

WAM CAPITAL LIMITED

ABN 34 086 587 395

Appendix 4E Preliminary Final Report for the year ended 30 June 2020

Results for Announcement to the Market

All comparisons to the year ended 30 June 2019

| | \$ | up/down | % mvmt |
|--|--------------|---------|--------|
| Revenue from ordinary activities | (27,664,699) | down | 207.3% |
| Loss from ordinary activities before income tax expense | (47,249,039) | down | 889.1% |
| Net loss from ordinary activities after income tax expense | (26,706,967) | down | 283.8% |

| Dividend information | Cents per share | Franked amount per share | Tax rate for franking |
|---------------------------------------|-----------------|--------------------------|-----------------------|
| 2020 Final dividend cents per share | 7.75c | 7.75c | 30% |
| 2020 Interim dividend cents per share | 7.75c | 7.75c | 30% |

Final dividend dates

| | |
|--------------------------------|------------------|
| Ex dividend date | 19 November 2020 |
| Record date | 20 November 2020 |
| Last election date for the DRP | 24 November 2020 |
| Payment date | 27 November 2020 |

Dividend Reinvestment Plan

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

| | 30 Jun 20 | 30 Jun 19 |
|--|-----------|-----------|
| Net tangible asset backing (after tax) per share | \$1.68 | \$1.87 |

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*

2020 Annual Report

For the year ended 30 June 2020

W Wilson
Asset Management

OVER **20** YEARS Making a
difference

ABN 34 086 587 395

WAM Capital Limited

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

Directors

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

Company Secretary

Linda Kiriczenko

Investment Manager

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

Auditor

Pitcher Partners

Country of Incorporation

Australia

Registered Office

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

Contact Details

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Sydney NSW 2001
T: (02) 9247 6755
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E: info@wilsonassetmanagement.com.au
W: wilsonassetmanagement.com.au

Share Registry

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000
T: 1300 420 372 (in Australia)
+61 2 8023 5472 (International)
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

November 2020



Due to the coronavirus, our Annual General Meeting and Shareholder Presentation will be hosted online at WAM Vault.

wilsonassetmanagement.com.au/vault



W | A | M Vault

Key highlights FY2020

15.5c

Fully franked full year dividend

8.5%

Fully franked dividend yield*

+4.4%

Investment portfolio outperformance

Snapshot as at 30 June 2020

| | |
|--------------------------------------|-------------|
| Listing date | August 1999 |
| Gross assets | \$1,155.6m |
| Market capitalisation | \$1,320.3m |
| Share price | \$1.82 |
| Shares on issue | 725,465,456 |
| Net tangible assets (pre-tax) | \$1.59 |
| Net tangible assets (post-tax) | \$1.68 |
| Fully franked dividends FY2020 | 15.5 cents |
| Fully franked FY2020 dividend yield* | 8.5% |

FY2020 results

WAM Capital reported an operating loss before tax of \$47.2 million for the year (FY2019: operating profit before tax of \$6.0 million) and an operating loss after tax of \$26.7 million (FY2019: operating profit after tax of \$14.5 million), mainly due to the decline in the investment portfolio over the period. The after tax figure was boosted by a \$20.5 million income tax benefit, primarily delivered through franking credits received on franked dividend income from investee companies and the tax benefit on the operating loss for the period.

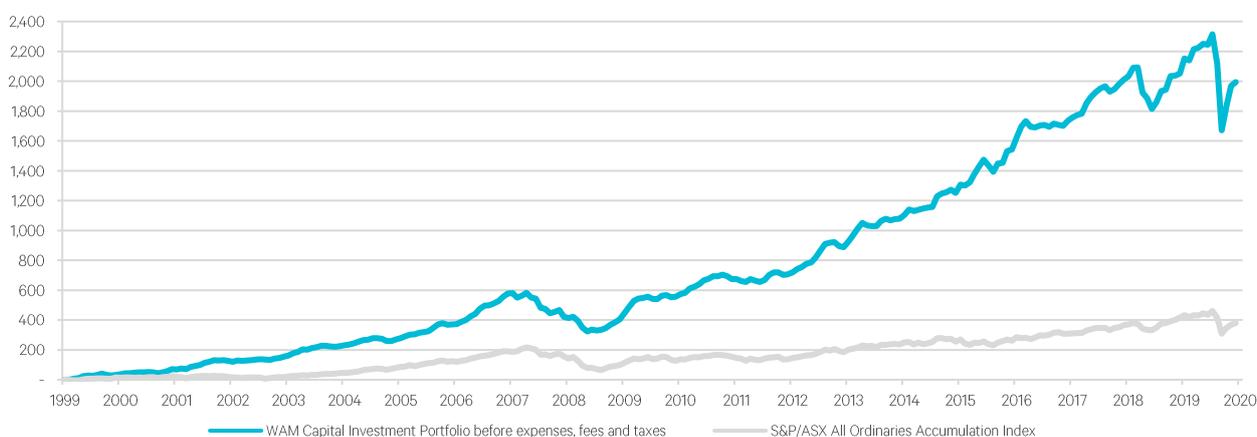
The operating loss for 2020 is reflective of the performance of the investment portfolio over the year. The investment portfolio declined 2.8% during the 12-month period to 30 June 2020, outperforming the S&P/ASX All Ordinaries Accumulation Index by 4.4% during a highly volatile period for equity markets. The Index fell 7.2% for the year. This investment portfolio performance was achieved with an average cash weighting of 21.4%.

The Board declared a fully franked full year dividend of 15.5 cents per share, with the fully franked final dividend being 7.75 cents per share. Since inception, the Company has paid 246.25 cents per share in fully franked dividends to shareholders.

*Based on the 30 June 2020 share price of \$1.82 per share.

WAM Capital's investment portfolio has returned 15.6% p.a. over 21 years outperforming the market by 7.8% p.a.

Index re-based



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Chairman's letter

Dear Fellow Shareholders,

I would like to thank you for your continued support during a challenging 2020 financial year and I would like to welcome all our new shareholders. I hope you are safe and well as we live through the dramatic changes brought about by the coronavirus pandemic. For the first time in 22 years, we were unable to meet with you in person at our Shareholder Presentations in May 2020. We have enjoyed our daily email and telephone correspondence, regular Investor Q&A Calls and providing you with a virtual alternative in WAM Vault, and hope to see you again as soon as it is safe to do so.

Pleasingly, the WAM Capital investment portfolio outperformed the S&P/ASX All Ordinaries Accumulation Index by 4.4% during the highly volatile 12-month period to 30 June 2020. Over that period, the investment portfolio declined 2.8%, while the S&P/ASX All Ordinaries Accumulation Index fell 7.2% and the S&P/ASX Small Ordinaries Accumulation Index fell 5.7%. Our flexible mandate allowed us to preserve shareholder capital during this highly volatile period for equity markets, with average cash over the year of 21.4%.

WAM Capital's diligent and proven investment approach, which focuses on identifying undervalued growth companies with a catalyst, has led to strong investment portfolio outperformance since inception in August 1999. WAM Capital has achieved an investment portfolio return of 15.6% per annum since inception, outperforming the S&P/ASX All Ordinaries Accumulation Index by 7.8% per annum.

The WAM Capital Board of Directors have declared a fully franked final dividend of 7.75 cents per share, bringing the FY2020 fully franked full year dividend to 15.5 cents per share, representing an 8.5% yield on the 30 June 2020 share price. The Board is committed to paying a stream of fully franked dividends to shareholders, provided the Company has sufficient profits reserves and franking credits, and it is within prudent business practices. Since inception, WAM Capital has paid 246.25 cents per share in fully franked dividends to shareholders.

In FY2021, the Company's ability to continue paying fully franked dividends is dependent on generating additional profits reserves and franking credits. The ability to generate franking credits is reliant on the receipt of franked dividends from investments and the payment of tax on profits.

WAM Capital reported an operating loss before tax of \$47.2 million (2019: operating profit before tax of \$6.0 million) and an operating loss after tax of \$26.7 million (2019: operating profit after tax of \$14.5 million), mainly due to the decline in the investment portfolio over the period. The after tax figure was boosted by a \$20.5 million income tax benefit, primarily delivered through franking credits received on franked dividend income from investee companies and the tax benefit on the operating loss for the period.

Company performance

The performance of a listed investment company is best evaluated by three key measures: investment portfolio performance; net tangible asset (NTA) growth; and total shareholder return (TSR). Investment portfolio performance measures the growth of the underlying portfolio of equities and cash before expenses, fees and taxes. A key objective of WAM Capital is long-term outperformance against the S&P/ASX All Ordinaries Accumulation Index, which is achieved by growing the investment portfolio at a greater rate. The S&P/ASX All Ordinaries Accumulation Index is measured before expenses, fees and taxes. NTA growth is the change in value of the Company's assets, less liabilities and costs (including

tax, management and performance fees) and is essentially the realisable value of the Company. The NTA is announced to shareholders on the ASX each month. TSR measures the tangible value shareholders gain from share price growth and dividends paid over the period. Importantly, TSR does not include the value of franking credits distributed to shareholders by way of fully franked dividends.

