



**WAM CAPITAL LIMITED**  
**A.B.N. 34 086 587 395**  
**APPENDIX 4E**  
**PRELIMINARY FINAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**  
*All comparisons to the year ended 30 June 2010*

	\$	up/down	% mvmt
Revenue from ordinary activities	29,498,078	Down	-27.1%
Profit from ordinary activities before tax attributable to members	24,758,644	Down	-25.7%
Profit from ordinary activities after tax attributable to members	20,352,870	Down	-16.5%
Net profit for the period attributable to members	20,352,870	Down	-16.5%
<b>Dividend Information</b>	<b>Cents per share</b>	<b>Franked amount per share</b>	<b>Tax rate for franking</b>
Interim dividend cents per share	5.0	5.0	30%
Final dividend cents per share	5.0	5.0	30%
<b>Final dividend dates</b>			
Ex dividend date			2 Sept 2011
Record date			8 Sept 2011
Payment date			15 Sept 2011
<p>The Dividend Reinvestment Plan is in operation and the recommended final dividend of 5.0 cents per share qualifies. Participating shareholders will be entitled to be allotted the number of shares (rounded to the nearest whole number) which the cash dividend would purchase at the relevant issue price. The relevant issue price will be at a 2.5% discount to the price (calculated as the weighted average market price of shares sold on the ASX on the books closing date for the relevant dividend and the 3 trading days preceding that date less the discount (if any)).</p>			
		<b>30 June 11</b>	<b>30 June 10</b>
Net tangible asset backing		\$1.63	\$1.52
<p><i>This report is based on the Financial Report which is in the process of being audited. All the documents comprise the information required by Listing Rule 4.3A.</i></p>			

# WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

		2011 \$	2010 \$
Proceeds from sale of investments		320,917,471	326,826,410
Cost of investments sold		<u>(306,334,170)</u>	<u>(305,518,178)</u>
Realised gains on financial assets		14,583,301	21,308,232
Unrealised gains on financial assets		95,577	11,519,881
Other revenue	2	14,819,200	7,634,210
Management fees		(1,842,307)	(1,679,233)
Performance fees		(1,440,896)	(4,141,943)
Directors fees		(80,000)	(80,000)
Brokerage expense on share purchases		(929,656)	(879,143)
Custody fees		(115,025)	(91,865)
ASX listing and chess fees		(61,828)	(60,163)
Share registry fees		(69,318)	(66,851)
Other expenses from ordinary activities		<u>(200,404)</u>	<u>(158,369)</u>
<b>Profit before income tax</b>		<b>24,758,644</b>	<b>33,304,756</b>
Income tax expense	3(a)	<u>(4,405,774)</u>	<u>(8,921,564)</u>
<b>Profit attributable to members of the Company</b>	<b>12</b>	<b><u>20,352,870</u></b>	<b><u>24,383,192</u></b>
<b>Other comprehensive income</b>			
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<b><u>20,352,870</u></b>	<b><u>24,383,192</u></b>
<b>Basic earnings per share</b>	<b>15</b>	<b><u>19.1 cents</u></b>	<b><u>23.3 cents</u></b>
<b>Diluted earnings per share</b>	<b>15</b>	<b><u>19.1 cents</u></b>	<b><u>23.3 cents</u></b>

The accompanying notes form part of these financial statements.

# WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

		2011 \$	2010 \$
<b>Assets</b>			
Cash and cash equivalents	13	81,676,377	80,666,402
Trade and other receivables	6	5,741,684	14,272,244
Financial assets	7	94,175,124	75,079,790
Deferred tax assets	3(b)	10,108	2,635,083
<b>Total Assets</b>		<b>181,603,293</b>	<b>172,653,519</b>
<b>Liabilities</b>			
Trade and other payables	9	3,791,935	5,685,989
Financial liabilities	8	799,710	2,860,907
Current tax liabilities	3(c)	816,172	-
Deferred tax liabilities	3(d)	4,849,026	5,359,997
<b>Total Liabilities</b>		<b>10,256,843</b>	<b>13,906,893</b>
<b>Net Assets</b>		<b>171,346,450</b>	<b>158,746,626</b>
<b>Equity</b>			
Issued capital	10	150,330,891	148,702,589
Reserve	11	5,049,246	4,526,169
Retained earnings	12	15,966,313	5,517,868
<b>Total Equity</b>		<b>171,346,450</b>	<b>158,746,626</b>

The accompanying notes form part of these financial statements.

# WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

		2011 \$	2010 \$
<b>Total Equity as at 1 July</b>		<b>158,746,626</b>	<b>141,178,888</b>
Profit for the year attributable to members of the Company	12	20,352,870	24,383,192
Total other comprehensive income for the year		-	-
Shares issued via DRP during the year	10(b)	<u>1,628,302</u>	<u>1,430,644</u>
		180,727,798	166,992,724
Dividends paid	4(a)	<u>(9,381,348)</u>	<u>(8,246,098)</u>
<b>Total Equity as at 30 June attributable to members of the Company</b>		<b><u>171,346,450</u></b>	<b><u>158,746,626</u></b>

The accompanying notes form part of these financial statements.

# WAM CAPITAL LIMITED

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## STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$	2010 \$
<b>Cash Flows from Operating Activities</b>		
Dividends received	10,018,601	4,582,545
Interest received	4,544,203	2,452,182
Other investment income received	339,042	260,321
Investment management fee (inclusive GST)	(1,964,911)	(1,774,199)
Investment performance fee (inclusive GST)	(4,445,012)	-
Brokerage expense on share purchases (inclusive GST)	(997,679)	(941,697)
Payments for administration expenses (inclusive GST)	(578,231)	(483,821)
Income tax paid	(972,394)	(189,980)
GST on share sales	(73,930)	(77,926)
Net GST payments to ATO	595,371	271,591
<b>Net cash provided by operating activities</b>	<b>14 6,465,060</b>	<b>4,099,016</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	328,669,248	317,519,376
Payments for purchase of investments	(326,371,286)	(286,161,150)
<b>Net cash provided by investing activities</b>	<b>2,297,962</b>	<b>31,358,226</b>
<b>Cash Flows from Financing Activities</b>		
Dividends paid – net of reinvestment	(7,753,047)	(6,815,454)
<b>Net cash used in financing activities</b>	<b>(7,753,047)</b>	<b>(6,815,454)</b>
<b>Net increase in cash and cash equivalents held</b>	<b>1,009,975</b>	<b>28,641,788</b>
Cash and cash equivalents at beginning of financial year	80,666,402	52,024,614
<b>Cash and cash equivalents at end of financial year</b>	<b>13 81,676,377</b>	<b>80,666,402</b>

The accompanying notes form part of these financial statements.

# WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 1. Statement of Significant Accounting Policies

#### Basis of Preparation

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

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

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

The financial statements have been prepared on an accruals basis and are based on historical costs with the exception of financial assets and certain other financial assets and liabilities which have been measured at fair value.

#### a) Financial Instruments

##### *i. Initial Recognition and Measurement*

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by market convention. Trade date is the date on which the Company commits to purchase or sell the assets.

Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified "at fair value through profit or loss" in which case transaction cost are expensed to the Statement of Comprehensive Income immediately. Financial instruments are classified and measured as set out below.

##### *ii. Classification and Subsequent Measurement*

Investments consist of shares in publicly listed and unlisted companies, exchange traded call and put options and investments in fixed interest securities.

It is considered that the information needs of shareholders in a company of this type are better met by stating investments at fair value rather than historical cost and by presenting the Statement of Financial Position on a liquidity basis.

The Company may short sell securities in anticipation of a decline in the market value of that security, or it may short sell securities for various arbitrage transactions. Short sales or borrowed stock are classified as a financial liability and are revalued to fair value through the Statement of Comprehensive Income.

# WAM CAPITAL LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 1. Statement of Significant Accounting Policies (continued)

#### a) Financial Instruments (continued)

##### iii. *Financial Assets at Fair Value through Profit or Loss*

Financial assets are classified "at fair value through Statement of Comprehensive Income" 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 Statement of Comprehensive Income in the period in which they arise. Unrealised gains and losses are then transferred to an asset revaluation reserve, net of the potential tax charges that may arise from the future sale of the investments, where they are above cost.

##### iv. *Financial Liabilities*

Financial liabilities are classified "at fair value through Statement of Comprehensive Income". Realised and unrealised gains and losses are then transferred to an asset revaluation reserve, net of the potential tax charges that may arise from the future sale of the investments, where they are above cost.

##### v. *Fair Value*

Fair value is determined based on current market prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions and reference to similar instruments.

##### vi. *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 expire. 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 the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the end of the current financial year. 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 Statement of Financial Position liability 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.

# WAM CAPITAL LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 1. Statement of Significant Accounting Policies (continued)

#### b) Income Tax (continued)

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

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

#### c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, at call deposits with banks or financial institutions and other fixed interest securities maturing within three 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. Revenue from the writing of options are recognised net of the amount of goods and services tax (GST), except where the amount of the GST incurred is not recoverable from the Australian Taxation Office (ATO). 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 their amortised cost less the provision for impairment losses [refer Note 1(g)].

