

# WAM MICROCAP LIMITED

ABN 34 617 838 418

## Appendix 4E Preliminary final Report

for the period from 8 March 2017 (date of incorporation) to 30 June 2018

### Results for Announcement to the Market

	\$
Revenue from ordinary activities	47,032,287
Profit from ordinary activities before income tax expense	42,444,290
Net profit from ordinary activities after income tax expense	30,682,054

\*The amount and percentage change up or down from the previous period are not disclosed as this is the first reporting period.

Dividend information	Cents per share	Franked amount per share	Tax rate for franking
2018 Special dividend cents per share	2.0c	2.0c	30%
2018 Final dividend cents per share	2.0c	2.0c	30%
2018 Interim dividend cents per share	2.0c	2.0c	30%

### Final and special dividend dates

Ex dividend date	12 October 2018
Record date	15 October 2018
Last election date for the DRP	17 October 2018
Payment date	26 October 2018

### Dividend Reinvestment Plan

The Dividend Reinvestment Plan ('DRP') is in operation and both the recommended fully franked final dividend of 2.0 cents per share and the fully franked special dividend of 2.0 cents per share qualify. 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 over the four trading days commencing on the ex dividend date for the relevant dividend.

	30 Jun 18	28 Jun 17 (listing date)
Net tangible asset backing (after tax) per share	\$1.28	\$1.09*

\*Opening NTA after tax at Initial Public Offering.

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



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W | A | M *Microcap*

# Financial Report

For the period from 8 March 2017 to 30 June 2018

## WAM Microcap Limited

WAM Microcap Limited ('WAM Microcap' 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)  
Jacqueline Sullivan  
Kate Thorley  
Chris Stott

### Auditor

Pitcher Partners

### Country of Incorporation

Australia

### Share Registry

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

### Company Secretary

Linda Vo

### Registered Office

Level 11, 139 Macquarie Street  
Sydney NSW 2000

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

### Investment Manager

MAM Pty Limited  
Level 11, 139 Macquarie Street  
Sydney NSW 2000  
(part of Wilson Asset Management)

### Contact Details

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

### Australian Securities Exchange

WAM Microcap Limited  
Ordinary Shares (WMI)

## Shareholder Presentations 2018

### Annual General Meeting and Presentation Sydney

#### Tuesday 20 November

Presentation: 10.00am – 12.00pm  
AGM: 3.15pm – 3.35pm  
The Westin Sydney  
1 Martin Place  
Sydney NSW 2000  
To be streamed live on our website [wilsonassetmanagement.com.au](http://wilsonassetmanagement.com.au).



#### Canberra

##### Monday 19 November

10.00am – 12.00pm  
QT Hotel  
1 London Circuit  
Canberra ACT 2601

#### Brisbane

##### Thursday 22 November

10.00am – 12.00pm  
Brisbane Convention & Exhibition  
Centre, Cnr Merivale & Glenelg Streets  
South Bank QLD 4101

#### Hobart

##### Friday 23 November

10.00am – 12.00pm  
C3 Convention Centre  
64 Anglesea Street  
South Hobart TAS 7004

#### Adelaide

##### Monday 26 November

10.00am – 12.00pm  
Adelaide Convention Centre  
North Terrace  
Adelaide SA 5000

#### Perth

##### Tuesday 27 November

10.00am – 12.00pm  
Perth Convention & Exhibition Centre  
21 Mounts Bay Road  
Perth WA 6000

#### Melbourne

##### Thursday 29 November

10.00am – 12.00pm  
Melbourne Convention & Exhibition  
Centre, 1 Convention Centre Place  
South Wharf VIC 3006

**The Future Generation Presentations** will be held from 12.15pm - 1.15pm in each city.  
Access exclusive investment ideas from leading Australian and global fund managers at the  
**Future Generation Investment Forum** from 1.45pm – 3.15pm on Thursday 29 November in Melbourne.

## Key highlights FY2018

**\$42.4m**

Operating profit  
before tax

**+31.2%**

Investment portfolio  
performance

**4.0c**

Fully franked full year  
dividend

**2.0c**

Fully franked special  
dividend

### Snapshot as at 30 June 2018

Listing date	June 2017
Gross assets	\$192.4m
Market capitalisation	\$199.7m
Share price	\$1.425
Shares on issue	140,151,337
Net Tangible Assets (pre-tax)	\$1.35
Net Tangible Assets (post-tax)	\$1.28
Fully franked dividends FY2018	6.0 cents

### FY2018 results

WAM Microcap reported a maiden operating profit before tax of \$42.4 million and an operating profit after tax of \$30.7 million for the period ended 30 June 2018. The Company was registered with the Australian Securities and Investment Commission (ASIC) on 8 March 2017 and commenced operations on 20 June 2017, following the successful oversubscribed initial public offering which raised \$154 million.

While being on average 80.4% invested in equities, the investment portfolio rose 31.2% during the period from inception to 30 June 2018, outperforming the S&P/ASX Small Ordinaries Accumulation Index by 7.0%.

The Board declared a fully franked full year dividend of 4.0 cents per share, with the maiden fully franked final dividend being 2.0 cents per share.

The Board and the Investment Manager are focused on ensuring the Company maintains the optimal amount of capital for its investment strategy and focus on micro-cap companies. As a result, and due to the strong performance of the investment portfolio, the Board has also declared an additional fully franked special dividend of 2.0 cents per share to be paid to shareholders.

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## Chairman's letter

Dear Fellow Shareholders,

I am pleased to share the Company's inaugural full year results and welcome each of the 6,539 shareholders who have joined us since the initial public offering in June 2017, where the Company successfully raised \$154 million.

The Company delivered strong risk-adjusted returns for shareholders since inception, with the investment portfolio increasing 31.2% over the period, outperforming the S&P/ASX Small Ordinaries Accumulation Index by 7.0%, while being on average 80.4% invested in equities. This strong performance has enabled the Board to declare a maiden fully franked final dividend of 2.0 cents per share. Together with the inaugural fully franked 2.0 cents per share interim dividend, this brings the maiden fully franked full year dividend to 4.0 cents per share.

The Board and the Investment Manager are focused on ensuring the Company maintains the optimal amount of capital for its investment strategy and focus on micro-cap companies. As a result, and due to the strong performance of the investment portfolio, the Board has also declared an additional fully franked special dividend of 2.0 cents per share to be paid to shareholders.

During the period to 30 June 2018, the Company achieved an operating profit before tax of \$42.4 million and an operating profit after tax of \$30.7 million. The return on the equity portion of the portfolio was 38.1% and the return on the cash portion of the portfolio was 2.4% for the period.

