0
Materials	3.5	-
Consumer Staples	2.1	-
Telecommunication Services	1.2	1.9
Utilities	0.6	1.0
Energy	0.2	-
Total	65.8%	63.8%

There were no securities representing over 5 per cent of the gross assets of the Company at 30 June 2017 (2016: 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 65.8% (2016: 63.8%) 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 2.2% (2016: 2.3%) movement in the net assets after tax. This would result in the 30 June 2017 net asset backing after tax moving by 4.3 cents per share (2016: 4.4 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 for this financial year, is WAM Capital's investment in an unlisted investment company. The fair value of the investment has been based on its net asset backing, being cash and cash equivalents at the end of the reporting period.

The remaining balance of the investments in Level 2 of the hierarchy, include unlisted investments which have used valuation techniques to determine fair value such as comparisons to similar investments for which market observable prices are available or the last sale price, and placements which settle after 30 June 2017, which have been valued at either fair value determined by using the subscription price and the amount of securities subscribed for by the Company under the relevant offers or cost if the placement is subject to shareholder approval following year end (FY16: the majority of investments included in Level 2 of the hierarchy were related to Initial Public Offerings and Placements).

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
30 June 2017				
Financial assets	805,692,539	35,111,584	-	840,804,123
Financial liabilities	(43,544,689)	-	-	(43,544,689)
Total	762,147,850	35,111,584	-	797,259,434
30 June 2016				
Financial assets	593,217,144	5,610,960	-	598,828,104
Financial liabilities	(11,504,217)	-	-	(11,504,217)
Total	581,712,927	5,610,960	-	587,323,887

17. Investment transactions

The total number of contract notes that were issued for transactions in securities during the financial year was 9,518 (2016: 6,689). Each contract note could involve multiple transactions. The total brokerage paid on these contract notes was \$9,157,136 (2016: \$7,887,815).

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

The Company entered into a capital commitment of \$379,352 before year end for a placement which settles after 30 June 2017 (2016: nil).

20. Contingent liabilities

There were no contingent liabilities for the Company as at 30 June 2017 (2016: 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 Chairman
- Matthew Kidman Director
- James Chirnside Director
- Lindsay Mann Director
- Chris Stott Director
- Kate Thorley Director and Company Secretary (appointed 31 August 2016)
- Paul Jensen Director (resigned 20 February 2017)

a) Remuneration

There are no executives that are paid by the Company. Wilson Asset Management (International) Pty Limited, the Manager of the Company, remunerated Geoff Wilson, Chris Stott and Kate Thorley as an employee and/or Director of the Manager during the financial year to 30 June 2017.

Information regarding individual Directors' remuneration is provided in the Remuneration Report of the Directors' Report on page 23, 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 2017	142,090	33,499	175,589
Total Directors remuneration paid by the Company for the year ended 30 June 2016	146,119	33,881	180,000

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 2016	Acquisitions/balance held on appointment	Disposals	Balance at 30 June 2017
Geoff Wilson	238,276	21,027	-	259,303
Matthew Kidman	316,062	20,461	-	336,523
James Chirnside	30,793	-	-	30,793
Lindsay Mann	93,880	-	-	93,880
Chris Stott	46,718	12,636	-	59,354
Kate Thorley*	-	51,191	-	51,191
	725,729	105,315	-	831,044

*Kate Thorley was appointed Director of WAM Capital on 31 August 2016. On this date, Kate held 45,702 ordinary shares in the Company.

Ordinary shares held Directors	Balance at 30 June 2015	Acquisitions	Disposals	Balance at 30 June 2016
Geoff Wilson	3,334,978	-	3,096,702	238,276
Matthew Kidman	294,823	21,239	-	316,062
James Chirnside	30,793	-	-	30,793
Lindsay Mann	93,880	-	-	93,880
Chris Stott	4,161	5,107	-	46,718
Paul Jensen (resigned 20 Feb 2017)	159,572	900	-	160,472
	3,955,657	27,246	3,096,702	886,201

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 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 Limited. Entities associated with Geoff Wilson also hold 100% of the issued shares of Wilson Asset Management (International) Pty Limited. In its capacity as Manager, Wilson Asset Management (International) Pty Limited was paid a management fee of 1% p.a. (plus GST) of gross assets amounting to \$13,091,442 inclusive of GST (2016: \$9,930,647). At 30 June 2017, the balance payable to the Manager in relation to the management fees was \$1,135,675 inclusive of GST (2016: \$858,212).

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 portfolio has decreased in value over that period. For the year ended 30 June 2017, no performance fee was payable to the Manager (2016: \$32,335,391).

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 financial year 2017, the accounting services amounted to \$46,200 inclusive of GST (2016: \$38,500) and the Company Secretarial services amounted to \$16,500 inclusive of GST (2016: \$16,500).