1. Investment portfolio performance

| Performance at 30 June 2020 | 1 yr | 3 yrs %pa | 5 yrs %pa | 10 yrs %pa | Since inception % pa (Aug-99) |
|---|--------------|--------------|--------------|---------------|----------------------------------|
| WAM Capital Investment Portfolio | -2.8% | 4.5% | 9.1% | 12.3% | 15.6% |
| S&P/ASX All Ordinaries Accumulation Index | -7.2% | 5.4% | 6.2% | 7.8% | 7.8% |
| Outperformance | +4.4% | -0.9% | +2.9% | +4.5% | +7.8% |

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

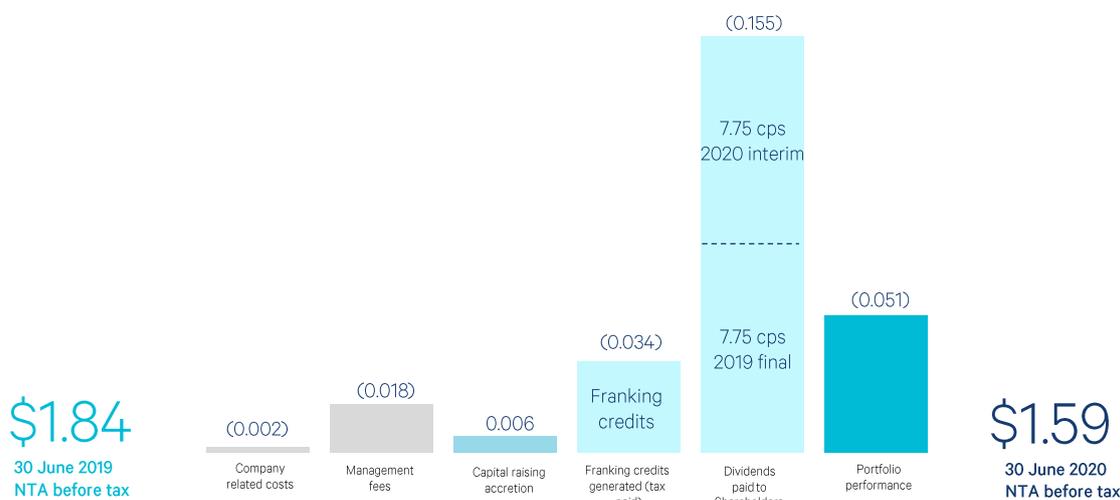
Set out below is the performance of WAM Capital since listing, on a financial year basis. The performance data excludes all expenses, fees and taxes, and is used as a guide to show how the Company's investment portfolio has performed against the S&P/ASX All Ordinaries Accumulation Index over the same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

| Financial year | WAM Capital Investment Portfolio | S&P/ASX All Ordinaries Accumulation Index | Outperformance |
|----------------|----------------------------------|---|----------------|
| 1999/2000 | 33.3% | 11.3% | +22.0% |
| 2000/2001 | 30.2% | 8.9% | +21.3% |
| 2001/2002 | 32.7% | -4.5% | +37.2% |
| 2002/2003 | 12.3% | -1.1% | +13.4% |
| 2003/2004 | 27.3% | 22.4% | +4.9% |
| 2004/2005 | 13.9% | 24.8% | -10.9% |
| 2005/2006 | 27.4% | 24.2% | +3.2% |
| 2006/2007 | 44.1% | 30.3% | +13.8% |
| 2007/2008 | -23.0% | -12.1% | -10.9% |
| 2008/2009 | -3.2% | -22.1% | +18.9% |
| 2009/2010 | 29.8% | 13.8% | +16.0% |
| 2010/2011 | 17.9% | 12.2% | +5.7% |
| 2011/2012 | 4.2% | -7.0% | +11.2% |
| 2012/2013 | 22.7% | 20.7% | +2.0% |
| 2013/2014 | 19.2% | 17.6% | +1.6% |
| 2014/2015 | 14.7% | 5.7% | +9.0% |
| 2015/2016 | 21.6% | 2.0% | +19.6% |
| 2016/2017 | 11.7% | 13.1% | -1.4% |
| 2017/2018 | 15.0% | 13.7% | +1.3% |
| 2018/2019 | 2.0% | 11.0% | -9.0% |
| 2019/2020 | -2.8% | -7.2% | +4.4% |

2. NTA growth

WAM Capital's NTA before tax decreased 5.5% in the 12 months to 30 June 2020, adjusted for the 15.5 cents per share of fully franked dividends paid to shareholders during the year. This decrease is after corporate tax paid of 3.4 cents per share or 1.8% during the year. Corporate tax payments made throughout the period were the major item of difference between the investment portfolio performance decrease of 2.8% and the NTA 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 expenses of 0.1%, being offset by capital raising accretion of 0.2%.

WAM Capital NTA before tax performance



3. Total shareholder return

This measure shows the tangible return to shareholders, being the change in the share price together with dividends, assuming the dividends are reinvested during the period. The TSR for WAM Capital for the year to 30 June 2020 was impacted by the investment portfolio performance of -2.8% during a highly volatile period for equity markets, being slightly offset by the increase in the share price premium to NTA. As at 30 June 2020, the share price premium to NTA was 14.5% (2019: 9.8%), with TSR of -2.2% for the year. The S&P/ASX All Ordinaries Accumulation Index fell 7.2% for the period. 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 2020.
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.

Equity market overview and investment portfolio performance

The 2020 financial year was one of continued challenges. The WAM Capital investment portfolio performed strongly in the first half of the financial year. The 2019 September quarter was marked by weaker-than-expected economic growth, rising unemployment and sluggish wage growth, leading the Reserve Bank of Australia to cut the official interest rate for the third time in 2019 to a low of 0.75%. The search for yield led to a mispricing of assets and low rates pushed investors up the risk curve into less liquid securities throughout the December quarter and into the new year. In the 2019 calendar year, the S&P/ASX All Ordinaries Accumulation Index recorded the greatest annual performance since the period of the global financial crisis, while company valuations expanded significantly despite little-to-no-earnings growth in the lead up to the coronavirus pandemic.

As the coronavirus spread in February 2020, we acted swiftly to reduce our exposure to less liquid small-cap companies that had performed strongly over the prior 12-24 months, as well as indebted and cyclical companies. The improvement in the portfolio's liquidity allowed us to reduce our equity exposure promptly and with minimal impact. After peaking with approximately 43% cash on 13 March 2020, we deployed our cash selectively into companies which we believed would emerge from the coronavirus in a much stronger position.

The investment portfolio increased 18.2% in the June quarter, while holding on average 25% cash. The market-driven side of the portfolio benefitted from a number of capital raisings undertaken during the quarter. Since the onset of the coronavirus we participated in 27 capital raisings, with an average gain of 26% on each company. Companies that raised capital included Webjet (ASX: WEB), NEXTDC (ASX: NXT), Megaport (ASX: MP1), Ramsay Health Care (ASX: RHC) and Ingenia Communities (ASX: INA). The technology sector continued its strong performance coming through the coronavirus period unscathed with minimal customer churn and increased adoption of their services.

On the research-side of the portfolio, WAM Capital benefitted from a number of themes that developed over the June quarter. In March, we identified the automotive sector as a potential beneficiary of economies emerging out of the coronavirus crisis given a reluctance for people to use public transport. As our confidence increased around shutdown measures being lifted throughout April and May, a number of sectors such as retail, tourism and education began to look attractive on a long-term view. We also increased our exposure to companies well placed to benefit from an increase in domestic travel.

The greatest individual contributors to the investment portfolio outperformance during the period included The a2 Milk Company (ASX: A2M); Temple & Webster Group (ASX: TPW); EML Payments (ASX: EML); City Chic Collective (ASX: CCX); Bapcor (ASX: BAP); Johns Lyng Group (ASX: JLG); Fisher & Paykel Healthcare Corporation (ASX: FPH); A.P. Eagers (ASX: APE); Codan (ASX: CDA); and IDP Education (ASX: IEL). Detractors included Ardent Leisure Group (ASX: ALG); Myer Holdings (ASX: MYR); AMA Group (ASX: AMA); Kathmandu Holdings (ASX: KMD); and Brickworks (ASX: BKW).

Dividends

The Board declared a fully franked final dividend of 7.75 cents per share, bringing the fully franked full year dividend to 15.5 cents per share. Since inception, the Company has paid 246.25 cents per share in fully franked dividends to shareholders.

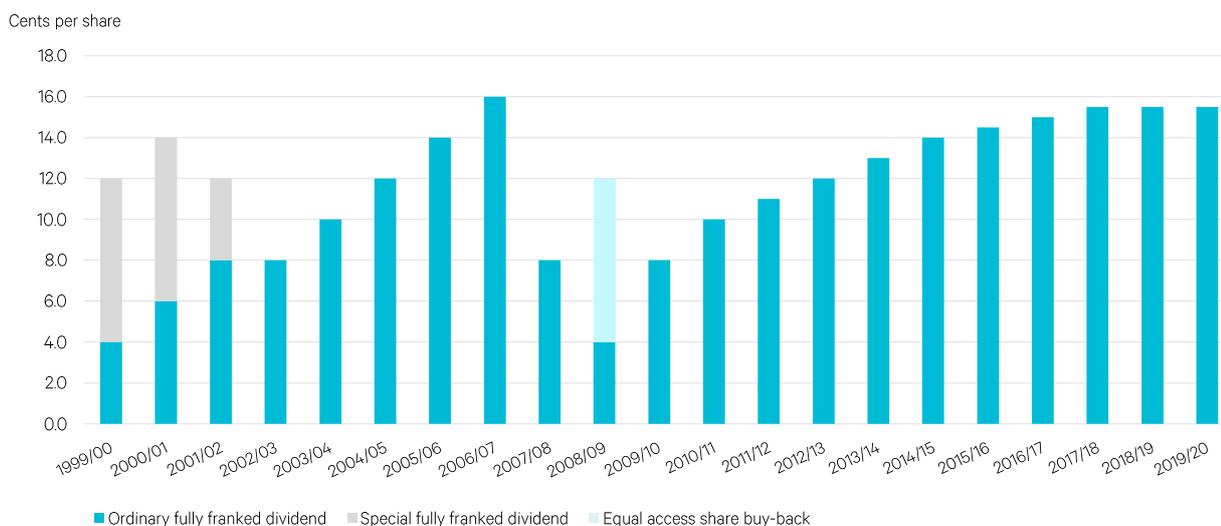
The Board is committed to paying a stream of fully franked dividends to shareholders, provided the Company has sufficient profits reserves and franking credits and it is within prudent business practices.

As at 31 July 2020, the Company had 8.7 cents per share available in its profits reserve, before the payment of the fully franked final dividend of 7.75 cents per share.

In FY2021, the Company's ability to continue paying fully franked dividends is dependent on generating additional profits reserves and franking credits. The ability to generate franking credits is reliant on the receipt of franked dividends from investments and the payment of tax on profits.

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



Company outlook

WAM Capital enters the 2021 financial year with a conservative balance sheet, no debt and a flexible and proven investment process with the patience and expertise of an experienced investment team. The Company will continue to seek opportunities irrespective of market conditions and we remain well positioned to capitalise on these as they emerge.