### Company performance

There are three key measures we use to evaluate the performance of a listed investment company, which are: 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 Microcap is to outperform the S&P/ASX Small Ordinaries Accumulation Index by growing the investment portfolio at a greater rate, which is called outperformance. The S&P/ASX Small 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 2018	6 mths	1 yr	Since inception (Jun-17)
WMI Investment Portfolio*	3.1%	28.9%	31.2%
S&P/ASX Small Ordinaries Accumulation Index	4.7%	24.2%	24.2%
<b>Outperformance</b>	<b>-1.6%</b>	<b>+4.7%</b>	<b>+7.0%</b>

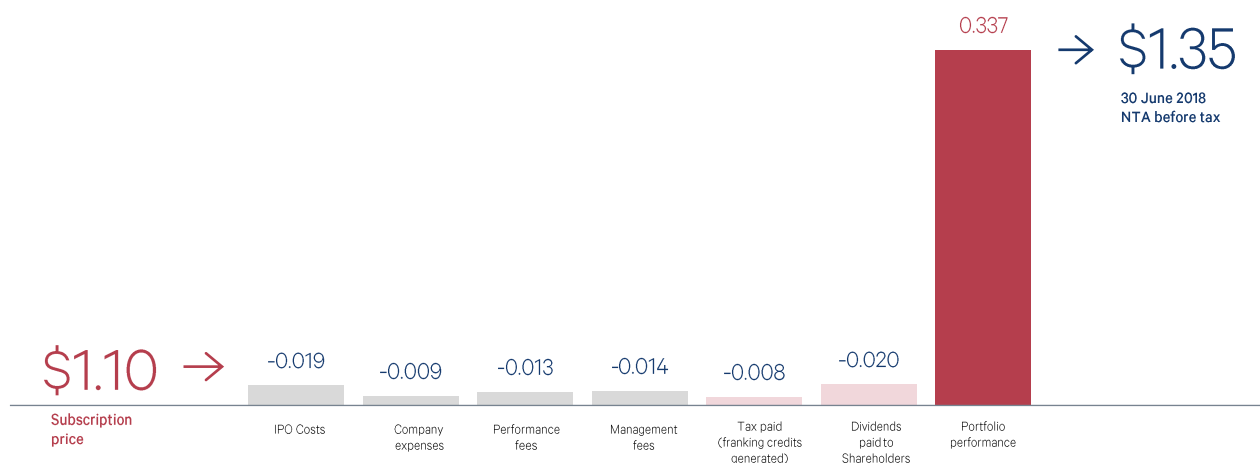
\*Investment performance and Index returns are before expenses, fees and taxes.

The investment portfolio increased 31.2% during the period from inception to 30 June 2018, outperforming the index by 7.0%. This outperformance was achieved while holding on average 19.6% of the investment portfolio in cash. The performance of the investment portfolio and the S&P/ASX Small Ordinaries Accumulation Index are measured before expenses, fees and taxes.

## 2. NTA growth

WAM Microcap's NTA before tax increased 27.2% for the period to 30 June 2018, including the 2.0 cents per share fully franked dividend paid to shareholders during the period. This increase is after corporate tax paid of 0.8 cents per share or 0.7% during the period. The significant items of difference between the investment portfolio performance of 31.2% and the net tangible asset performance were management fees of 1.3%\*, performance fee payable of 1.2% and other company related and capital raising expenses of 0.8%. The NTA after tax, after adjusting for dividends, increased 20.0% for the period to 30 June 2018, with the corporate and deferred tax provision for the period to 30 June 2018 of 7.2% being the difference between the NTA before and after tax performance. When paid, the franking credits attached to corporate tax payments are available for distribution to shareholders through fully franked dividends.

### WAM Microcap 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 Microcap for the period to 30 June 2018 was 31.4%. This was driven by WAM Microcap's strong portfolio performance of 31.2% and the share price premium to NTA. As at 30 June 2018, the share price premium to NTA was 5.6%. This measure does not value the potential benefit of franking credits distributed to shareholders through fully franked dividends.

\*Management fees represent 1% of average FUM from commencement of operations (20 June 2017) to 30 June 2018.

### **Investment portfolio performance**

The Company successfully raised \$154 million through an oversubscribed initial public offering in June 2017. Following the raising, the Company deployed the capital under its research and market-driven investment processes, achieving full investment in August 2017. The investment portfolio increased 31.2% since inception while being on average 80.4% invested, outperforming the S&P/ASX Small Ordinaries Accumulation Index by 7.0%. The outperformance demonstrates the Company's ability to provide strong risk-adjusted returns to shareholders and the strength of the investment process. The largest contributors during the period were Emeco Holdings (EHL), Specialty Fashion Group (SFH), Integral Diagnostics (IDX), Appen (APX) and Praemium (PPS). We believe investment opportunities will always be available, irrespective of the direction of the overall equity market.

### **Dividends**

The Board declared a fully franked full year dividend of 4.0 cents per share, with the maiden fully franked final dividend being 2.0 cents per share. The Board also declared an additional fully franked special dividend of 2.0 cents per share.

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

### **Equity market overview**

The S&P/ASX Small Ordinaries Accumulation Index rose 24.2% in the 2018 financial period, driven by the resources sector's stellar run, with the S&P/ASX Small Resources Index increasing 48.3%. The rise in global interest rates, coupled with the potential for trade wars, will increase volatility and although global economic growth continues, domestic economic growth remains sluggish. We are approaching the end of this cycle which is the second-longest bull market in the United States' history. While we continue to find attractive investment opportunities we remain cautious about the direction of the equity market over the short-to-medium term.

### **Company outlook**

WAM Microcap enters the 2019 financial year with a conservative balance sheet, a moderate cash weighting, no debt and a flexible and proven investment approach with the patience and expertise of an experienced investment team. The Company will continue to seek opportunities irrespective of market conditions and we remain well positioned to capitalise on these as they emerge.

### **Public policy and advocacy – defending the current dividend imputation system**

Wilson Asset Management continues to engage in public policy discussions and advocates on behalf of all shareholders regarding issues of importance. Early in the 2018 calendar year, the Federal Opposition proposed to remove the mechanism for the Australian Taxation Office to refund tax paid on dividend income. We believe it is unfair to change the rules on self-funded retirees, older workers and low income earners. On 11 May 2018, Wilson Asset Management launched a petition to maintain the current dividend imputation system, with over 12,000 signatures collected to date.



We will be submitting the petition, polling results and policy paper to the Commonwealth Treasurer, Minister for Finance, Leader of the Opposition and Shadow Treasurer detailing the negative economic and social impacts of this proposed policy and the positive aspects of the current franking credits system. Over the coming months we will monitor the proposed policy changes and continue to engage in the public debate.

### Shareholder engagement and communication

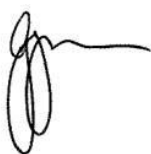
Shareholders are the owners of WAM Microcap. Our responsibility is to manage the Company on their behalf and be available to report to them on a regular basis. We encourage all shareholders to meet with us and utilise our proactive approach to keeping them informed. We value shareholder engagement and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

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

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

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

Thank you for your continued support.



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

## Investing with Wilson Asset Management

Established in 1997 by Geoff Wilson, Wilson Asset Management is an independently owned investment manager based in Sydney, Australia. Today, Wilson Asset Management employs 30 staff. The investment team comprises 11 highly experienced professionals with more than 140 years combined investment experience and a total focus on managing money.

We take great pride in managing seven LICs and more than \$3 billion in shareholder capital on behalf of almost 80,000 retail investors. We created and continue to support Future Generation Investment Company Limited and Future Generation Global Investment Company Limited, the only companies to provide:

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

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

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

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

**Experienced experts.** Wilson Asset Management's investment team has a total focus on protecting and growing shareholder capital and is informed by more than 140 years combined equity market experience.

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

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

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

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

## Objectives and investment process

### Investment objectives

The investment objectives of WAM Microcap are to:

- deliver investors a stream of fully franked dividends;
- provide capital growth over the medium to long term; and
- preserve capital of the Company.