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

23. Events subsequent to reporting date

Since year end, the Directors declared a final dividend of 7.5 cents per share fully franked to be paid on 27 October 2017.

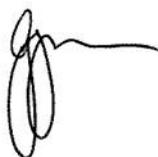
No other matters or circumstances have arisen since the end of the financial year which significantly affect or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

Directors' Declaration

The Directors of WAM Capital Limited declare that:

- 1) The financial statements as set out in pages 28 to 52 and the additional disclosures included in the Directors' Report designated as "Remuneration Report", as set out on pages 22 to 24, 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 2017 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
Chairman

Dated in Sydney this 31st day of July 2017

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

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of WAM Capital Limited (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

Opinion

In our opinion

- a) the 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 2017 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibility* section of our report. We are independent of the Company in accordance with 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 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 period. We have communicated the key audit matters to the Audit and Risk Committee, but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Committee. 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.

Key audit matter	How our audit addressed the matter
<p><i>Existence, Completeness, Valuation, and Classification of Financial Assets and Financial Liabilities</i> <i>Refer to Note 7: Financial Assets, Note 8: Financial Liabilities and Note 16 d): Financial Instruments measured at fair value</i></p>	
<p>We focused our audit effort on the valuation, existence and completeness of the Company's financial assets and financial liabilities as they are its largest asset and liability and represent the most significant driver of the Company's net tangible assets and profits.</p> <p>The quantum of investments held inherently makes financial assets and financial liabilities a key audit matter, in addition however, there may be judgements involved in determining the fair value of investments.</p> <p>In relation to investments, there can be a risk that these are not owned by the Company.</p> <p>We therefore identified the valuation, existence and completeness of investments as an area of focus.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ We obtained an understanding of the investment management process and controls; ▪ We reviewed the independent audit report on internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the period 1 July 2016 to 31 December 2016 for the Custodian, and obtained a bridging letter for the residual 6 months; ▪ We agreed the investment holdings to a confirmation obtained directly from the Custodian; ▪ We assessed the Company's valuation of individual investment holdings to independent sources where readily observable data was available. For investments where there was little or less observable market data, we obtained and assessed other relevant valuation data; ▪ We evaluated the appropriateness of the accounting treatment of revaluations of financial assets for current/deferred tax and realised/unrealised gains or losses; ▪ We assessed the adequacy of disclosures in the financial statements.

Accuracy and Completeness of Management and Performance Fees Refer to Note 9: Trade and other payables, Note 22: Related party transactions and Remuneration Report	
<p>We focused our audit effort on the accuracy and completeness of management and performance fees as they are significant expenses of the Company and their calculation may require adjustments for events 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>We therefore identified the accuracy and completeness of management and performance fees as an area of focus.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ Making enquiries with the Investment Manager and the Directors with respect to any significant events during the period and associated adjustments made as a result, in addition to having reviewed ASX announcements; ▪ Considered the treatment of events that may be significant to the calculation of management and performance fees; ▪ In order to verify the Company's calculation, we recalculated management and performance fees in accordance with our understanding of the Investment Management Agreement; ▪ Tested key inputs used in the calculation of the management and performance fees and performed a reasonableness test; ▪ We also assessed the adequacy of disclosures made in the financial statements in relation to these related party transactions.

Other information

The Directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 consistent 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.

Directors' Responsibility for the Financial Report

The Directors of WAM Capital Limited are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the Directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's ability 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 responsibility is to express an opinion on the financial report based on our audit. 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 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 Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view 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.

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 controls.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We 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.

We 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 obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are

responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. 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 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 22 to 24 of the Directors' Report for the year ended 30 June 2017. In our opinion, the Remuneration Report of WAM Capital Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of WAM Capital Limited 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.