Shareholder engagement and communication

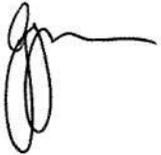
Shareholders are the owners of WAM Capital. Our responsibility is to manage the Company on their behalf and be available to report to them on a regular basis. We encourage all shareholders to meet with us and utilise our proactive approach to keeping them informed. We do this regularly in many ways,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

- Updates from our Lead Portfolio Managers;
- Investment team insights at WAM Vault: wilsonassetmanagement.com.au/vault/;
- Regular roundtables with our shareholders and planners, advisers and their clients;
- NTA reports and investment updates;
- Shareholder Q&A calls;
- Presentations and lunches across Australia; and
- Annual and interim results announcements.

Chairman's letter

WAM Capital shareholders are encouraged to use the subscription feature on the Wilson Asset Management website to receive notifications of announcements, investor updates and other important information. We aim to provide valuable and insightful information and welcome all feedback on how we can improve our communication and engagement. Please contact myself or our Head of Corporate Affairs, James McNamara, on (02) 9247 6755 or email us at info@wilsonassetmanagement.com.au with any questions or feedback.

Thank you for your continued support.

A handwritten signature in black ink, appearing to read 'Geoff Wilson', with a long horizontal flourish extending to the right.

Geoff Wilson AO
Chairman

Investing with Wilson Asset Management

Wilson Asset Management has a strong track record of delivering risk-adjusted returns for shareholders and making a difference for investors and the community for more than 20 years. Established in 1997 by Geoff Wilson AO, Wilson Asset Management is responsible for investing more than \$3 billion in Australian and international companies on behalf of 85,000 retail investors across six LICs:

- WAM Capital (ASX: WAM) – the most compelling undervalued growth companies in the Australian market;
- WAM Leaders (ASX: WLE) – actively investing in the highest quality Australian companies;
- WAM Global (ASX: WGB) – the world’s most compelling undervalued growth companies;
- WAM Microcap (ASX: WMI) – the most exciting undervalued growth companies in the Australian micro-cap market;
- WAM Research (ASX: WAX) – the most compelling undervalued growth companies in the Australian market; and
- WAM Active (ASX: WAA) – market mispricing opportunities in the Australian market.

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

WAM Capital has an investment management agreement with Wilson Asset Management, providing shareholders with the following benefits:

Risk-adjusted returns. Wilson Asset Management is focused on delivering strong returns while taking the least risk possible to protect shareholders’ capital.

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

Experience. Wilson Asset Management’s investment team is comprised of 13 professionals with a total focus on protecting and growing shareholder capital and is informed by more than 170 years’ of combined equity market experience.

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

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

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

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

Objectives and investment process

Investment objectives

The investment objectives of WAM Capital are to:

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

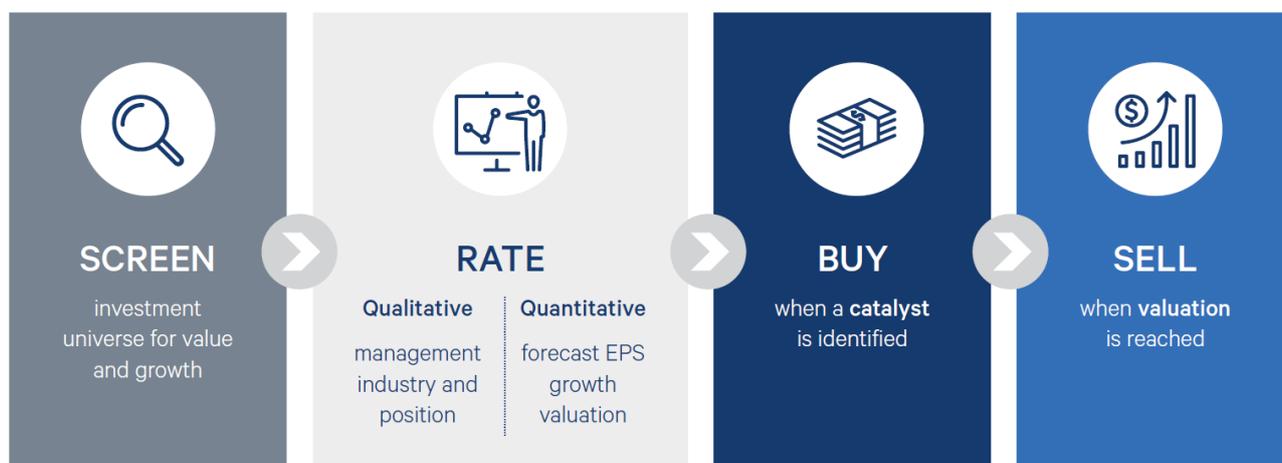
Investment process – the most compelling undervalued growth companies in the Australian market

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

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

Research-driven investing

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



Market-driven investing

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

Directors' Report to shareholders for the year ended 30 June 2020

The Directors present their report together with the financial report of WAM Capital for the financial year ended 30 June 2020.

Principal activity

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

Operating and financial review

Investment operations over the year resulted in an operating loss before tax of \$47,249,039 (2019: operating profit before tax of \$5,987,601) and an operating loss after tax of \$26,706,967 (2019: operating profit after tax of \$14,533,222). The operating loss for 2020 was reflective of the decline in the investment portfolio over the period. The investment portfolio outperformed the S&P/ASX All Ordinaries Accumulation Index by 4.4% during the 12 months to 30 June 2020, a period of heightened volatility for equity markets. The investment portfolio declined 2.8% while the S&P/ASX All Ordinaries Accumulation Index fell 7.2% during the period. This investment portfolio outperformance was achieved whilst holding on average 21.4% in cash.

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

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

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

Financial position

The net asset value of the Company as at 30 June 2020 was \$1,221,680,985 (2019: \$1,344,417,111). 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 2020.

Dividends paid or recommended

Dividends paid or declared during the year are as follows:

| | \$ |
|---|------------|
| Fully franked FY2019 final dividend of 7.75 cents per share paid on 25 October 2019 | 55,644,075 |
| Fully franked FY2020 interim dividend of 7.75 cents per share paid on 28 April 2020 | 55,898,039 |

Since the end of the year, the Directors declared a fully franked final dividend of 7.75 cents per share to be paid on 27 November 2020. In FY2021, the Company's ability to continue paying fully franked dividends is dependent on generating additional profits reserves and franking credits. The ability to generate franking credits is reliant on the receipt of franked dividends from investments and the payment of tax on profits.

Directors

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

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

Information on Directors

Geoff Wilson (Chairman – non-independent)

Experience and expertise

Geoff Wilson has over 40 years' direct experience in investment markets having held a variety of senior investment roles in Australia, the UK and the US. Geoff founded Wilson Asset Management in 1997. Geoff created Australia's first listed investment companies to deliver both investment and social returns, Future Generation Investment Company Limited and Future Generation Global Investment Company Limited. Geoff holds a Bachelor of Science, a Graduate Management Qualification and is a Fellow of the Financial Services Institute of Australia and the Australian Institute of Company Directors (AICD).

Geoff has been Chairman of the Company since March 1999.

Other current directorships

Geoff Wilson is currently Chairman of WAM Research Limited (appointed June 2003), WAM Active Limited (appointed July 2007), WAM Leaders Limited (appointed March 2016), WAM Microcap Limited (appointed March 2017), WAM Global Limited (appointed February 2018) and the Australian Stockbrokers Foundation. He is the founder and a Director of Future Generation Investment Company Limited (appointed July 2014) and Future Generation Global Investment Company Limited (appointed May 2015) and a Director of Australian Leaders Fund Limited (appointed October 2003), Global Value Fund Limited (appointed April 2014), Century Australia Investments Pty Limited (appointed September 2014), 8IP Emerging Companies Limited (appointed April 2018), Incubator Capital Limited (appointed February 2000), Hearts and Minds Investments Limited (appointed September 2018), Wealth Defender Equities Pty Limited (appointed October 2018), Wollongong 2022 Limited (appointed March 2019),

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

Other current directorships (cont'd)

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

Former directorships in the last 3 years

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

Special responsibilities

Chairman of the Board.

Interests in shares of the Company

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

Interests in contracts

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

Philippa Ryan (Director – independent)

Experience and expertise

Dr Philippa Ryan is a highly experienced legal academic with expertise in commercial law, corporate governance, finance and technology. Dr Ryan is a senior lecturer in the College of Law at the Australian National University, where she is also the program director of the ANU Master of Laws. She is chair of the Standards Australia Blockchain Technical Committee's smart contracts working group and lead author of the international technical specification for legally-binding smart contracts. Dr Ryan is a non-executive director of Lander & Rogers, a member of ASIC's FinTech Advisory Panel, and sits on the Federal Government's Treasury Audit Committee. Dr Ryan holds a PhD in Law from the University of Sydney, as well as an LLB (Hons), Med and BA.

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

Other current directorships

Philippa Ryan is a director of Landers and Rogers.

Former directorships in the last 3 years

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

Special responsibilities

Member of the Audit and Risk Committee.

Interests in shares of the Company

Philippa Ryan has no interests in shares of the Company.

Interests in contracts

Philippa Ryan has no interests in contracts of the Company.

James Chirnside (Director – independent)

Experience and expertise

James Chirnside has been involved in financial markets for over 30 years mainly as an equities fund manager across a broad range of sectors. James is currently Chairman and Managing Director of Dart Mining NL. Prior to this, James worked as a fund manager and proprietary metals trader in Sydney, Hong Kong, London, and Melbourne. Between 2002 and 2012, James ran equities fund manager Asia Pacific Asset Management. From 2000-2001, James worked for Challenger Financial Group in Sydney as a product manager responsible for hedge fund investments. During the 1990s, James managed frontier and emerging market hedge funds in Hong Kong and London for Regent Fund Management (now London AIM listed Charlemagne Capital). Between 1988 and 1992, James ran a proprietary trading book for County NatWest Investment Bank, based in London.

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

Other current directorships

James Chirnside is a Director of Cadence Capital Limited (appointed February 2005), Ask Funding Limited (appointed September 2015), Dart Mining NL (appointed June 2015), IPE Limited (appointed August 2018) and Wealth Defender Equities Pty Limited (appointed October 2018).

Former directorships in the last 3 years

James Chirnside resigned as a Director of Mercantile Investment Company Limited in September 2019.

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 45 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 AICD.