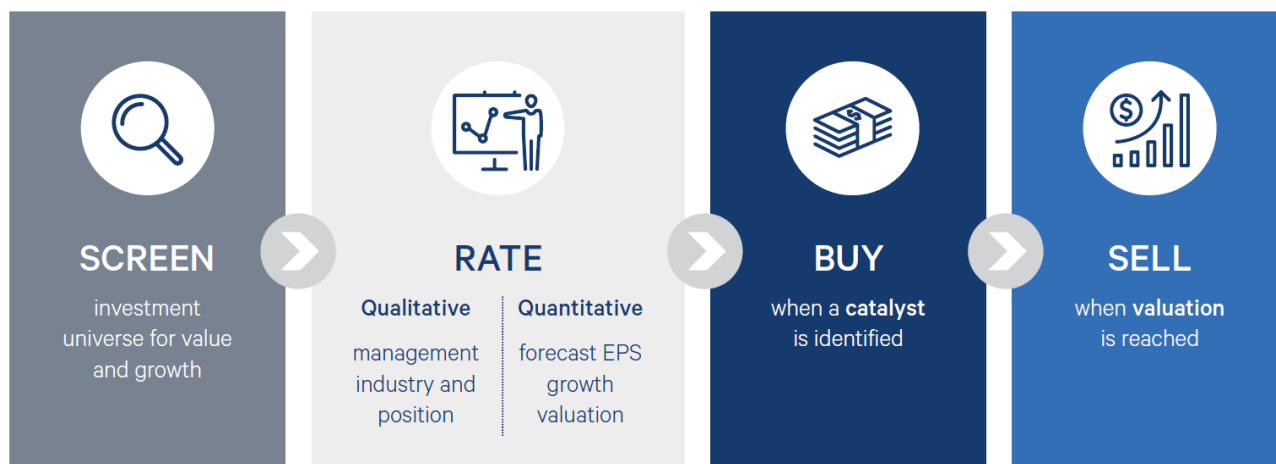
### Investment process – focus on S&P/ASX Small Ordinaries Index

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

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

### Research-driven investing

This investment process involves diligent and deep research that focuses on free cash flow, return on equity and the quality of a company. Each company is carefully rated with respect to management, earnings growth potential, valuation and industry position. Under this process, our investment team will only ever invest in a security once we can identify a catalyst or event that we expect will change the market's valuation of the company.



### Market-driven investing

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

## Directors' Report to shareholders for the period ended 30 June 2018

The Directors present their report together with the financial report of WAM Microcap Limited for the period from 8 March 2017 (date of incorporation) to 30 June 2018.

### 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; to provide capital growth in the medium-to-long term; and to preserve capital. No change in this activity took place during the period or is likely to in the future.

### Initial Public Offering

The Company successfully raised \$154 million through an Initial Public Offering ('IPO') in accordance with the Prospectus dated 5 May 2017, by the issue of 140,000,000 ordinary fully paid shares at an issue price of \$1.10 per share. The offer was oversubscribed and the shares were allotted to shareholders on 23 June 2017. The shares began trading under the ASX code WMI on 28 June 2017.

The Company was registered with the Australian Securities and Investments Commission (ASIC) on 8 March 2017 and commenced operations on 20 June 2017.

### Operating and financial review

Investment operations over the period resulted in a maiden operating profit before tax of \$42,444,290 and an operating profit after tax of \$30,682,054. The operating profit is reflective of the strong performance of the investment portfolio over the period to 30 June 2018. Following the successful \$154 million IPO in June 2017, the Company deployed the capital under its research and market-driven investment processes, achieving full investment in August 2017. The investment portfolio has increased 31.2% since inception, while being on average 80.4% invested in equities, outperforming the S&P/ASX Small Ordinaries Accumulation Index by 7.0%.

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

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

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

## Financial position

The net asset value of the Company as at 30 June 2018 was \$180,263,689. Further information on the financial position of the Company is contained in the Chairman's Letter.

## Dividends paid or recommended

Since the end of the period, the Directors declared a maiden fully franked final dividend of 2.0 cents per share. Together with the inaugural fully franked 2.0 cents per share interim dividend paid to shareholders on 27 April 2018, this brings the maiden fully franked full year dividend to 4.0 cents per share. The Board and the Investment Manager are focused on ensuring the Company maintains the optimal amount of capital for its investment strategy and focus on micro-cap companies. As a result, and due to the strong performance of the investment portfolio, the Board has also declared an additional fully franked special dividend of 2.0 cents per share to be paid to shareholders. The fully franked final and special dividends are due to be paid on 26 October 2018.

The Board is committed to paying an increasing stream of fully franked dividends to shareholders, provided the Company has sufficient profit reserves and franking credits and it is within prudent business practices. The Company's ability to generate franking credits is dependent upon the receipt of franked dividends from investments and the payment of tax.

## Directors

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

- Geoff Wilson AO (appointed 8 March 2017)
- Jacqueline Sullivan (appointed 4 May 2017)
- Kate Thorley (appointed 8 March 2017)
- Chris Stott (appointed 8 March 2017)

## Information on Directors

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

#### Experience and expertise

Geoff Wilson has over 38 years' direct experience in investment markets having held a variety of senior investment roles in Australia, the UK and the US. Geoff founded Wilson Asset Management in 1997. Geoff created Australia's first listed philanthropic wealth creation vehicles, Future Generation Investment Company and Future Generation Global Investment Company. Geoff holds a Bachelor of Science, a Graduate Management Qualification and is a Fellow of the Financial Services Institute of Australia and the Australian Institute of Company Directors (AICD).

Geoff has been Chairman of the Company since March 2017.

## Other current directorships

Geoff Wilson is currently Chairman of WAM Research Limited (appointed June 2003), WAM Active Limited (appointed July 2007), WAM Capital Limited (appointed March 1999), WAM Leaders Limited (appointed March 2016), WAM Global Limited (appointed February 2018) and the Australian Stockbrokers Foundation. He is the founder and a Director of Future Generation Global Investment Company Limited (appointed May 2015) and Future Generation Investment Company Limited (appointed July 2014) and a Director of Australian Leaders Fund Limited (appointed October 2003),

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

### **Other current directorships (cont'd)**

Global Value Fund Limited (appointed April 2014), Century Australia Investments Limited (appointed September 2014), 8IP Emerging Companies Limited (appointed April 2018), Incubator Capital Limited (appointed February 2000), Sporting Chance Cancer Foundation, the 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.

## **Jacqueline Sullivan (Director – independent)**

### **Experience and expertise**

Jacqueline has 30 years funds management experience gained in a number of senior executive roles across the Australian and global AMP Capital businesses. In that time, Jacqueline led global distribution of AMP Capital with a focus on expansion into Asia, North America and Europe. As Head of Product, Jacqueline led the development of range of multi-manager products, listed funds, real assets and hedge funds. Jacqueline holds a Bachelor of Science, MBA, Graduate Diploma of Applied Finance and Investment and is a Graduate of the Australian Institute of Company Directors (AICD).

Jacqueline has been a Director of the Company since May 2017.

### **Other current directorships**

Jacqueline Sullivan has no other directorships.

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

Jacqueline Sullivan 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**

Jacqueline Sullivan has no interest in shares of the Company.

### **Interests in contracts**

Jacqueline Sullivan has no interests in contracts of the Company.



### **Chris Stott (Director – non-independent)**

#### **Experience and expertise**

Chris Stott has more than 15 years' experience in the funds management industry. Chris is the Chief Investment Officer and Portfolio Manager of Wilson Asset Management (International) Pty Limited, having joined the company in 2006. Chris was previously employed with Challenger Financial Services Group in various research roles specialising in Australian equities. He holds a Bachelor of Business and a Graduate Diploma in Applied Finance and Investment. He is a member of the Australian Institute of Company Directors and the Financial Services Institute of Australasia.