#### f) Trade and Other Payables

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

#### g) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible 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 assets' carrying value. Any excess of the assets' 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 the 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 an item 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.

# WAM CAPITAL LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 1. Statement of Significant Accounting Policies (continued)

#### i) Comparative Figures

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

#### j) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge 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 judgements that have a material impact on the financial results of the Company for the year ended 30 June 2011.

#### k) New Standards and Interpretations not yet Adopted

The Australian Accounting Standards Board has issued a new accounting standard AASB 9: Financial Instruments and AASB 2009 11: Amendments to Australian Accounting Standards arising from AASB 9 that has a mandatory application date for future reporting periods. The Company has decided against early adoption of this standard. This standard does not materially impact the Company.

### 2. Other Revenue

	2011	2010
	\$	\$
Australian sourced dividends	9,900,434	4,160,974
Interest	4,476,031	2,812,241
Foreign sourced dividends	19,859	102,027
Underwriting fees	85,731	202,856
Trust distributions	407,587	345,782
(Losses)/gains from options trading	(70,442)	8,140
Other revenue	-	2,190
	<u>14,819,200</u>	<u>7,634,210</u>

# WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 3. Taxation

#### a) Income Tax Expense

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

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2010: 30%)	7,427,594	9,991,427
Imputation credit gross up	1,239,439	516,588
Franking credit offset	(4,131,464)	(1,703,956)
Other non-assessable items	44,373	78,082
(Over)/Under provision in prior period	(174,168)	39,423
	<b><u>4,405,774</u></b>	<b><u>8,921,564</u></b>
Total income tax expense results in a:		
Current tax asset	5,103,373	7,039,641
Deferred tax liability	(522,848)	1,843,898
Deferred tax asset	(583)	(1,398)
(Over)/Under provision in prior period	(174,168)	39,423
	<b><u>4,405,774</u></b>	<b><u>8,921,564</u></b>

#### b) Deferred Tax Assets

Tax losses	-	2,625,558
Provisions	10,108	9,525
	<b><u>10,108</u></b>	<b><u>2,635,083</u></b>

#### Movement in deferred tax assets

Balance at the beginning of the period	2,635,083	9,721,346
Transfer tax losses from current tax liability	(2,625,558)	(7,087,661)
Credited to the Statement of Comprehensive Income	583	1,398
At reporting date	<b><u>10,108</u></b>	<b><u>2,635,083</u></b>

#### c) Current Tax liabilities

Balance at the beginning of the year	-	-
Current year income tax expense on operating profit	5,103,373	-
(Over) provision in prior period	(186,045)	-
Transfer tax losses from deferred tax asset	(2,625,558)	-
Income tax paid	(1,475,598)	-
At reporting date	<b><u>816,172</u></b>	<b><u>-</u></b>

# WAM CAPITAL LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 3. Taxation (cont')

#### d) Deferred Tax Liabilities

	2011	2010
	\$	\$
Fair value adjustments	4,846,945	5,112,873
Income provisions	2,081	247,124
	<u>4,849,026</u>	<u>5,359,997</u>

#### Movement in deferred tax liabilities

Balance at the beginning of the year	5,359,997	3,524,696
Charged to the Statement of Comprehensive Income	(522,848)	1,843,898
Under/(Over) provision in prior year	11,877	(8,597)
At reporting date	<u>4,849,026</u>	<u>5,359,997</u>

### 4. Dividends

#### a) Ordinary Dividends Paid During the Year

	2011	2010
	\$	\$
Final dividend FY2010: 4.0 cents per share fully franked at 30% tax rate paid 17 September 2010 (Dividend 2010: 4.0 cents per share fully franked)	4,157,247	4,111,415
Interim dividend FY2011: 5.0 cents per share fully franked at 30% tax rate paid 11 March 2011 (Interim dividend FY2010: 4.0 cents per share fully franked)	<u>5,224,101</u>	<u>4,134,683</u>
Dividends paid by the Company	<u>9,381,348</u>	<u>8,246,098</u>

#### b) Dividends not Recognised at Year End

In addition to the above dividends, since the end of the year, the Directors have declared a 5.0 cent per share fully franked dividend which has not been recognised as a liability at the end of the financial year:

	<u>5,253,158</u>	<u>4,157,247</u>
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#### c) Dividend Franking Account

Balance of franking account at year end adjusted for franking credits, arising from payment of provision for income tax and dividends recognised as receivables and franking credits that may be prevented from distribution in subsequent financial years.