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 Uniting Ethical Investors Limited, an independent Director of WAM Leaders Limited (appointed March 2016), Wealth Defender Equities Pty Limited (appointed October 2018) and Century Australia Investments Pty Limited (appointed March 2019).

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

Former directorships in the last 3 years

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

Special responsibilities

Member of the Audit and Risk Committee.

Interests in shares of the Company

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

Interests in contracts

Lindsay Mann has no interests in contracts of the Company.

Kate Thorley (Director – non-independent)

Experience and expertise

Kate Thorley has over 15 years' experience in the funds management industry and more than 21 years of financial accounting and corporate governance experience. Kate is the Chief Executive Officer of Wilson Asset Management (International) Pty Limited, Director of WAM Research Limited, WAM Active Limited, WAM Leaders Limited, WAM Microcap Limited, WAM Global Limited and Future Generation Investment Company Limited. Kate is the Joint Company Secretary of Future Generation Global Investment Company Limited. She holds a Bachelor of Commerce, a Graduate Diploma in Applied Finance and Investment, Graduate Diploma of Applied Corporate Governance and is a fully qualified CA. She is a Graduate member of the AICD (GAICD).

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

Other current directorships

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

Former directorships in the last 3 years

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

Special responsibilities

None.

Interests in shares of the Company

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

Interests in contracts

Kate Thorley has no interests in contracts of the Company.

Company Secretary

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

Linda Kiriczenko

Linda Kiriczenko has over 16 years' experience in financial accounting including more than 12 years in the funds management industry. As the Finance Manager of Wilson Asset Management (International) Pty Limited, Linda oversees finance and accounting and is also the Company Secretary for six listed investment companies, WAM Capital Limited, WAM Research Limited, WAM Active Limited, WAM Leaders Limited, WAM Microcap Limited and WAM Global Limited. Linda holds a Bachelor of Commerce and is a fully qualified CPA. She is a certified member of the Governance Institute of Australia.

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

Remuneration Report (Audited)

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

a) Remuneration of Directors

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

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

The maximum total remuneration of the Directors of the Company has been set at \$190,000 per annum. Directors do not receive bonuses nor are they issued options on securities as part of their remuneration. Directors' fees cover all main Board activities and membership of committees.

Directors' remuneration received for the year ended 30 June 2020:

| Director | Position | Short-term employee benefits | Post-employment benefits | Total |
|-------------------------------------|----------|------------------------------|--------------------------|----------------|
| | | Directors' fees | Superannuation | |
| | | \$ | \$ | \$ |
| Geoff Wilson | Chairman | 9,132 | 868 | 10,000 |
| Philippa Ryan | Director | 36,530 | 3,470 | 40,000 |
| James Chirnside | Director | 36,530 | 3,470 | 40,000 |
| Lindsay Mann | Director | 36,530 | 3,470 | 40,000 |
| Kate Thorley | Director | 9,132 | 868 | 10,000 |
| Chris Stott (resigned 26 July 2019) | Director | 649 | 61 | 710 |
| | | 128,503 | 12,207 | 140,710 |

Directors receive a superannuation guarantee contribution required by the government, which was 9.5% of individuals benefits for FY2020 and do not receive any other retirement benefits. Directors may also elect to salary sacrifice their fees into superannuation.

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

Directors' remuneration received for the year ended 30 June 2019:

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

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

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|---------------|---------------|---------------|---------------|-------------|
| Operating (loss)/profit after tax (\$) | (26,706,967) | 14,533,222 | 125,397,635 | 68,912,591 | 97,994,040 |
| Dividends (cents per share) | 15.5 | 15.5 | 15.5 | 15.0 | 14.5 |
| NTA after tax (\$ per share) | 1.68 | 1.87 | 1.98 | 1.92 | 1.86 |
| Total Directors' remuneration (\$) | 140,710 | 150,000 | 150,109 | 175,589 | 180,000 |
| Shareholder's equity (\$) | 1,221,680,985 | 1,344,417,111 | 1,323,833,214 | 1,214,898,458 | 878,749,246 |

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

b) Director related entities remuneration

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

The Company has an investment management agreement with Wilson Asset Management (International) Pty Limited (the Investment Manager or the Manager). Geoff Wilson is the director of Wilson Asset Management (International) Pty Limited, the entity appointed to manage the investment portfolio of WAM Capital. Entities associated with Geoff Wilson hold 100% of the issued shares of Wilson Asset Management (International) Pty Limited. In its capacity as the Manager and in accordance with the investment management agreement, Wilson Asset Management (International) Pty Limited was paid a management fee of 1% p.a. (plus GST) of the value of the portfolio amounting to \$14,078,216 inclusive of GST (2019: \$14,683,441). As at 30 June 2020, the balance payable to the Manager was \$1,058,905 inclusive of GST (2019: \$1,213,947).

Remuneration Report (Audited) (cont'd)

b) Director related entities remuneration (cont'd)

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

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

No performance fee is payable in respect of any performance period where the value of the portfolio has decreased over that period. For the year ended 30 June 2020, no performance fee was payable to the Manager (2019: nil).

Wilson Asset Management (International) Pty Limited has a service agreement in place with WAM Capital to provide accounting and Company Secretarial services on commercial terms. For the year ended 30 June 2020, the fee for accounting services amounted to \$46,200 inclusive of GST (2019: \$46,200) and the fee for Company Secretarial services amounted to \$16,500 inclusive of GST (2019: \$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 of the Director or with a firm of which he/she is a member or with a Company in which he/she has substantial financial interest.

c) Remuneration of executives

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

d) Equity instruments disclosures of Directors and related parties

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

| Ordinary shares held Directors | Balance at 30 June 2019 | Acquisitions | Disposal | Balance at 30 June 2020 | Balance at the date of this report |
|-----------------------------------|----------------------------|--------------|----------|----------------------------|---------------------------------------|
| Geoff Wilson | 412,884 | - | - | 412,884 | 412,884 |
| Philippa Ryan | - | - | - | - | - |
| James Chirnside | 33,144 | 2,671 | - | 35,815 | 35,815 |
| Lindsay Mann | 63,880 | - | - | 63,880 | 63,880 |
| Kate Thorley | 57,491 | - | - | 57,491 | 57,491 |
| | 567,399 | 2,671 | - | 570,070 | 570,070 |

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 | 5 | 5 |
| Philippa Ryan | 5 | 4 |
| James Chirnside | 5 | 5 |
| Lindsay Mann | 5 | 5 |
| Kate Thorley | 5 | 5 |
| Chris Stott (resigned 26 July 2019) | - | - |

Audit and Risk Committee meetings

The main responsibilities of the Audit and Risk Committee are set out in the Company's 2020 Corporate Governance Statement.

| Audit and Risk Committee member | No. eligible to attend | Attended |
|---------------------------------|------------------------|----------|
| James Chirnside | 4 | 4 |
| Lindsay Mann | 4 | 4 |
| Philippa Ryan | 4 | 3 |

After balance date events

Since the end of the year, the Directors declared a fully franked final dividend of 7.75 cents per share to be paid on 27 November 2020.

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

Future developments

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

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

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

Environmental regulation

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

Indemnification and insurance of Officers or Auditors

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

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

Proceedings on behalf of the Company

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

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

Non-audit services

During the year Pitcher Partners, the Company's auditor, performed taxation and other services for the Company. Details of the amounts paid to the auditors and their related parties are disclosed in Note 5 to the financial statements.

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

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

Rounding of amounts to nearest dollar

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

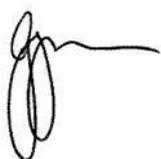
Corporate Governance Statement

The Company's Corporate Governance Statement for the year ended 30 June 2020 is provided on the Company's website at wilsonassetmanagement.com.au.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 23 of the Annual Report.

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



Geoff Wilson AO
Chairman

Dated in Sydney this 25th day of August 2020

Level 16, Tower 2 Darling Park
201 Sussex Street
Sydney NSW 2000

Postal Address
GPO Box 1615
Sydney NSW 2001

p. +61 2 9221 2099
e. sydneypartners@pitcher.com.au

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

In relation to the independent audit of WAM Capital Limited for the year ended 30 June 2020, 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 APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.



S M Whiddett
Partner

Pitcher Partners
Sydney

25 August 2020

Statement of comprehensive income for the year ended 30 June 2020

| | Note | 2020 \$ | 2019 \$ |
|--|------|---------------------|-------------------|
| Net realised and unrealised losses on financial investments | | (56,631,902) | (18,324,114) |
| Other revenue from operating activities | 2 | 28,967,203 | 44,114,382 |
| Management fees | | (13,118,338) | (13,682,297) |
| Directors fees | | (140,710) | (150,000) |
| Brokerage expense on share purchases | | (4,811,676) | (4,251,736) |
| Expenses paid on borrowed stock | | (138,909) | (93,367) |
| Custody fees | | (107,464) | (101,841) |
| ASX listing and chess fees | | (228,690) | (224,441) |
| Share registry fees | | (291,044) | (315,925) |
| Disbursements, mailing and printing | | (280,782) | (272,441) |
| Legal and professional fees | | (41,307) | (170,203) |
| ASIC industry funding levy | | (54,042) | (112,582) |
| Other expenses from ordinary activities | | (371,378) | (427,834) |
| (Loss)/profit before income tax | | (47,249,039) | 5,987,601 |
| Income tax benefit | 3(a) | 20,542,072 | 8,545,621 |
| (Loss)/profit after income tax attributable to members of the Company | | (26,706,967) | 14,533,222 |
| Other comprehensive income | | | |
| Other comprehensive income for the year, net of tax | | - | - |
| Total comprehensive (loss)/income for the year | | (26,706,967) | 14,533,222 |
| Basic and diluted (loss)/earnings per share | 15 | (3.70 cents) | 2.08 cents |