Chris Stott has been a Director of the Company since March 2017.

#### **Other current directorships**

Chris Stott is a Director of WAM Capital Limited (appointed May 2015).

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

Chris Stott resigned as a director of Century Australia Investments Limited in May 2018, WAM Leaders Limited and WAM Research Limited in June 2018 and WAM Active Limited in July 2018.

#### **Special responsibilities**

None.

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

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

#### **Interests in contracts**

Chris Stott has no interests in contracts of the Company.

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

#### **Experience and expertise**

Kate Thorley has over 13 years' experience in the funds management industry and more than 19 years of financial accounting and corporate governance experience. Kate is the Chief Executive Officer of Wilson Asset Management (International) Pty Limited, Director of WAM Capital Limited, WAM Active Limited, WAM Research Limited, WAM Leaders Limited, WAM Global Limited and Future Generation Investment Company Limited. Kate is the Company Secretary of Future Generation Global Investment Company Limited. She holds a Bachelor of Commerce, a Graduate Diploma in Applied Finance and Investment, Graduate Diploma of Applied Corporate Governance and is a fully qualified CA. She is a member of the Australian Institute of Company Directors.

Kate has been a Director of the Company since March 2017.

#### **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 Capital Limited (appointed August 2016), WAM Leaders Limited (appointed March 2016) 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.

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

### **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 period:

### **Linda Vo**

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

Linda was appointed Company Secretary of WAM Microcap Limited in March 2017.

## **Remuneration Report (Audited)**

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

### **a) Remuneration of Directors**

All Directors of WAM Microcap 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 \$80,000 per annum. Directors do not receive bonuses nor are they issued options on securities as part of their remuneration. Directors' fees cover all main Board activities and membership of committees.



## Remuneration Report (Audited) (cont'd)

Directors' remuneration received for the period ended 30 June 2018:

Director	Position	Short-term employee benefits Directors' Fees \$	Post-employment benefits Superannuation \$	Total \$
Geoff Wilson	Chairman	9,207	875	10,082
Jacqueline Sullivan	Director	23,019	2,187	25,206
Kate Thorley	Director	9,207	875	10,082
Chris Stott	Director	9,207	875	10,082
		<b>50,640</b>	<b>4,812</b>	<b>55,452*</b>

\*Includes Directors' fees for the period from date of listing, 28 June 2017 to 30 June 2018.

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

### b) Director related entities remuneration

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

The Company has an investment management agreement with MAM Pty Limited. Geoff Wilson is the Director of MAM Pty Limited (the Investment Manager or the Manger), the entity appointed to manage the investment portfolio of WAM Microcap Limited. Entities associated with Geoff Wilson hold 100% of the issued shares of MAM Pty Limited. In its capacity as the Manager and in accordance with the investment management agreement, MAM Pty Limited was paid a management fee of 1% p.a. (plus GST) of gross assets amounting to \$2,044,413 inclusive of GST. As at 30 June 2018, the balance payable to the Manager was \$176,163 inclusive of GST.

In addition, MAM 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 Small 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 Small Ordinaries Accumulation Index has decreased over that period, the amount of the increase in the value of the portfolio.

No performance fee is payable in respect of any performance period where the portfolio has decreased in value over that period. For the period ended 30 June 2018, a performance fee of \$1,877,192 inclusive of GST was payable to MAM Pty Limited.

Wilson Asset Management (International) Pty Limited has a service agreement in place with WAM Microcap Limited to provide accounting and Company Secretarial services on commercial terms. For the period ended 30 June 2018, the fee for accounting services amounted to \$46,200 inclusive of GST and the fee for Company Secretarial services amounted to \$16,500 inclusive of GST. Entities associated with Geoff Wilson hold 100% of the issued shares of Wilson Asset Management (International) Pty Limited.

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

These amounts are in addition to the above Directors' remuneration. 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. MAM Pty Limited, the investment manager of the Company is remunerated as outlined above.

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

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

Ordinary shares held Directors	Balance at 8 March 2017	Acquisitions	Disposals	Balance at the date of this report
Geoff Wilson	1*	1,000,000	-	1,000,001
Kate Thorley	-	210,148	-	210,148
Chris Stott	-	909,091	-	909,091
Jacqueline Sullivan	-	-	-	-
	<b>1</b>	<b>2,119,239</b>	<b>-</b>	<b>2,119,240</b>

\*Sole share on issue in the Company on incorporation.

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 period, 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
Jacqueline Sullivan	5	5
Chris Stott	5	5
Kate Thorley	5	5

**Audit and Risk Committee**

The Company has not established an Audit and Risk Committee due to the Company's size, Board composition and the nature of the Company's operations. As such, the Company's Board of Directors fulfil the role of the Audit and Risk Committee.

### **After balance date events**

Since the end of the period, the Directors declared a maiden fully franked final dividend of 2.0 cents per share, together with a special fully franked dividend of 2.0 cents per share. The fully franked final and special dividends are due to be paid on 26 October 2018.

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

### **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 period, 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 period, for any person who is or has been an auditor of the Company.

### **Proceedings on behalf of the Company**

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

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

### Non-audit services

During the period Pitcher Partners, the Company's auditor, performed taxation and other services to 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 is satisfied that the provision of non-audit services during the period 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 Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with the APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

### Rounding of amounts to nearest dollar

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

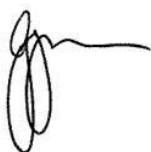
### Corporate Governance Statement

The Company's Corporate Governance Statement for the period ended 30 June 2018 is provided on the Company's website at [wilsonassetmanagement.com.au](http://wilsonassetmanagement.com.au).

### Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 20 of the Financial Report.

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



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

Dated in Sydney this 17<sup>th</sup> day of August 2018

**Auditor's Independence Declaration**  
**To the Directors of WAM Microcap Limited**  
**ABN 34 617 838 418**

In relation to the independent audit for the period 8 March 2017 to 30 June 2018, to the best of my knowledge and belief there have been:

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

This declaration is in respect of WAM Microcap Limited during the period.



**S M Whiddett**  
Partner

**Pitcher Partners**  
Sydney

17 August 2018

## Statement of comprehensive income for the period ended 30 June 2018

		For the period 8 March 2017 to 30 June 2018 \$
	Note	
Net realised and unrealised gains on financial assets		42,448,956
Other revenue from operating activities	2	4,583,331
Management fees		(1,905,021)
Performance fees		(1,749,202)
Directors fees		(55,452)
Brokerage expense on share purchases		(496,078)
Custody fees		(15,086)
ASX listing and chess fees		(90,765)
Share registry fees		(66,237)
Disbursements, mailing and printing		(20,222)
Other expenses from ordinary activities		(189,934)
<b>Profit before income tax</b>		<b>42,444,290</b>
Income tax expense	3(a)	(11,762,236)
<b>Profit after income tax attributable to members of the Company</b>		<b>30,682,054</b>
<b>Other comprehensive income</b>		
Other comprehensive income for the period, net of tax		-
<b>Total comprehensive income for the period</b>		<b>30,682,054</b>
<b>Basic and diluted earnings per share*</b>	<b>13</b>	<b>28.27 cents</b>

\*The basic and diluted earnings per share would have been 21.89 cents if calculated from 23 June 2017 (allotment date), as the Company only had one share on issue and no earnings up to this date.