Pitcher Partners



C I Chandran
Partner

Dated in Sydney this 31st day of July 2017

Investments at market value as at 30 June 2017

Company Name	Code	Market Value \$	% of Gross Assets
Financials			
Hunter Hall Global Value Limited	HHV	35,282,915	2.7%
Templeton Global Growth Fund Limited	TGG	23,937,613	1.9%
Janus Henderson Group PLC	JHG	18,893,886	1.5%
Challenger Limited	CGF	18,049,207	1.5%
AUB Group Limited	AUB	15,723,966	1.3%
Pinnacle Investment Management Group Limited	PNI	14,091,152	1.1%
PSC Insurance Group Limited	PSI	12,136,168	1.0%
ClearView Wealth Limited	CVW	11,782,310	1.0%
360 Capital Group Limited	TGP	9,110,131	0.7%
AMP Capital China Growth Fund*	AGF	8,527,526	0.7%
Westoz Investment Company Limited	WIC	7,841,989	0.6%
Perpetual Equity Investment Company Limited	PIC	7,599,735	0.6%
Wealth Defender Equities Limited	WDE	6,501,986	0.5%
IOOF Holdings Limited	IFL	6,269,491	0.5%
Contango Microcap Limited	CTN	6,209,743	0.5%
Pacific Current Group Limited	PAC	5,671,898	0.5%
Scottish Pacific Group Limited	SCO	5,332,304	0.4%
HFA Holdings Limited	HFA	5,315,503	0.4%
Clime Investment Management Limited	CIW	3,872,941	0.3%
Cedar Woods Properties Limited	CWP	3,321,266	0.3%
Centrepoint Alliance Limited	CAF	3,250,017	0.3%
Consolidated Operations Group Limited	COG	2,554,014	0.2%
Keybridge Capital Limited	KBC	2,474,619	0.2%
Aberdeen Leaders Limited	ALR	2,407,949	0.2%
Peet Limited	PPC	2,333,547	0.2%
Credit Corp Group Limited	CCP	2,085,671	0.2%
Hastings High Yield Fund	HHY	1,923,826	0.2%
IPE Limited	IPE	1,912,756	0.2%
NAOS Absolute Opportunities Co Limited	NAC	1,480,082	0.1%
Steadfast Group Limited	SDF	1,435,264	0.1%
8IP Emerging Companies Limited	8EC	1,169,865	0.1%
IMF Bentham Limited	IMF	1,138,132	0.1%
Acorn Capital Investment Fund Limited	ACQ	1,119,238	0.1%
Clime Private Limited*	n/a	862,748	0.1%
Ozgrowth Limited	OZG	826,423	0.1%

Company Name	Code	Market Value \$	% of Gross Assets
Financials (cont'd)			
Ironbark Capital Limited	IBC	498,064	0.0%
Ask Funding Limited	AKF	418,312	0.0%
DMX Corporation Limited*	DMX	66,055	0.0%
Ozgrowth Limited Options	OZGOB	1,550	0.0%
Westoz Investment Company Limited Options	WICOB	778	0.0%
		253,430,640	20.4%
Consumer discretionary			
Flight Centre Travel Group Limited	FLT	24,976,541	1.9%
Southern Cross Media Group Limited	SXL	16,495,868	1.3%
iSelect Limited	ISU	16,094,806	1.2%
Nick Scali Limited	NCK	15,487,254	1.2%
Nine Entertainment Co Holdings Limited	NEC	13,773,832	1.1%
HT&E Limited	HT1	13,462,466	1.1%
JB Hi Fi Limited	JBH	12,354,177	1.0%
Fairfax Media Limited	FXJ	11,872,502	1.0%
Super Retail Group Limited	SUL	10,980,251	0.9%
Ardent Leisure Group	AAD	10,576,758	0.9%
Premier Investments Limited	PMV	9,563,316	0.8%
Restaurant Brands New Zealand Limited	RBD	6,463,320	0.5%
Noni B Limited	NBL	5,795,370	0.5%
3P Learning Limited	3PL	5,087,990	0.4%
Event Hospitality and Entertainment Limited	EVT	3,563,827	0.3%
Sealink Travel Group Limited	SLK	3,360,530	0.3%
QMS Media Limited	QMS	2,484,003	0.2%
Autosports Group Limited	ASG	2,405,377	0.2%
Think Childcare Limited	TNK	831,136	0.1%
RCG Corp Limited	RCG	770,560	0.1%
APN Outdoor Group Limited	APO	656,411	0.1%
		187,056,295	15.1%

Investments at market value as at 30 June 2017

Company Name	Code	Market Value \$	% of Gross Assets
Information technology			
Afterpay Touch Group Limited	APT	23,553,178	1.8%
Computershare Limited	CPU	18,347,004	1.5%
Class Limited	CL1	14,605,278	1.2%
NEXTDC Limited	NXT	12,454,306	1.0%
Reckon Limited	RKN	11,915,006	1.0%
iSentia Group Limited	ISD	9,506,980	0.8%
Codan Limited	CDA	7,366,489	0.6%
MYOB Group Limited	MYO	6,446,088	0.5%
SMS Management & Technology Limited	SMX	3,932,639	0.3%
Melbourne IT Limited	MLB	3,383,813	0.3%
Appen Limited	APX	3,186,111	0.3%
Empired Limited	EPD	3,176,043	0.3%
Data#3 Limited	DTL	2,996,725	0.2%
Megaport Limited	MP1	729,582	0.1%
Greatcell Solar Limited	GSL	508,367	0.0%
		122,107,609	9.9%
Industrials			
ALS Limited	ALQ	18,495,728	1.6%
Seven Group Holdings Limited	SVW	13,442,886	1.1%
Qantas Airways Limited	QAN	12,812,800	1.0%
Downer EDI Limited	DOW	11,933,426	1.0%
Monadelphous Group Limited	MND	11,522,640	0.9%
Southern Cross Electrical Engineering Limited	SXE	4,674,207	0.4%
SG Fleet Group Limited	SGF	4,159,514	0.3%
NRW Holdings Limited	NWH	3,677,600	0.3%
Cardno Limited	CDD	3,090,872	0.2%
Alliance Aviation Services Limited	AQZ	2,983,961	0.2%
Global Construction Services Limited	GCS	964,869	0.1%
Austin Engineering Limited	ANG	952,234	0.1%
Kelly Partners Group Holdings Limited	KPG	380,164	0.0%
		89,090,901	7.2%
Health care			
Estia Health Limited	EHE	17,433,931	1.4%
CSL Limited	CSL	12,367,488	1.0%
Capitol Health Limited	CAJ	12,186,559	1.0%
ResMed Inc	RMD	12,090,248	1.0%
Oneview Healthcare PLC	ONE	9,380,300	0.8%
Integral Diagnostics Limited	IDX	2,298,798	0.2%