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2020

| | Note | 2020 \$ | 2019 \$ |
|--------------------------------------|------|----------------------|----------------------|
| Current assets | | | |
| Cash and cash equivalents | 13 | 203,400,924 | 325,988,043 |
| Trade and other receivables | 6 | 20,984,982 | 37,858,074 |
| Financial assets | 7 | 963,612,288 | 1,000,725,212 |
| Current tax assets | 3(c) | 22,676,280 | - |
| Total current assets | | 1,210,674,474 | 1,364,571,329 |
| Non-current assets | | | |
| Deferred tax assets | 3(b) | 68,540,392 | 23,613,806 |
| Total non-current assets | | 68,540,392 | 23,613,806 |
| Total assets | | 1,279,214,866 | 1,388,185,135 |
| Current liabilities | | | |
| Trade and other payables | 9 | 32,857,926 | 31,424,411 |
| Financial liabilities | 8 | 897,913 | 10,049,817 |
| Current tax liabilities | 3(c) | - | 2,293,796 |
| Total current liabilities | | 33,755,839 | 43,768,024 |
| Non-current liabilities | | | |
| Deferred tax liabilities | 3(d) | 23,778,042 | - |
| Total non-current liabilities | | 23,778,042 | - |
| Total liabilities | | 57,533,881 | 43,768,024 |
| Net assets | | 1,221,680,985 | 1,344,417,111 |
| Equity | | | |
| Issued capital | 10 | 1,352,964,191 | 1,337,451,236 |
| Profits reserve | 11 | 44,600,021 | 54,582,036 |
| Accumulated losses | 12 | (175,883,227) | (47,616,161) |
| Total equity | | 1,221,680,985 | 1,344,417,111 |

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2020

| | Note | Issued capital \$ | Accumulated losses \$ | Profits reserve \$ | Total equity \$ |
|---|-------|----------------------|--------------------------|-----------------------|----------------------|
| Balance at 1 July 2018 | | 1,221,306,473 | (27,619,998) | 130,146,739 | 1,323,833,214 |
| Profit for the year | | - | 14,533,222 | - | 14,533,222 |
| Transfer to profits reserve | | - | (34,529,385) | 34,529,385 | - |
| Other comprehensive income for the year | | - | - | - | - |
| Transactions with owners: | | | | | |
| Shares issued via dividend reinvestment plan | 10(b) | 16,237,620 | - | - | 16,237,620 |
| Shares issued via scrip consideration for acquisition of Wealth Defender Equities | 10(b) | 99,976,817 | - | - | 99,976,817 |
| Share issue costs (net of tax) | 10(b) | (69,674) | - | - | (69,674) |
| Dividends paid | 4(a) | - | - | (110,094,088) | (110,094,088) |
| Balance at 30 June 2019 | | 1,337,451,236 | (47,616,161) | 54,582,036 | 1,344,417,111 |
| Loss for the year | | - | (26,706,967) | - | (26,706,967) |
| Transfer to profits reserve | | - | (101,560,099) | 101,560,099 | - |
| Other comprehensive income for the year | | - | - | - | - |
| Transactions with owners: | | | | | |
| Shares issued via dividend reinvestment plan | 10(b) | 15,512,955 | - | - | 15,512,955 |
| Dividends paid | 4(a) | - | - | (111,542,114) | (111,542,114) |
| Balance at 30 June 2020 | | 1,352,964,191 | (175,883,227) | 44,600,021 | 1,221,680,985 |

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2020

| | Note | 2020 \$ | 2019 \$ |
|---|-----------|----------------------|---------------------|
| Cash flows from operating activities | | | |
| Proceeds from sale of investments | | 3,724,169,098 | 3,100,686,678 |
| Payments for purchase of investments | | (3,736,901,301) | (3,052,055,397) |
| Dividends received | | 23,775,239 | 32,001,949 |
| Interest received | | 3,175,482 | 7,329,164 |
| Other investment income received | | 3,540,505 | 5,330,021 |
| Management fee (GST inclusive) | | (14,233,258) | (14,713,922) |
| Performance fee (GST inclusive) | | - | (364,295) |
| Brokerage expense on share purchases (GST inclusive) | | (5,155,458) | (4,556,885) |
| Payments for administration expenses (GST inclusive) | | (1,821,994) | (1,853,707) |
| Income tax paid | | (24,471,376) | (42,959,890) |
| GST on brokerage expense on share sales | | (364,037) | (309,398) |
| Net GST received from ATO | | 1,729,140 | 1,734,661 |
| Net cash (used in)/provided by operating activities | 14 | (26,557,960) | 30,268,979 |
| Cash flows from financing activities | | | |
| Dividends paid – net of reinvestment | | (96,029,159) | (93,856,468) |
| Share issue costs | | - | (99,534) |
| Net cash used in financing activities | | (96,029,159) | (93,956,002) |
| Net decrease in cash and cash equivalents held | | (122,587,119) | (63,687,023) |
| Cash and cash equivalents at beginning of the year | | 325,988,043 | 389,675,066 |
| Cash and cash equivalents at the end of the year | 13 | 203,400,924 | 325,988,043 |
| Non-cash transactions: | | | |
| Shares issued via dividend reinvestment plan | | 15,512,955 | 16,237,620 |
| Shares issued via scrip consideration for acquisition of Wealth Defender Equities | | - | 99,976,817 |

The accompanying notes form part of these financial statements.

Notes to the financial statements for the year ended 30 June 2020

1. Significant accounting policies

Basis of preparation

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

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

The financial report was authorised for issue on 25 August 2020 by the Board of Directors.

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

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

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

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period.

a) Financial instruments

Initial recognition and measurement

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

Financial instruments are initially measured at fair value. Transaction costs related to financial instruments are expensed to the Statement of comprehensive income immediately.

Classification and subsequent measurement

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

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

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

Derecognition

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

b) Income tax

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

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

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

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

1. Significant accounting policies (cont'd)

b) Income tax (cont'd)

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

c) Cash and cash equivalents

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

d) Revenue and other income

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

e) Trade and other receivables

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

f) Trade and other payables

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

g) Impairment of assets

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

1. Significant accounting policies (cont'd)

g) Impairment of assets (cont'd)

Impairment losses on trade receivables and contract assets are presented as net impairment losses within the Statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited against the same line item. As at 30 June 2020 there are no expected credit losses recognised (2019: nil).

h) Goods and Services Tax (GST)

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

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

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

i) Comparative figures

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

j) Profits reserve

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

k) Issued capital

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

l) Dividends

Dividends are recognised when declared during the financial year.

m) Critical accounting estimates and judgments

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

In accordance with AASB 112 Income Taxes, deferred tax assets are recognised for unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be used. The assumptions about future taxable profits require the use of judgment. Future taxable profits are determined based on the historical performance of the Company and the ability of the Company to generate positive performance even when market conditions are uncertain. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

There are no estimates or judgments that have a material impact on the Company's financial results for the year ended 30 June 2020. 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.

1. Significant accounting policies (cont'd)

n) New standards and interpretations not yet adopted

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

2. Other revenue

| | 2020 \$ | 2019 \$ |
|------------------------------|-------------------|-------------------|
| Australian sourced dividends | 22,550,010 | 33,130,634 |
| Trust distributions | 3,397,170 | 3,745,230 |
| Interest | 2,542,782 | 7,025,085 |
| Foreign sourced dividends | 341,565 | 25,670 |
| Underwriting fees | 135,676 | 166,844 |
| Other income | - | 20,919 |
| | 28,967,203 | 44,114,382 |

3. Income tax

a) Income tax benefit

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

| | 2020 \$ | 2019 \$ |
|---|---------------------|--------------------|
| Prima facie tax on (loss)/profit before income tax at 30% (2019: 30%) | (14,174,712) | 1,796,280 |
| Imputation credit gross up | 2,827,937 | 4,026,310 |
| Franking credit offset | (9,426,457) | (13,421,034) |
| Foreign income tax gross up | 22,233 | 14,456 |
| Foreign income tax offset | (74,110) | (48,186) |
| Other non-assessable items* | 283,037 | (913,447) |
| | (20,542,072) | (8,545,621) |
| Effective tax rate | (43.5%) | (142.7%) |

The effective tax rate reflects the benefit to the Company of franking credits received on dividend income during the year, in addition to the tax benefit on the Company's operating loss for the period at the corporate tax rate of 30%. The decrease in the effective tax rate from the comparative year is reflective of the lower proportion of franked dividend income received in comparison to the operating result for the period.

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

3. Income tax (cont'd)

a) Income tax benefit (cont'd)

| | 2020 \$ | 2019 \$ |
|---|---------------------|--------------------|
| Total income tax benefit results in a: | | |
| Current tax liability | (62,294,484) | 25,159,207 |
| Deferred tax liability | 23,778,042 | (14,798,434) |
| Deferred tax asset | 17,974,370 | (18,906,394) |
| | (20,542,072) | (8,545,621) |

b) Deferred tax assets

| | 2020 \$ | 2019 \$ |
|--|-------------------|-------------------|
| Tax losses | 68,302,472 | 5,954,192 |
| Fair value adjustments | - | 17,181,798 |
| Accruals | 13,003 | 11,963 |
| Share issue costs | 224,917 | 465,853 |
| | 68,540,392 | 23,613,806 |
| Movement in deferred tax assets | | |
| Balance at the beginning of the year | 23,613,806 | 2,598,344 |
| Tax losses transferred from acquisition of controlled entity | 1,105,172 | 1,927,546 |
| (Charged)/credited to the statement of comprehensive income | (17,974,370) | 18,906,394 |
| Current period tax losses transferred | 61,795,784 | - |
| Share issue costs | - | 181,522 |
| At reporting date | 68,540,392 | 23,613,806 |

The Directors continue to consider it probable that future taxable profits will be available against which the \$68,302,472 (2019: \$5,954,192) of income tax losses can be recovered and therefore, the deferred tax asset recognised will be able to be utilised against future income tax payable.

c) Current tax (assets)/liabilities

| | 2020 \$ | 2019 \$ |
|---|---------------------|------------------|
| Balance at the beginning of the year | 2,293,796 | 20,094,479 |
| Current year income tax on operating profit | (62,294,484) | 25,159,207 |
| Net income tax paid | (24,471,376) | (42,959,890) |
| Transfer tax losses to deferred tax asset | 61,795,784 | - |
| At reporting date | (22,676,280) | 2,293,796 |

3. Income tax (cont'd)

d) Deferred tax liabilities

| | 2020 \$ | 2019 \$ |
|---|-------------------|--------------|
| Fair value adjustments | 23,778,042 | - |
| | 23,778,042 | - |
| Movement in deferred tax liabilities | | |
| Balance at the beginning of the year | - | 14,798,434 |
| Charged/(credited) to the statement of comprehensive income | 23,778,042 | (14,798,434) |
| At reporting date | 23,778,042 | - |