The accompanying notes form part of these financial statements.

## Statement of financial position as at 30 June 2018

	Note	30 June 2018 \$
<b>Current assets</b>		
Cash and cash equivalents	11	35,919,035
Trade and other receivables	6	2,326,483
Financial assets	7	156,979,404
<b>Total current assets</b>		<b>195,224,922</b>
<b>Non-current assets</b>		
Deferred tax assets	3(b)	477,335
<b>Total non-current assets</b>		<b>477,335</b>
<b>Total assets</b>		<b>195,702,257</b>
<b>Current liabilities</b>		
Trade and other payables	8	5,060,981
Current tax liabilities	3(c)	4,789,194
<b>Total current liabilities</b>		<b>9,850,175</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	3(d)	5,588,393
<b>Total non-current liabilities</b>		<b>5,588,393</b>
<b>Total liabilities</b>		<b>15,438,568</b>
<b>Net assets</b>		<b>180,263,689</b>
<b>Equity</b>		
Issued capital	9	152,381,635
Profits reserve	10	27,882,054
<b>Total equity</b>		<b>180,263,689</b>

The accompanying notes form part of these financial statements.

## Statement of changes in equity for the period ended 30 June 2018

	Note	Issued capital \$	Retained earnings \$	Profits reserve \$	Total equity \$
<b>Balance at 8 March 2017 (date of incorporation)</b>		-	-	-	-
Profit for the period		-	30,682,054	-	30,682,054
Transfer to profits reserve		-	(30,682,054)	30,682,054	-
Other comprehensive income for the period		-	-	-	-
<b>Transactions with owners:</b>					
Share issued on incorporation	9(b)	1	-	-	1
Shares issued via initial public offering	9(b)	154,000,000	-	-	154,000,000
Share issue costs (net of tax)	9(b)	(1,823,769)	-	-	(1,823,769)
Shares issued via dividend reinvestment plan	9(b)	205,403	-	-	205,403
Dividends paid	4(a)	-	-	(2,800,000)	(2,800,000)
<b>Balance at 30 June 2018</b>		<b>152,381,635</b>	<b>-</b>	<b>27,882,054</b>	<b>180,263,689</b>

The accompanying notes form part of these financial statements.



## Statement of cash flows for the period ended 30 June 2018

	Note	For the period 8 March 2017 to 30 June 2018 \$
<b>Cash flows from operating activities</b>		
Proceeds from sale of investments		254,253,931
Payments for purchase of investments		(367,879,973)
Dividends received		3,229,476
Interest received		820,012
Other investment income received		350,156
Management fee (GST inclusive)		(1,868,250)
Brokerage expense on share purchases (GST inclusive)		(532,261)
Payments for administration expenses (GST inclusive)		(472,171)
Income tax paid		(1,080,369)
GST on brokerage expense on share sales		(26,057)
Net GST received from ATO		324,521
<b>Net cash used in operating activities</b>	<b>12</b>	<b>(112,880,985)</b>
<b>Cash flows from financing activities</b>		
Shares issued via initial public offering and on incorporation		154,000,001
Dividends paid – net of reinvestment		(2,594,597)
Share issue costs		(2,605,384)
<b>Net cash provided by financing activities</b>		<b>148,800,020</b>
<b>Net increase in cash and cash equivalents held</b>		<b>35,919,035</b>
Cash and cash equivalents at beginning of the period		-
<b>Cash and cash equivalents at the end of the period</b>	<b>11</b>	<b>35,919,035</b>
<b>Non-cash transactions:</b>		
Shares issued via dividend reinvestment plan		205,403
The accompanying notes form part of these financial statements.		

# Notes to the financial statements for the period ended 30 June 2018

## 1. Significant accounting policies

### General information

WAM Microcap Limited was incorporated in Australia on 8 March 2017.

The registered office of the Company is located at Level 11, 139 Macquarie Street, Sydney NSW 2000.

The financial report for the period 8 March 2017 to 30 June 2018 was authorised for issue on 17 August 2018 by the Board of Directors.

As this is the Company's first period of operations, there are no comparatives.

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

Australian Accounting Standards set out the accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions 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.

### a) Financial instruments

#### Initial recognition and measurement

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

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

#### Classification and subsequent measurement

Financial instruments are subsequently measured at fair value. Current market prices for all quoted investments are used to determine fair value. For all unlisted securities that are not traded in an active

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

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

market, valuation techniques are applied to determine fair value, including recent arm's length transactions and reference to similar instruments.

The Company classifies its financial instruments into the following categories:

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

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

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

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

### 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 period 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.

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.

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

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

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.

### 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 four months or less.

### d) Revenue and other income

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

### e) Trade and other receivables

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

### f) Trade and other payables

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

### g) Impairment of assets

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

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

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

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

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

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

### i) Comparative figures

As this is the Company's first period of operation there are no comparatives.

### 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 period.

### m) Critical accounting estimates and judgments

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

There are no estimates or judgments that have a material impact on the Company's financial results for the period ended 30 June 2018. All material financial assets are valued by reference to quoted prices and therefore no significant estimates or judgments are required in respect to their valuation.

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

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

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

**2. Other revenue**

	2018 \$
Australian sourced dividends	3,312,332
Interest	856,202
Trust distributions	243,334
Foreign sourced dividends	30,288
Underwriting fees	141,175
	<b>4,583,331</b>

**3. Income tax****a) Income tax expense**

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

	2018 \$
Prima facie tax on profit before income tax at 30%	12,733,287
Imputation credit gross up	403,909
Foreign income tax offset gross up	1,603
Franking credit offset	(1,346,362)
Foreign income tax offset	(5,344)
Other non-assessable items*	(24,857)
	<b>11,762,236</b>
Effective tax rate	27.7%

The effective tax rate reflects the benefit to the Company of franking credits received on dividend income during the period.

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

<b>Total income tax expense results in a:</b>	2018 \$
Current tax liability	5,869,563
Deferred tax liability	5,588,393
Deferred tax asset	304,280
	<b>11,762,236</b>

**3. Income tax (cont'd)****b) Deferred tax assets**

	2018 \$
Accruals	8,366
Capitalised share issue costs	468,969
	<b>477,335</b>
<b>Movement in deferred tax assets</b>	
Balance at the beginning of the period	-
Credited to the Statement of comprehensive income	(304,280)
Capitalised share issue costs	781,615
At reporting date	<b>477,335</b>

**c) Current tax liabilities**

	2018 \$
Balance at the beginning of the period	-
Current period income tax on operating profit	5,869,563
Income tax paid	(1,080,369)
At reporting date	<b>4,789,194</b>

**d) Deferred tax liabilities**

	2018 \$
Fair value adjustments	5,588,393
	<b>5,588,393</b>
<b>Movement in deferred tax liabilities</b>	
Balance at the beginning of the period	-
Charged to the Statement of comprehensive income	5,588,393
At reporting date	<b>5,588,393</b>

#### 4. Dividends

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

	2018 \$
Interim dividend FY2018: 2.0 cents per share fully franked at 30% tax rate, paid 27 April 2018	2,800,000

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

	2018 \$
In addition to the above dividend, since the end of the period, the Directors have declared a 2.0 cents per share fully franked final dividend, together with a fully franked special dividend of 2.0 cents per share which have not been recognised as a liability at the end of the financial period:	5,606,053

##### c) Dividend franking account

	2018 \$
Balance of franking account at period end	1,226,731
Adjusted for franking credits arising from: - Estimated income tax payable	4,789,194
Subsequent to the reporting period, the franking account would be reduced by the proposed dividend disclosed in Note 4(b):	(2,402,594)
	<b>3,613,331</b>

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

The balance of the franking account does not include the tax to be paid on unrealised investment gains currently recognised as a deferred tax liability of \$5,588,393.