Company Name	Code	Market Value \$	% of Gross Assets
Health care (cont'd)			
Virtus Health Limited	VRT	1,460,374	0.1%
Monash IVF Group Limited	MVF	1,321,153	0.1%
National Veterinary Care Limited	NVL	361,089	0.0%
		68,899,940	5.6%
Materials			
Sims Metal Management Limited	SGM	13,555,224	1.1%
Imdex Limited	IMD	12,232,950	1.0%
Nufarm Limited	NUF	11,889,073	1.0%
Orora Limited	ORA	3,506,783	0.3%
Ausdrill Limited	ASL	1,480,392	0.1%
Pilbara Minerals Limited	PLS	801,458	0.0%
		43,465,880	3.5%
Consumer Staples			
Woolworths Limited	WOW	16,032,173	1.4%
Costa Group Holdings Limited	CGC	6,132,321	0.5%
Blackmores Limited	BKL	2,810,987	0.2%
Tegel Group Holdings Limited	TGH	564,474	0.0%
BWX Limited	BWX	361,879	0.0%
		25,901,834	2.1%
Telecommunications			
Superloop Limited	SLC	14,086,682	1.2%
Reverse Corp Limited	REF	419,994	0.0%
		14,506,676	1.2%
Utilities			
Pacific Energy Limited	PEA	7,647,316	0.6%
		7,647,316	0.6%
Energy			
Cooper Energy Limited	COE	3,041,777	0.2%
		3,041,777	0.2%
Total long portfolio		815,148,868	65.8%
Investment in unlisted investment company¹		25,655,255	2.1%
Total short portfolio		(43,544,689)	(3.6%)
Total cash and cash equivalents, income receivable and net outstanding settlements		442,070,228	35.7%
Gross assets		1,239,329,662	

¹The investment in an unlisted investment company primarily represents cash and cash equivalents at the end of the reporting period.

²Unlisted investment.

³The total number of stocks held at the end of the financial year was 124.

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 30 June 2017) - there are currently no substantial shareholders.

On-market buy back (as at 30 June 2017) – there is no current on-market buy back.

Distribution of shareholders (as at 30 June 2017)

Category	No. of shareholders ordinary shares	%
1 – 1,000	2,146	0.2
1,001 – 9,999	10,344	7.9
10,000 – 99,999	14,049	60.8
100,000 – 999,999	783	23.5
1,000,000 and over	17	7.6
	27,339	100.0

The number of shareholdings held in less than marketable parcels is 464.

Twenty largest shareholders – Ordinary shares (as at 30 June 2017)

Name	Number of ordinary shares held	Percentage of issued capital held
HSBC Custody Nominees (Australia) Limited	8,100,821	1.3
Mr Andrew Ashley Just	6,423,188	1.0
Mrs Diane Elizabeth Balnaves	6,411,188	1.0
Pineross Pty Limited	3,375,790	0.5
Mr Victor John Plummer	3,200,000	0.5
Nulis Nominees (Australia) Limited	3,060,248	0.5
Mrs Fay Martin-Weber	2,170,000	0.3
Navigator Australia Limited	1,977,822	0.3
Citicorp Nominees Pty Limited	1,971,966	0.3
Neale Edwards Pty Limited	1,794,444	0.3
Seweta Pty Limited	1,585,000	0.3
Wilmar Enterprises Pty Limited	1,487,209	0.2
Marbear Holdings Pty Limited	1,440,300	0.2
Trophy Components Distributors Pty Limited	1,400,000	0.2
Karazin Holdings Limited	1,335,000	0.2
Eneber Investment Company Limited	1,322,000	0.2
Alamo Holdings Limited	1,193,000	0.2
Netwealth Investments Limited	989,243	0.2
Investment Custodial Services Limited	980,359	0.2
D J Cherry Pty Limited	972,743	0.2
	51,190,321	8.1

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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