4. Dividends

a) Ordinary dividends paid during the year

| | 2020 \$ | 2019 \$ |
|---|--------------------|--------------------|
| Final dividend FY2019: 7.75 cents per share fully franked at 30% tax rate, paid 25 October 2019 (Final dividend FY2018: 7.75 cents per share fully franked) | 55,644,075 | 54,821,580 |
| Interim dividend FY2020: 7.75 cents per share fully franked at 30% tax rate, paid 28 April 2020 (Interim dividend FY2019: 7.75 cents per share fully franked) | 55,898,039 | 55,272,508 |
| | 111,542,114 | 110,094,088 |

b) Dividends not recognised at year end

| | 2020 \$ | 2019 \$ |
|--|-------------------|-------------------|
| In addition to the above dividends, since the end of the year, the Directors have declared a 7.75 cents per share fully franked dividend (2019: 7.75 cents per share fully franked) which has not been recognised as a liability at the end of the financial year: | 56,223,573 | 55,611,763 |

c) Dividend franking account

| | 2020 \$ | 2019 \$ |
|--|---------------------|--------------------|
| Balance of franking account at year end | 1,391,592 | 15,125,194 |
| Adjusted for franking credits arising from: - Estimated income tax (refundable)/payable | (22,676,280) | 2,293,796 |
| Subsequent to the reporting period, the franking account would be reduced by the proposed dividend disclosed in Note 4(b): | (24,095,817) | (23,833,613) |
| | (45,380,505) | (6,414,623) |

4. Dividends (cont'd)

c) Dividend franking account (cont'd)

The Company's ability to continue paying fully franked dividends is dependent on generating additional profits reserves and franking credits. The ability to generate franking credits is reliant on the receipt of franked dividends from investments and the payment of tax on profits.

The balance of the franking account does not include tax on unrealised investment gains at the end of the reporting period. As at 30 June 2020, the deferred tax in relation to fair value movements on the investment portfolio is in a credit balance of \$23,778,042 and this amount has been presented as a deferred tax liability (2019: debit balance of \$17,181,798 presented as a deferred tax asset).

5. Auditor's remuneration

| | 2020 \$ | 2019 \$ |
|---|---------------|---------------|
| Remuneration of the auditor for: | | |
| Auditing and reviewing the financial report | 64,517 | 52,318 |
| Acquisition of controlled entity | - | 5,500 |
| Other services provided by a related practice of the auditor: | | |
| Taxation services | 11,659 | 12,952 |
| Acquisition of controlled entity* | 5,940 | 8,664 |
| | 82,116 | 79,434 |

*Wealth Defender Equities was acquired in FY2019.

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

6. Trade and other receivables

| | 2020 \$ | 2019 \$ |
|------------------------------|-------------------|-------------------|
| Outstanding settlements | 20,182,645 | 35,540,840 |
| Investment income receivable | 398,962 | 1,922,985 |
| GST receivable | 403,375 | 394,249 |
| | 20,984,982 | 37,858,074 |

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

7. Financial assets

| | 2020 \$ | 2019 \$ |
|------------------------------------|--------------------|----------------------|
| Listed investments at fair value | 961,933,032 | 997,388,145 |
| Unlisted investments at fair value | 1,679,256 | 3,337,067 |
| | 963,612,288 | 1,000,725,212 |

The fair values of individual investments held at the end of the reporting period are disclosed on pages 54 to 55 of the Annual Report.

The balance of unlisted investments held at fair value as at 30 June 2020 includes WAM Capital's investments in unlisted investment companies. The fair value of these unlisted investment companies have been based on their respective net asset backing, being the underlying residual cash and cash equivalents at the end of the reporting period.

8. Financial liabilities

| | 2020 \$ | 2019 \$ |
|----------------|----------------|-------------------|
| Borrowed stock | 897,913 | 10,049,817 |

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

9. Trade and other payables

| | 2020 \$ | 2019 \$ |
|-------------------------|-------------------|-------------------|
| Outstanding settlements | 31,527,503 | 29,822,089 |
| Management fee payable | 1,058,905 | 1,213,947 |
| Sundry payables | 271,518 | 388,375 |
| | 32,857,926 | 31,424,411 |

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

10. Issued capital

a) Paid-up capital

| | 2020 \$ | 2019 \$ |
|--|----------------------|----------------------|
| 725,465,456 ordinary shares fully paid (2019: 717,571,132) | 1,352,964,191 | 1,337,451,236 |

b) Ordinary shares

| | 2020 \$ | 2019 \$ |
|---|----------------------|----------------------|
| Balance at the beginning of the year | 1,337,451,236 | 1,221,306,473 |
| 3,693,795 ordinary shares issued on 25 October 2019 under a dividend reinvestment plan | 7,957,672 | - |
| 4,200,529 ordinary shares issued on 28 April 2020 under a dividend reinvestment plan | 7,555,283 | - |
| 39,011,851 ordinary shares issued on 31 October 2018 as scrip consideration for acquisition of Wealth Defender Equities | - | 94,798,798 |
| 3,891,095 ordinary shares issued on 26 November 2018 under a dividend reinvestment plan | - | 8,149,614 |
| 2,342,995 ordinary shares issued on 10 December 2018 as scrip consideration for acquisition of Wealth Defender Equities | - | 5,178,019 |
| 3,962,185 ordinary shares issued on 26 April 2019 under a dividend reinvestment plan | - | 8,088,006 |
| Share issue costs (net of tax) | - | (69,674) |
| At reporting date | 1,352,964,191 | 1,337,451,236 |

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

c) Capital management

The Board manages the Company's capital by regularly reviewing the most efficient manner by which the Company deploys its capital. At the core of this, the Board is of the belief that shareholder value should be preserved through the management of the level of distributions to shareholders, share placements, share purchase plans, option issues and share buy-backs. These capital management initiatives will be used when deemed appropriate by the Board. There have been no changes in the strategy adopted by the Board to manage the capital of the Company during the year. The Company is not subject to any externally imposed capital requirements.

11. Profits reserve

| | 2020 \$ | 2019 \$ |
|-----------------|-------------------|-------------------|
| Profits reserve | 44,600,021 | 54,582,036 |

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

| | 2020 \$ | 2019 \$ |
|--|-------------------|-------------------|
| Movement in profits reserve | | |
| Balance at the beginning of the year | 54,582,036 | 130,146,739 |
| Transfer of profits during the year | 101,560,099 | 34,529,385 |
| Final dividend paid (refer to Note 4(a)) | (55,644,075) | (54,821,580) |
| Interim dividend paid (refer to Note 4(a)) | (55,898,039) | (55,272,508) |
| At reporting date | 44,600,021 | 54,582,036 |

12. Accumulated losses

| | 2020 \$ | 2019 \$ |
|---|----------------------|---------------------|
| Balance at the beginning of the year | (47,616,161) | (27,619,998) |
| (Loss)/profit for the year attributable to members of the Company | (26,706,967) | 14,533,222 |
| Transfer to profits reserve | (101,560,099) | (34,529,385) |
| At reporting date | (175,883,227) | (47,616,161) |

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:

| | 2020 \$ | 2019 \$ |
|------------------------------------|--------------------|--------------------|
| Cash at bank | 123,475,867 | 224,810,898 |
| Term deposits | 78,920,175 | 90,812,118 |
| Cash collateral for borrowed stock | 1,004,882 | 10,365,027 |
| | 203,400,924 | 325,988,043 |

The weighted average interest rate for cash and term deposits as at 30 June 2020 is 0.54% (2019: 1.44%). The term deposits have an average maturity of 76 days from the end of the period (2019: 43 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

| | 2020 \$ | 2019 \$ |
|--|---------------------|-------------------|
| Reconciliation of (loss)/profit after tax to cash flow from operations: | | |
| (Loss)/profit after income tax | (26,706,967) | 14,533,222 |
| Fair value losses and movements in financial assets and financial liabilities | 43,919,457 | 66,955,395 |
| Changes in assets and liabilities: | | |
| Decrease in receivables | 1,514,897 | 620,231 |
| Increase in deferred tax assets | (43,821,414) | (18,906,394) |
| Increase in current tax assets | (22,676,280) | - |
| Decrease in payables | (271,899) | (334,358) |
| Decrease in current tax liabilities | (2,293,796) | (17,800,683) |
| Increase/(decrease) in deferred tax liabilities | 23,778,042 | (14,798,434) |
| Net cash (used in)/provided by operating activities | (26,557,960) | 30,268,979 |

15. Earnings per share

| | 2020 Cents per share | 2019 Cents per share |
|---|-------------------------|-------------------------|
| Basic and diluted (loss)/earnings per share | (3.70) | 2.08 |
| (Loss)/profit after income tax used in the calculation of basic and diluted (loss)/earnings per share | | |
| | (26,706,967) | 14,533,222 |
| Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted (loss)/earnings per share | | |
| | 721,317,115 | 699,115,322 |

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

16. Financial risk management

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

16. Financial risk management (cont'd)

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

a) Credit risk

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

The maximum exposure to credit risk on financial assets, excluding investments of the Company which have been recognised in the Statement of financial position, is the carrying amount net of any expected credit losses of those assets.

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

Credit risk is not considered to be a major risk to the Company as the majority of cash and term deposits held by the Company or in its portfolios are invested with major Australian banks and their 100% owned banking subsidiaries that have a Standard and Poor's short-term rating of A-1+ and long-term rating of AA-. The majority of all maturities for cash and term deposits held by the Company are within 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, where liquidity is available, can be sold on market when, and if required.

16. Financial risk management (cont'd)

b) Liquidity risk (cont'd)

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 2020 | >1 month \$ | <1 month \$ | Total \$ |
|--------------------------|----------------|-------------------|-------------------|
| Liabilities | | | |
| Trade and other payables | - | 32,857,926 | 32,857,926 |
| Financial liabilities | - | 897,913 | 897,913 |
| Total | - | 33,755,839 | 33,755,839 |
| <hr/> | | | |
| 30 June 2019 | >1 month \$ | <1 month \$ | Total \$ |
| Liabilities | | | |
| Trade and other payables | - | 31,424,411 | 31,424,411 |
| Financial liabilities | - | 10,049,817 | 10,049,817 |
| Total | - | 41,474,228 | 41,474,228 |

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 three months. As the Company's exposure to interest rate risk is not significant, interest rate sensitivities have not been performed.