#### 5. Auditor's remuneration

	2018 \$
Remuneration of the auditor for:	
Auditing and reviewing the financial report	41,305
Other services provided by a related practice of the auditor:	
Taxation services	11,880*
Investigating accountant's fee on initial public offering	19,823
	<b>73,008</b>

\*Includes fees paid for the lodgement of the Company's FY2017 income tax return.

The Company's Board of Directors oversees the relationship with the Company's external auditors. The Board 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**2018  
\$

Outstanding settlements	1,962,766
Investment income receivable	183,687
GST receivable	180,030
	<b>2,326,483</b>

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

**7. Financial assets**2018  
\$

Listed investments at fair value	155,129,404
Unlisted investment at fair value	1,850,000
	<b>156,979,404</b>

The market values of individual investments held at the end of the reporting period are disclosed on page 48 of the Financial Report. The unlisted investments at the end of the reporting period relate to initial public offerings which settle after 30 June 2018.

**8. Trade and other payables**2018  
\$

Outstanding settlements	2,867,172
Management fee payable	176,163
Performance fee payable	1,877,192
Sundry payables	140,454
	<b>5,060,981</b>

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

## 9. Issued capital

### a) Paid-up capital

2018  
\$

140,151,337 ordinary shares fully paid	<b>152,381,635</b>
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### b) Movement in issued capital

2018  
\$

Balance at the beginning of the period	-
1 ordinary share issued on 8 March 2017 (incorporation date)	1
140,000,000 ordinary shares issued on 23 June 2017 under the initial public offering	154,000,000
151,336 ordinary shares issued 27 April 2018 under a dividend reinvestment plan	205,403
Share issue costs (net of tax)	(1,823,769)
At reporting date	<b>152,381,635</b>

### c) Share issue

During the period ended 30 June 2018, the Company concluded its IPO in accordance with the Prospectus dated 5 May 2017. The Company successfully raised \$154 million pursuant to the offer by the issue of 140,000,000 ordinary fully paid shares at an issue price of \$1.10 per share.

### d) 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 and option issues and share buy-backs. These capital management initiatives will be used when deemed appropriate by the Board. The Company is not subject to any externally imposed capital requirements.

## 10. Profits reserve

2018  
\$

Profits reserve	<b>27,882,054</b>
-----------------	-------------------

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

**10. Profits reserve (cont'd)**

	2018 \$
<b>Movement in profits reserve</b>	
Balance at the beginning of the period	-
Transfer of profits during the period	30,682,054
Interim dividend paid (refer to note 4a)	(2,800,000)
At reporting date	<b>27,882,054</b>

**11. Cash and cash equivalents**

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

	2018 \$
Cash at bank and on hand	26,586,620
Term deposits	9,332,415
	<b>35,919,035</b>

The weighted average interest rate for cash and term deposits as at 30 June 2018 is 1.94%. The term deposits have an average maturity of 58 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.

**12. Cash flow information**

	2018 \$
<b>Reconciliation of profit after tax to cash flow from operations:</b>	
Profit after income tax	30,682,054
Fair value gains and movements in financial assets	(156,074,998)
<b>Changes in assets and liabilities:</b>	
Increase in receivables	(363,717)
Decrease in deferred tax assets	304,280
Increase in payables	2,193,809
Increase in current tax liabilities	4,789,194
Increase in deferred tax liabilities	5,588,393
Net cash used in operating activities	<b>(112,880,985)</b>

**13. Earnings per share**

	2018 Cents per share
Basic and diluted earnings per share	28.27
	2018 \$
Profit after income tax used in the calculation of basic and diluted earnings per share	30,682,054
	2018 #
Weighted average number of ordinary shares outstanding during the period used in calculating basic and diluted earnings per share	108,522,475

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

The weighted average number of shares used as the denominator in calculating basic earnings per share is based on the average number of shares from 8 March 2017, being the date of incorporation, to 30 June 2018. The basic and diluted earnings per share would have been 21.89 cents if calculated from 23 June 2017 (allotment date), as the Company only had one share on issue and no earnings up to this date.

**14. Financial risk management**

The Company's financial instruments consist of listed investments, trade receivables and trade payables. 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 throughout the first period.

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

**a) Credit risk**

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

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

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

### a) Credit risk (cont'd)

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 period 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 are within two months.

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

### b) Liquidity risk

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

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

The Company's cash receipts depend upon the level of sales of securities, dividends and interest received, 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.

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 2018	>1 month \$	<1 month \$	Total \$
<b>Liabilities</b>			
Trade and other payables	-	5,060,981	5,060,981
<b>Total</b>	<b>-</b>	<b>5,060,981</b>	<b>5,060,981</b>

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

### c) Market risk

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

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

#### (i) Interest rate risk

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

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

30 June 2018	Weighted average interest rate (% pa)	Interest bearing \$	Non-interest bearing \$	Total \$
<b>Assets</b>				
Cash and cash equivalents	1.94%	35,919,035	-	35,919,035
Trade and other receivables		-	2,326,483	2,326,483
Financial assets		-	156,979,404	156,979,404
<b>Total</b>		<b>35,919,035</b>	<b>159,305,887</b>	<b>195,224,922</b>
<b>Liabilities</b>				
Trade and other payables		-	5,060,981	5,060,981
<b>Total</b>		<b>-</b>	<b>5,060,981</b>	<b>5,060,981</b>

#### (ii) Other price risk

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

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

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

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

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

the individual securities and market sectors are reviewed daily and the risk managed on a daily basis. The Company does not have set parameters as to a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

The Company's industry sector weighting of gross assets as at 30 June 2018 is as below:

Industry sector	2018 %
Industrials	25.7
Financials	17.6
Consumer discretionary	16.6
Information technology	7.0
Health care	4.4
Consumer staples	4.0
Materials	3.6
Real estate	1.2
Energy	0.8
Telecommunications services	0.7
<b>Total</b>	<b>81.6</b>

There were no securities representing over 5 per cent of the gross assets of the Company at 30 June 2018.

### 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 period net assets after tax as a result of a reasonably possible change in the risk variable. The sensitivity assumes all other variables to remain constant.

Investments represent 81.6% of gross assets at period end. A 5.0% movement in the market value of each of the investments within the investment portfolio would result in a 3.0% movement in the net assets after tax. This would result in the 30 June 2018 net asset backing after tax moving by 3.9 cents per share.

## 14. 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 in Level 2 are investments in Initial Public Offerings which settle after 30 June 2018.

There were no transfers between Level 1 and Level 2 during the period.

30 June 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	155,129,404	1,850,000	-	156,979,404
Financial liabilities	-	-	-	-
<b>Total</b>	<b>155,129,404</b>	<b>1,850,000</b>	<b>-</b>	<b>156,979,404</b>

## 15. Investment transactions

The total number of contract notes that were issued for transactions in securities during the financial period was 4,436. Each contract note could involve multiple transactions. The total brokerage paid on these contract notes was \$857,569.