	4,510,318	2,111,305
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Subsequent to the reporting period, the franking account would be reduced by the proposed dividend disclosed in b) above as follows:

	<u>(2,251,353)</u>	<u>(1,781,678)</u>
	<u>2,258,965</u>	<u>329,627</u>

# WAM CAPITAL LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 4. Dividends (continued)

#### c) Dividend Franking Account (continued)

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

The balance of the franking account does not include the tax to be paid on unrealised investment gains and accrued income currently recognised as a deferred tax liability of \$4,849,026 (2010: \$5,359,997).

### 5. Auditor's remuneration

Remuneration of the auditor of the Company for:	2011 \$	2010 \$
Auditing or reviewing the financial report	30,971	27,291
Non-audit services	-	-
Other services provided by a related practice of the auditor:		
Taxation Services	10,450	8,800
	<u>41,421</u>	<u>36,091</u>

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

### 6. Trade and Other Receivables

	2011 \$	2010 \$
Outstanding settlements	4,510,843	12,262,620
Income receivable	1,040,669	1,123,316
Tax refund	-	503,204
GST receivable	190,172	383,104
	<u>5,741,684</u>	<u>14,272,244</u>

Outstanding settlements are on the terms of operating in the securities industry. These are non-interest bearing and require the settlement within three days of the date of a transaction. Income receivable relates to sub underwriting fee, dividend, and trust distributions receivable at the end of the reporting period.

### 7. Financial Assets

	2011 \$	2010 \$
Listed investments at fair value	93,592,087	74,686,495
Unlisted investments at cost	583,037	393,295
	<u>94,175,124</u>	<u>75,079,790</u>

# WAM CAPITAL LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 8. Financial Liabilities

	2011 \$	2010 \$
Borrowed stock	<u>799,710</u>	<u>2,860,907</u>

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

### 9. Trade and Other Payables

	2011 \$	2010 \$
Outstanding settlements	2,012,497	988,659
Management fee payable	163,708	151,509
Performance fee payable	1,546,328	4,445,012
Sundry payables	69,402	100,809
	<u>3,791,935</u>	<u>5,685,989</u>

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

### 10. Issued Capital

#### a) Paid-up Capital

	2011 \$	2010 \$
105,063,158 ordinary shares fully paid (2010: 103,931,192)	<u>150,330,891</u>	<u>148,702,589</u>

#### b) Ordinary Shares

Balance at the beginning of the year	148,702,589	147,271,945
550,833 ordinary shares issued on 17 September 2010 under a dividend reinvestment plan	705,508	-
581,133 ordinary shares issued on 11 March 2011 under a dividend reinvestment plan	922,794	-
564,129 ordinary shares issued on 25 February 2010 under a dividend reinvestment plan	-	717,557
581,680 ordinary shares issued on 17 August 2009 under a dividend reinvestment plan	-	713,087
At reporting date	<u>150,330,891</u>	<u>148,702,589</u>

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

# WAM CAPITAL LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 10. Issued Capital (continued)

#### c) Capital Management

The Board manages the Company's capital by regularly reviewing the most efficient manner by which the company employs its capital. At the core of this management is the belief that shareholder value should be preserved. Shareholder value will be preserved through the management of the level of distributions to shareholders, share and options issues as well as the use of share buy-backs. These capital management initiatives will be used when deemed appropriate by the Board.

### 11. Reserve

	2011 \$	2010 \$
Asset Revaluation Reserve	<u>5,049,246</u>	<u>4,526,169</u>

This reserve is used to record increments and decrements on the revaluation of the investments, net of potential tax as described in accounting policy Note 1a) iii).

	2011 \$	2010 \$
<b>Movement in Asset Revaluation Reserve</b>		
Balance at the beginning of the year	4,526,169	-
Transfer from retained earnings	523,077	4,526,169
At reporting date	<u>5,049,246</u>	<u>4,526,169</u>

### 12. Retained Earnings

	2011 \$	2010 \$
Balance at the beginning of the year	5,517,868	(6,093,057)
Profit for the year attributable to members of the Company	20,352,870	24,383,192
Transfer to asset revaluation reserve	(523,077)	(4,526,169)
Dividends paid (refer Note 4)	(9,381,348)	(8,246,098)
At reporting date	<u>15,966,313</u>	<u>5,517,868</u>

### 13. Cash and Cash Equivalents

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

	2011 \$	2010 \$
Cash at bank and on hand	1,527,417	2,596,034
Fixed interest securities	80,148,960	78,070,368
	<u>81,676,377</u>	<u>80,666,402</u>

The weighted average interest rate for cash and fixed interest securities as at 30 June 2011 is 6.03% (2010: 5.75%). The fixed interest securities have an average maturity of 101 days (2010: 80 days). The majority of fixed interest securities are invested with institutions that have Standard & Poor's AA rating. The fixed interest securities include the cash collateral for the borrowed stock (refer Note 8).