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

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

| 30 June 2020 | Weighted average interest rate (% pa) | Interest bearing \$ | Non-interest bearing \$ | Total \$ |
|-----------------------------|---------------------------------------|---------------------|-------------------------|----------------------|
| Assets | | | | |
| Cash and cash equivalents | 0.54% | 203,400,924 | - | 203,400,924 |
| Trade and other receivables | | - | 20,984,982 | 20,984,982 |
| Financial assets | | - | 963,612,288 | 963,612,288 |
| Total | | 203,400,924 | 984,597,270 | 1,187,998,194 |
| Liabilities | | | | |
| Trade and other payables | | - | 32,857,926 | 32,857,926 |
| Financial liabilities | | - | 897,913 | 897,913 |
| Total | | - | 33,755,839 | 33,755,839 |
| | | | | |
| 30 June 2019 | Weighted average interest rate (% pa) | Interest bearing \$ | Non-interest bearing \$ | Total \$ |
| Assets | | | | |
| Cash and cash equivalents | 1.44% | 325,988,043 | - | 325,988,043 |
| Trade and other receivables | | - | 37,858,074 | 37,858,074 |
| Financial assets | | - | 1,000,725,212 | 1,000,725,212 |
| Total | | 325,988,043 | 1,038,583,286 | 1,364,571,329 |
| Liabilities | | | | |
| Trade and other payables | | - | 31,424,411 | 31,424,411 |
| Financial liabilities | | - | 10,049,817 | 10,049,817 |
| Total | | - | 41,474,228 | 41,474,228 |

(ii) Other price risk

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

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

16. Financial risk management (cont'd)

c) Market risk (cont'd)

(ii) Other price risk (cont'd)

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

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

The Company's industry sector weighting of gross assets as at 30 June 2020 is as below:

| Industry sector | 2020 % | 2019 % |
|------------------------|-------------|-------------|
| Consumer Discretionary | 21.6 | 20.6 |
| Financials | 15.3 | 16.2 |
| Information Technology | 11.6 | 11.4 |
| Industrials | 9.2 | 13.4 |
| Consumer Staples | 8.6 | 3.2 |
| Health Care | 7.1 | 3.5 |
| Materials | 3.3 | 3.3 |
| Communication Services | 2.6 | 1.3 |
| Energy | 2.1 | 2.0 |
| Real Estate | 2.0 | 0.6 |
| Total | 83.4 | 75.5 |

There were no securities representing over 5 per cent of gross assets of the Company as at 30 June 2020 (2019: 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 remain constant.

Investments represent 83.4% (2019: 75.5%) of gross assets at year end. A 5.0% movement in the fair value of each of the investments within the investment portfolio would result in a 2.8% (2019: 2.6%) movement in the net assets after tax. This would result in the 30 June 2020 net asset backing after tax moving by 4.6 cents per share (2019: 4.8 cents per share).

16. Financial risk management (cont'd)

d) Financial instruments measured at fair value

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

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for the asset or liability are not based on observable market data (unobservable inputs).

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

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

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

During the period, WAM Capital's investment in the AMP Capital China Growth Fund was realised as a result of the final capital return and closure of the fund. This investment was included within Level 2 of the fair value hierarchy as at 30 June 2019 and was valued at \$1.2m.

There were no transfers between Level 1 and Level 2 during the period (2019: Ask Funding Limited was de-listed from the ASX and subsequently transferred to Level 2).

| 30 June 2020 | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|-----------------------|--------------------|------------------|---------------|--------------------|
| Financial assets | 961,933,032 | 1,679,256 | - | 963,612,288 |
| Financial liabilities | (897,913) | - | - | (897,913) |
| Total | 961,035,119 | 1,679,256 | - | 962,714,375 |

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

17. Investment transactions

The total number of contract notes that were issued for transactions in securities during the financial year was 9,214 (2019: 8,480). Each contract note could involve multiple transactions. The total brokerage paid on these contract notes was \$10,600,089 (2019: \$8,527,343).

18. Segment reporting

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

19. Capital commitments

There were no capital commitments for the Company as at 30 June 2020 (2019: nil).

20. Contingent liabilities

There were no contingent liabilities for the Company as at 30 June 2020 (2019: nil).

21. Key management personnel compensation

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

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

a) Remuneration

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

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

| | Short-term employee benefits Directors' fees \$ | Post-employment benefits Superannuation \$ | Total \$ |
|--|---|--|----------------|
| Total Directors remuneration paid by the Company for the year ended 30 June 2020 | 128,503 | 12,207 | 140,710 |
| Total Directors remuneration paid by the Company for the year ended 30 June 2019 | 136,986 | 13,014 | 150,000 |

21. Key management personnel compensation (cont'd)

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 2019 | Acquisitions | Disposal | Balance at 30 June 2020 |
|-----------------------------------|----------------------------|--------------|----------|----------------------------|
| Geoff Wilson | 412,884 | - | - | 412,884 |
| Philippa Ryan | - | - | - | - |
| James Chirnside | 33,144 | 2,671 | - | 35,815 |
| Lindsay Mann | 63,880 | - | - | 63,880 |
| Kate Thorley | 57,491 | - | - | 57,491 |
| | 567,399 | 2,671 | - | 570,070 |

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

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

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

22. Related party transactions

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

The Company has an investment management agreement with Wilson Asset Management (International) Pty Limited. Geoff Wilson is the director of Wilson Asset Management (International) Pty Limited, the entity appointed to manage the investment portfolio of WAM Capital. Entities associated with Geoff Wilson hold 100% of the issued shares of Wilson Asset Management (International) Pty Limited. In its capacity as the Manager and in accordance with the investment management agreement, Wilson Asset Management (International) Pty Limited was paid a management fee of 1% p.a. (plus GST)

22. Related party transactions (cont'd)

of the value of the portfolio amounting to \$14,078,216 inclusive of GST (2019: \$14,683,441). At 30 June 2020, the balance payable to the Manager was \$1,058,905 inclusive of GST (2019: \$1,213,947).

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

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

No performance fee is payable in respect of any performance period where the value of the portfolio has decreased over that period. For the year ended 30 June 2020, no performance fee was payable to the Manager (2019: nil).

Wilson Asset Management (International) Pty Limited has a service agreement in place with WAM Capital to provide accounting and Company Secretarial services on commercial terms. For the year ended 30 June 2020, the fee for accounting services amounted to \$46,200 inclusive of GST (2019: \$46,200) and the fee for Company Secretarial services amounted to \$16,500 inclusive of GST (2019: \$16,500).

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

23. Events subsequent to reporting date

Since the end of the year, the Directors declared a fully franked final dividend of 7.75 cents per share to be paid on 27 November 2020.

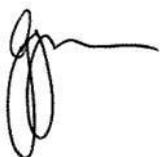
No other matter or circumstance has arisen since the end of the financial year, other than already disclosed, which significantly affect or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

Directors' Declaration

The Directors of WAM Capital Limited declare that:

- 1) The financial statements as set out in pages 24 to 47 and the additional disclosures included in the Directors' Report designated as "Remuneration Report", as set out on pages 18 to 20, are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Australian Accounting Standards, which, as stated in Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS), the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b) giving a true and fair view of the financial position of the Company as at 30 June 2020 and of its performance, as represented by the results of the operations and the cash flows, for the year ended on that date; and
- 2) The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer of the Manager, Wilson Asset Management (International) Pty Limited declaring that:
 - a) the financial records of the Company for the financial year have been properly maintained in accordance with the Section 286 of the *Corporations Act 2001*;
 - b) the Company's financial statements and notes for the financial year comply with the Accounting Standards; and
 - c) the Company's financial statements and notes for the financial year give a true and fair view.
- 3) At the date of this declaration, in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Geoff Wilson AO
Chairman

Dated in Sydney this 25th day of August 2020

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of WAM Capital Limited ("the Company"), which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- i. giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

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

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

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

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Company's Annual Report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

Auditor's Responsibilities for the Audit of the Financial Report (Continued)

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 20 of the Directors' Report for the year ended 30 June 2020. In our opinion, the Remuneration Report of WAM Capital Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



S M Whiddett
Partner

25 August 2020



Partners
Sydney

Investments at fair value as at 30 June 2020

| Company Name | Code | Fair Value \$ | % of Gross Assets |
|--------------------------------------|---------|--------------------|-------------------|
| Consumer discretionary | | | |
| Collins Foods Limited | CKF | 28,468,295 | 2.5% |
| Bapcor Limited | BAP | 24,052,205 | 2.1% |
| IDP Education Limited | IEL | 23,499,523 | 2.0% |
| The Star Entertainment Group Limited | SGR | 19,131,663 | 1.7% |
| Breville Group Limited | BRG | 17,792,219 | 1.5% |
| Adairs Limited | ADH | 17,107,329 | 1.5% |
| Temple & Webster Group Limited | TPW | 14,070,555 | 1.2% |
| City Chic Collective Limited | CCX | 12,834,234 | 1.1% |
| Kogan.com Limited | KGN | 11,790,205 | 1.0% |
| SeaLink Travel Group Limited | SLK | 11,279,385 | 1.0% |
| Aristocrat Leisure Limited | ALL | 11,116,954 | 0.9% |
| The Reject Shop Limited | TRS | 6,888,654 | 0.6% |
| Webjet Limited | WEB | 6,700,663 | 0.6% |
| Retail Food Group Limited | RFG | 6,461,708 | 0.6% |
| Myer Holdings Limited | MYR | 6,247,076 | 0.5% |
| Tourism Holdings Limited | THL NZX | 6,078,651 | 0.5% |
| Helloworld Travel Limited | HLO | 5,684,071 | 0.5% |
| Kathmandu Holdings Limited | KMD | 5,456,512 | 0.5% |
| Redbubble Limited | RBL | 4,499,104 | 0.4% |
| Viva Leisure Limited | VVA | 3,857,832 | 0.3% |
| Corporate Travel Management Limited | CTD | 2,828,240 | 0.2% |
| Evolve Education Group Limited | EVO | 2,046,612 | 0.2% |
| Lovisa Holdings Limited | LOV | 1,001,564 | 0.1% |
| PointsBet Holdings Limited | PBH | 804,498 | 0.1% |
| | | 249,697,752 | 21.6% |