## 16. Segment reporting

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

## 17. Capital commitments

The Company entered into a capital commitment before period end of \$390,833 for two placements which settle after 30 June 2018.

## 18. Contingent liabilities

There were no contingent liabilities for the Company as at 30 June 2018.



## 19. 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 period are:

- Geoff Wilson AO                      Chairman
- Jacqueline Sullivan                  Director
- Kate Thorley                          Director
- Chris Stott                             Director

### a) Remuneration

There are no executives that are paid by the Company.

Information regarding individual Directors' remuneration is provided in the Remuneration Report of the Directors' Report on page 16, 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 period ended 30 June 2018	50,640	4,812	<b>55,452*</b>

\*Includes Directors' fees for the period from date of listing, 28 June 2017 to 30 June 2018.

### b) Share holdings

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

Ordinary shares held Directors	Balance at 8 March 2017	Acquisitions	Disposals	Balance at 30 June 2018
Geoff Wilson	1*	1,000,000	-	1,000,001
Kate Thorley	-	210,148	-	210,148
Chris Stott	-	909,091	-	909,091
Jacqueline Sullivan	-	-	-	-
	<b>1</b>	<b>2,119,239</b>	<b>-</b>	<b>2,119,240</b>

\*Sole share on issue in the Company on incorporation.

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 period, been granted options over unissued shares or interests in shares of the Company as part of their remuneration.

## 20. Related party transactions

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

The Company has an investment management agreement with MAM Pty Limited. Geoff Wilson is the Director of MAM Pty Limited, the entity appointed to manage the investment portfolio of WAM Microcap Limited. Entities associated with Geoff Wilson hold 100% of the issued shares of MAM Pty Limited. In its capacity as the Manager and in accordance with the investment management agreement, MAM Pty Limited was paid a management fee of 1% p.a. (plus GST) of gross assets amounting to \$2,044,413 inclusive of GST. As at 30 June 2018, the balance payable to the Manager was \$176,163 inclusive of GST.

In addition, MAM 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 Small 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 Small Ordinaries Accumulation Index has decreased over that period, the amount of the increase in the value of the portfolio.

No performance fee is payable in respect of any performance period where the portfolio has decreased in value over that period. For the period ended 30 June 2018, a performance fee of \$1,877,192 inclusive of GST was payable to MAM Pty Limited.

Wilson Asset Management (International) Pty Limited has a service agreement in place with WAM Microcap Limited to provide accounting and Company Secretarial services on commercial terms. For the period ended 30 June 2018, the fee for accounting services amounted to \$46,200 inclusive of GST and the fee for Company Secretarial services amounted to \$16,500 inclusive of GST. Entities associated with Geoff Wilson hold 100% of the issued shares of Wilson Asset Management (International) Pty Limited.

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.

## 21. Events subsequent to reporting date

Since the end of the period, the Directors declared a fully franked final dividend of 2.0 cents per share, together with a fully franked special dividend of 2.0 cents per share. The fully franked final and special dividends are due to be paid on 26 October 2018.

No other matters or circumstances have arisen since the end of the financial period 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 periods.

## Directors' Declaration

The Directors of WAM Microcap Limited declare that:

- 1) The financial statements as set out in pages 21 to 41 and the additional disclosures included in the Directors' Report designated as "Remuneration Report", as set out on pages 15 to 17, 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 2018 and of its performance, as represented by the results of the operations and the cash flows, for the period 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, MAM Pty Limited declaring that:
  - a) the financial records of the Company for the financial period 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 period comply with the Accounting Standards; and
  - c) the Company's financial statements and notes for the financial period 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 17<sup>th</sup> day of August 2018

**Independent Auditor's Report  
to the Members of WAM Microcap Limited  
ABN 34 617 838 418**

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

*Opinion*

We have audited the financial report of WAM Microcap Limited ("the Company"), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period 8 March 2017 to 30 June 2018, 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 Microcap 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 2018 and of its financial performance for the period then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis of Opinion*

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

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

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

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. We have communicated the key audit matters to the Board of Directors, but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Board of Directors. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key audit matter</b>	<b>How our audit addressed the matter</b>
<b>Existence and valuation of Financial Assets</b> <b>Refer to Note 7: Financial Assets</b>	
<p>We focused our audit effort on the valuation and existence of the Company's financial assets as they are its largest asset and represent the most significant driver of the Company's Net Tangible Assets and profits.</p> <p>Investments mostly consist of listed Australian securities and some unlisted Australian securities. Investments are valued by multiplying the quantity held by the respective market price, cost or estimated value per security for unlisted investments.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▪ Obtaining an understanding of the investment management process and controls;</li> <li>▪ Reviewing and evaluating the independent audit report on internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Custodians;</li> <li>▪ Making enquiries as to whether there have been any changes to these controls or their effectiveness from the periods to which the audit reports relate and where necessary performing additional procedures;</li> <li>▪ Obtaining a confirmation of the investment holdings directly from the Custodians;</li> <li>▪ Assessing the Company's valuation of individual investment holding to independent sources;</li> <li>▪ Evaluating the accounting treatment of revaluations of financial assets for current/deferred tax and unrealised gains or losses;</li> <li>▪ Assessing the adequacy of disclosures in the financial statements.</li> </ul>

<i><b>Key audit matter</b></i>	<i><b>How our audit addressed the matter</b></i>
<b><i>Accuracy of Management and Performance Fees</i></b> <b><i>Refer to Note 8: Trade and other payables, Note 20: Related party transactions</i></b>	
<p>We focused our audit effort on the accuracy of management and performance fees as they are significant expenses of the Company and their calculation requires adjustments for major events such as payment of company dividends and taxes, capital raisings and capital reductions in accordance with the Investment Management Agreement between the Company and the Investment Manager.</p> <p>In addition, to their quantum, as these transactions are made with related parties, there are additional inherent risks associated with these transactions, including the potential for these transactions to be made on terms and conditions more favourable than if they had been with an independent third-party.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▪ 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;</li> <li>▪ Testing key inputs used in the calculation of management and performance fees and performing a recalculation in accordance with our understanding of the Investment Management Agreement;</li> <li>▪ Assessing the adequacy of disclosures made in the financial statements.</li> </ul>

#### *Other Information*

The Directors are responsible for the other information. The other information comprises the information included in the Company's Annual Report for the period ended 30 June 2018, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

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

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 15 to 17 of the Directors' Report for the period ended 30 June 2018. In our opinion, the Remuneration Report of WAM Microcap Limited, for the period ended 30 June 2018, 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



**Pitcher Partners**  
Sydney

17 August 2018



## Investments at market value as at 30 June 2018

Company Name	Code	Market Value \$	% of Gross Assets
<b>Industrials</b>			
Emeco Holdings Limited	EHL	5,939,318	3.0%
CML Group Limited	CGR	5,293,219	2.8%
Cabcharge Australia Limited	CAB	4,222,003	2.2%
Veris Limited	VRS	4,187,932	2.2%
Cardno Limited	CDD	3,892,748	2.0%
Austin Engineering Limited	ANG	2,973,272	1.5%
Virgin Australia Holdings Limited	VAH	2,817,664	1.5%
Boom Logistics Limited	BOL	2,751,782	1.4%
HRL Holdings Limited	HRL	1,926,023	1.0%
Johns Lyng Group Limited	JLG	1,908,253	1.0%
Lycopodium Limited	LYL	1,873,704	1.0%
SRG Limited	SRG	1,646,070	0.9%
Acrow Formwork and Construction Services Limited	ACF	1,612,623	0.8%
Lindsay Australia Limited	LAU	1,340,084	0.7%
People Infrastructure Limited	PPE	1,184,779	0.6%
Collection House Limited	CLH	1,162,748	0.6%
Engenco Limited	EGN	1,059,369	0.6%
Alliance Aviation Services Limited	AQZ	973,363	0.5%
Primero Group Limited	PGX	950,000	0.5%
Salmat Limited	SLM	778,238	0.4%
Coventry Group Limited	CYG	567,275	0.3%
Silver Chef Limited	SIV	419,009	0.2%
		<b>49,479,476</b>	<b>25.7%</b>
<b>Financials</b>			
Generational Development Group Limited	GDG	6,108,771	3.1%
PSC Insurance Group Limited	PSI	5,205,160	2.7%
Pacific Current Group Limited	PAC	4,395,889	2.3%
Onewue Holdings Limited	OVH	4,350,684	2.3%
360 Capital Total Return Fund	TOT	3,619,913	1.9%
Aksesstoday Limited	AXL	3,306,296	1.7%
Money3 Corporation Limited	MNY	2,493,424	1.3%
Pinnacle Investment Management Group Limited	PNI	2,322,203	1.2%
Evans Dixon Limited	ED1	1,316,638	0.7%
ClearView Wealth Limited	CVW	752,109	0.4%
		<b>33,871,087</b>	<b>17.6%</b>
<b>Consumer discretionary</b>			
Specialty Fashion Group Limited	SFH	7,703,898	4.1%
Adairs Limited	ADH	4,620,779	2.4%
Noni B Limited	NBL	4,158,389	2.2%
Jumbo Interactive Limited	JIN	2,557,580	1.3%
Macquarie Media Limited	MRN	2,229,369	1.2%
iCar Asia Limited	ICQ	2,210,901	1.1%
PWR Holdings Limited	PWH	2,035,476	1.1%
National Tyre and Wheel Limited	NTD	1,933,804	1.0%
3P Learning Limited	3PL	1,441,029	0.7%
Funtastic Limited	FUN	1,157,837	0.6%

Company Name	Code	Market Value \$	% of Gross Assets
Shine Corporate Limited	SHJ	934,149	0.5%
McPherson's Limited	MCP	859,151	0.4%
		<b>31,842,362</b>	<b>16.6%</b>
<b>Information technology</b>			
Reckon Limited	RKN	3,512,870	1.8%
Swift Networks Group Limited	SW1	2,555,018	1.3%
Frontier Digital Ventures Limited	FDV	2,535,159	1.3%
Rhipe Limited	RHP	2,256,990	1.2%
Over The Wire Holdings Limited	OTW	905,834	0.5%
RMA Global Limited	RMY	900,000	0.5%
Infomedia Limited	IFM	491,619	0.3%
Bigtincan Holdings Limited	BTH	220,895	0.1%
		<b>13,378,385</b>	<b>7.0%</b>
<b>Health care</b>			
Integral Diagnostics Limited	IDX	3,812,264	2.0%
Zenitas Healthcare Limited	ZNT	1,721,849	0.9%
Apiam Animal Health Limited	AHX	1,434,901	0.7%
Paragon Care Limited	PGC	635,586	0.4%
Botanix Pharmaceuticals Limited	BOT	580,000	0.3%
Imugene Limited	IMU	227,500	0.1%
		<b>8,412,100</b>	<b>4.4%</b>
<b>Consumer staples</b>			
Australian Vintage Limited	AVG	3,707,225	1.9%
Gage Roads Brewing Co. Limited	GRB	2,511,036	1.3%
Bubs Australia Limited	BUB	1,003,754	0.5%
Longtable Group Limited	LON	504,000	0.3%
		<b>7,726,015</b>	<b>4.0%</b>
<b>Materials</b>			
Mastermyne Group Limited	MYE	2,659,556	1.3%
Mitchell Services Limited	MSV	1,683,980	0.9%
Clover Corporation Limited	CLV	1,372,639	0.7%
Swick Mining Services Limited	SWK	1,280,152	0.7%
Bass Metals Limited Options	BSMO	15,909	0.0%
		<b>7,012,236</b>	<b>3.6%</b>
<b>Real estate</b>			
Finbar Group Limited	FRI	2,233,124	1.2%
		<b>2,233,124</b>	<b>1.2%</b>
<b>Energy</b>			
Paladin Energy Limited	PDN	1,452,500	0.7%
Bannerman Resources Limited	BMN	176,087	0.1%
		<b>1,628,587</b>	<b>0.8%</b>
<b>Telecommunications services</b>			
Spirit Telecom Limited	ST1	947,979	0.5%
Reverse Corp Limited	REF	448,053	0.2%
		<b>1,396,032</b>	<b>0.7%</b>
<b>Total long portfolio</b>		<b>156,979,404</b>	<b>81.6%</b>
<b>Total cash and cash equivalents, income receivable and net outstanding settlements</b>		<b>35,378,346</b>	<b>18.4%</b>
<b>Gross assets</b>		<b>192,357,750</b>	<b>100%</b>

\* The total number of stocks held at the end of the financial period was 72.

## ASX additional information

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

### Shareholdings

**Substantial shareholders (as at 30 June 2018)** - there are currently no substantial shareholders.

**On-market buy back (as at 30 June 2018)** - there is no current on-market buy back.

### Distribution of shareholders (as at 30 June 2018)

Category	Number of shareholders
1 – 1,000	478
1,001 – 9,999	2,658
10,000 – 99,999	3,230
100,000 – 999,999	161
1,000,000 and over	12
	<b>6,539</b>

The number of shareholdings held in less than marketable parcels is 78.

### Twenty largest shareholders – Ordinary shares (as at 30 June 2018)

Name	Number of ordinary shares held	% of issued capital held
Syssha Pty Limited	2,800,000	2.0
Navigator Australia Limited	2,659,350	1.9
Citicorp Nominees Pty Limited	1,885,094	1.3
English Family Super Fund Pty Limited	1,788,515	1.3
Australian Investors Pty Limited	1,363,600	1.0
HSBC Custody Nominees (Australia) Limited	1,361,513	1.0
BNP Paribas Nominees Pty Limited	1,194,018	0.9
Netwealth Investments Limited	1,077,454	0.8
Interests associated with Geoff Wilson	1,000,000	0.7
Mrs F Martin-Weber	1,000,000	0.7
888 Corporation Pty Limited	1,000,000	0.7
Invia Custodian Pty Limited	1,000,000	0.7
Ceeas Investments Pty Limited	909,091	0.6
Netwealth Investments Limited	777,172	0.6
Mr V J Plummer	500,000	0.4
HS Capital Pty Limited	500,000	0.4
Fay Fuller Foundation Pty Limited	454,545	0.3
Eastcote Pty Limited	450,000	0.3
Bond Street Custodians Limited	450,000	0.3
Halcyon Pty Limited	438,969	0.3
	<b>22,609,321</b>	<b>16.2</b>

### Stock exchange listing

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

# Wilson

## Asset Management

Level 11, 139 Macquarie Street  
Sydney NSW 2000 Australia  
E [info@wilsonassetmanagement.com.au](mailto:info@wilsonassetmanagement.com.au)  
T +61 2 9247 6755

[wilsonassetmanagement.com.au](http://wilsonassetmanagement.com.au)