Financials

| | | | |
|--|-----|------------|------|
| Australian United Investment Company Limited | AUI | 38,525,521 | 3.3% |
| Pengana International Equities Limited | PIA | 26,570,565 | 2.3% |
| Templeton Global Growth Fund Limited | TGG | 23,793,084 | 2.1% |
| Steadfast Group Limited | SDF | 14,110,538 | 1.2% |
| PSC Insurance Group Limited | PSI | 11,970,197 | 1.0% |
| Contango Income Generator Limited | CIE | 8,705,059 | 0.8% |
| Westoz Investment Company Limited | WIC | 8,167,163 | 0.7% |
| Concentrated Leaders Fund Limited | CLF | 7,558,527 | 0.7% |
| Perpetual Limited | PPT | 5,596,148 | 0.5% |
| HUB24 Limited | HUB | 4,602,440 | 0.4% |
| NAOS Small Cap Opportunities Company Limited | NSC | 4,349,989 | 0.4% |

| Company Name | Code | Fair Value \$ | % of Gross Assets |
|--------------------------------------|-------|--------------------|-------------------|
| Financials (cont'd) | | | |
| Clime Investment Management Limited | CIW | 3,935,563 | 0.3% |
| Ellerston Global Investments Limited | EGI | 3,425,026 | 0.3% |
| Generation Development Group Limited | GDG | 3,109,152 | 0.3% |
| Janus Henderson Group plc | JHG | 2,823,862 | 0.2% |
| Keybridge Capital Limited | KBC | 2,246,852 | 0.2% |
| Keybridge Capital Limited CPRN | KBCPA | 1,546,669 | 0.1% |
| Spheria Emerging Companies Limited | SEC | 1,160,476 | 0.1% |
| HHY Fund | HHY | 1,042,751 | 0.1% |
| Ozgrowth Limited | OZG | 903,855 | 0.1% |
| Clime Private Limited* | n/a | 826,800 | 0.1% |
| Ironbark Capital Limited | IBC | 597,787 | 0.1% |
| Ask Funding Limited* | n/a | 512,246 | 0.0% |
| 8IP Emerging Companies Limited | 8EC | 121,324 | 0.0% |
| DMX Corporation Limited* | n/a | 46,116 | 0.0% |
| | | 176,247,710 | 15.3% |

Information technology

| | | | |
|---------------------------|-----|--------------------|--------------|
| Infomedia Limited | IFM | 22,636,829 | 2.0% |
| Codan Limited | CDA | 15,281,375 | 1.3% |
| NEXTDC Limited | NXT | 14,491,431 | 1.3% |
| Appen Limited | APX | 14,281,778 | 1.2% |
| Pushpay Holdings Limited | PPH | 13,920,447 | 1.2% |
| The Citadel Group Limited | CGL | 11,421,383 | 1.0% |
| Bravura Solutions Limited | BVS | 9,127,319 | 0.8% |
| Megaport Limited | MP1 | 8,500,201 | 0.7% |
| Afterpay Limited | APT | 6,513,488 | 0.6% |
| Reckon Limited | RKN | 6,408,208 | 0.6% |
| Rhipe Limited | RHP | 5,032,907 | 0.4% |
| Dicker Data Limited | DDR | 4,694,909 | 0.4% |
| Nearmap Limited | NEA | 1,657,296 | 0.1% |
| | | 133,967,571 | 11.6% |

Industrials

| | | | |
|------------------------------------|-----|------------|------|
| Downer EDI Limited | DOW | 23,359,832 | 2.0% |
| Austal Limited | ASB | 23,157,546 | 2.0% |
| Seven Group Holdings Limited | SVW | 16,744,865 | 1.4% |
| Johns Lyng Group Limited | JLG | 16,456,023 | 1.4% |
| Smartgroup Corporation Limited | SIQ | 9,652,587 | 0.8% |
| Alliance Aviation Services Limited | AQZ | 5,780,876 | 0.5% |
| Reece Limited | REH | 4,562,624 | 0.4% |

Investments at fair value as at 30 June 2020

| Company Name | Code | Fair Value \$ | % of Gross Assets |
|--|------|--------------------|-------------------------|
| Industrials (cont'd) | | | |
| Cleanaway Waste Management Limited | CWY | 4,523,893 | 0.4% |
| IPH Limited | IPH | 1,987,971 | 0.2% |
| Air New Zealand Limited | AIZ | 607,583 | 0.1% |
| NRW Holdings Limited | NWH | 341,286 | 0.0% |
| | | 107,175,086 | 9.2% |
| Consumer staples | | | |
| Elders Limited | ELD | 33,247,607 | 2.9% |
| The a2 Milk Company Limited | A2M | 26,128,385 | 2.3% |
| BWX Limited | BWX | 18,547,907 | 1.6% |
| Blackmores Limited | BKL | 11,545,876 | 1.0% |
| United Malt Group Limited | UMG | 6,996,017 | 0.6% |
| GrainCorp Limited | GNC | 3,065,894 | 0.2% |
| | | 99,531,686 | 8.6% |
| Health care | | | |
| Healius Limited | HLS | 17,328,627 | 1.5% |
| Sigma Healthcare Limited | SIG | 17,039,469 | 1.5% |
| Fisher & Paykel Healthcare Corporation Limited | FPH | 16,096,066 | 1.4% |
| Ramsay Health Care Limited | RHC | 14,673,115 | 1.3% |
| Integral Diagnostics Limited | IDX | 13,810,220 | 1.2% |
| Nanosonics Limited | NAN | 2,935,151 | 0.2% |
| | | 81,882,648 | 7.1% |
| Materials | | | |
| Mineral Resources Limited | MIN | 16,154,509 | 1.4% |
| Perenti Global Limited | PRN | 9,617,593 | 0.8% |
| West African Resources Limited | WAF | 3,006,059 | 0.3% |
| Western Areas Limited | WSA | 2,874,733 | 0.3% |
| Brickworks Limited | BKW | 2,824,768 | 0.2% |
| IMDEX Limited | IMD | 2,158,671 | 0.2% |
| CSR Limited | CSR | 1,133,451 | 0.1% |
| | | 37,769,784 | 3.3% |

| Company Name | Code | Fair Value \$ | % of Gross Assets |
|---|------|----------------------|-------------------------|
| Communication services | | | |
| REA Group Limited | REA | 11,672,292 | 1.0% |
| Enero Group Limited | EGG | 6,081,340 | 0.5% |
| OptiComm Limited | OPC | 5,943,953 | 0.5% |
| Uniti Group Limited | UWL | 4,295,007 | 0.4% |
| SEEK Limited | SEK | 1,162,337 | 0.1% |
| EVENT Hospitality & Entertainment Limited | EVT | 1,103,182 | 0.1% |
| | | 30,258,111 | 2.6% |
| Energy | | | |
| Viva Energy Group Limited | VEA | 20,997,511 | 1.8% |
| Ampol Limited | ALD | 2,997,941 | 0.3% |
| | | 23,995,452 | 2.1% |
| Real estate | | | |
| Ingenia Communities Group | INA | 22,792,394 | 2.0% |
| | | 22,792,394 | 2.0% |
| Total long portfolio | | 963,318,194 | 83.4% |
| Investment in unlisted investment companies[^] | | 294,094 | - |
| Total short portfolio | | (897,913) | (0.1%) |
| Total cash and cash equivalents, income receivable and net outstanding settlements | | 192,858,403 | 16.7% |
| Gross assets | | 1,155,572,778 | |

[^]Unlisted investments.

[^]The investment in two unlisted investment companies primarily represents their residual cash and cash equivalents at the end of the reporting period. The total number of stocks held at the end of the financial year was 101.

ASX additional information

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

Shareholdings

Substantial shareholders (as at 31 July 2020) - there are currently no substantial shareholders.

On-market buy back (as at 31 July 2020) - there is no current on-market buy back.

Distribution of shareholders (as at 31 July 2020)

| Category | Number of shareholders | Percentage of issued capital held |
|------------------|------------------------|-----------------------------------|
| 1 – 1,000 | 4,399 | 0.3% |
| 1,001 – 5,000 | 9,311 | 3.9% |
| 5,001 – 10,000 | 6,672 | 7.2% |
| 10,001 – 100,000 | 14,924 | 59.3% |
| 100,001 and over | 907 | 29.3% |
| | 36,213 | 100.0% |

The number of shareholdings held in less than marketable parcels is 975.

Twenty largest shareholders – Ordinary shares (as at 31 July 2020)

| Name | Number of ordinary shares held | % of issued capital held |
|---|--------------------------------|--------------------------|
| HSBC Custody Nominees (Australia) Limited | 7,548,650 | 1.0% |
| EHJ Investments Pty Limited | 5,823,188 | 0.8% |
| Netwealth Investments Limited | 4,445,923 | 0.6% |
| Neale Edwards Pty Limited | 4,070,474 | 0.6% |
| BNP Paribas Nominees Pty Limited | 2,878,852 | 0.4% |
| Mrs F Martin-Weber | 2,170,000 | 0.3% |
| Seweta Pty Limited | 1,960,000 | 0.3% |
| R & R Corbett Pty Limited | 1,959,862 | 0.3% |
| Gold Tiger Equities Pty Limited | 1,816,972 | 0.3% |
| Nulis Nominees (Australia) Limited | 1,736,809 | 0.2% |
| Alamo Holdings Limited | 1,500,000 | 0.2% |
| Wilmar Enterprises Pty Limited | 1,487,209 | 0.2% |
| Marbear Holdings Pty Limited | 1,440,300 | 0.2% |
| Eneber Investment Company Limited | 1,322,000 | 0.2% |
| Southern Steel Investments Pty Limited | 1,188,172 | 0.2% |
| Citicorp Nominees Pty Limited | 915,895 | 0.1% |
| Nancris Pty Limited | 900,409 | 0.1% |
| Eddessa Pty Limited | 898,060 | 0.1% |
| Heathers Super Pty Limited | 873,099 | 0.1% |
| I & R Simpson Super Pty Limited | 785,678 | 0.1% |
| | 45,721,552 | 6.3% |

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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