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 14. Cash Flow Information

	2011	2010
	\$	\$
<b>Reconciliation of Operating Profit after Income Tax:</b>		
Cash Flow from operations after income tax	20,352,870	24,383,192
<b>(Less)/Add items classified as Investing/Financing Activities:</b>		
Realised gains on sale of investments	(14,583,301)	(21,308,232)
<b>Add non-cash items:</b>		
Unrealised gain on investments	(95,577)	(11,519,881)
<b>Changes in assets and liabilities:</b>		
Decrease/(Increase) in receivables	275,579	(623,816)
Decrease in deferred tax assets	2,624,975	7,086,263
(Decrease)/Increase in payables	(2,917,892)	4,436,169
Decrease/(Increase) in income tax payable	1,319,376	(189,980)
(Decrease)/Increase in deferred tax liabilities	(510,971)	1,835,301
Cash flow from operations	<u>6,465,060</u>	<u>4,099,016</u>

### 15. Earnings Per Share

	2011	2010
	\$	\$
Profit after income tax used in the calculation of basic earnings per share	<u>20,352,870</u>	<u>24,383,192</u>
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	<u>106,584,246</u>	<u>104,827,921</u>

### 16. Financial Risk Management

The Company's financial instruments consist of listed and unlisted investments, trade receivables, trade payables and borrowed stock.

The terms and conditions including interest rate risk of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at balance date, are included under the appropriate note for that instrument.

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 on a weekly basis to monitor and manage the below four risks as appropriate.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 16. Financial Risk Management (continued)

#### a) Credit Risk

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

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

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

The Company is not materially exposed to credit risk on its fixed interest securities as the majority of cash and fixed interest securities are held with Australian banks who have a Standard and Poor's short rating of A-1+ and long term rating of AA. Also the majority of maturities are within four 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 by the Board and the Manager.

The Company's cash receipts depend upon the level of sales of securities, dividends and interest received and the exercise of Company options that may be on issue 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 fixed interest securities 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 tradeable securities which if liquidity is available, can be sold on market if necessary.

The table following analyses the Company's liabilities in relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date to the reporting date. The amounts in the following table are contractual undiscounted cash flows.

30 June 2011	>1 month \$	<1 months \$	Total \$
Trade and Other Payables	-	3,791,935	3,791,935
Financial Liabilities	-	799,710	799,710
Current Tax Liability	-	816,172	816,172
Deferred Tax Liability	4,849,026	-	4,849,026
<b>Total Liabilities</b>	<b>4,849,026</b>	<b>5,407,817</b>	<b>10,256,843</b>

# WAM CAPITAL LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 16. Financial Risk Management (continued)

#### b) Liquidity Risk (continued)

30 June 2010	>1 month \$	<1 months \$	Total \$
Trade and Other Payables	-	5,685,989	5,685,989
Financial Liabilities	-	2,860,907	2,860,907
Deferred Tax Liability	5,359,997	-	5,359,997
<b>Total Liabilities</b>	<b>5,359,997</b>	<b>8,546,896</b>	<b>13,906,893</b>

#### c) Market Risk

Market risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

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

The Manager seeks to manage and reduce the market risk of the Company by diversification of the investment portfolio across numerous stocks and multiple industry sectors. The relative weightings of the individual securities and market sectors are reviewed daily and the risk managed on a daily basis. The 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 the gross assets as at 30 June 2011 is as below:

Industry Sector	2011 %	2010 %
Financials	14.6%	14.1%
Consumer Discretionary	13.6%	12.7%
Industrials	8.9%	4.4%
Information Technology	5.2%	8.9%
Health Care	3.7%	1.9%
Telecommunication Services	3.6%	1.2%
Materials	1.7%	2.1%
Consumer Staples	1.1%	0.0%
Energy	0.2%	0.1%
Utilities	0.1%	0.0%
<b>Total</b>	<b>52.7%</b>	<b>45.4%</b>

Securities representing over 5 per cent of the gross assets at 30 June 2011 were:

Company Name	2011 (%)
N/A	N/A%
Company Name	2010 (%)
Reckon Limited (RKN)	5.0%

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 16. Financial Risk Management (cont'd)

#### d) 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 fixed interest securities mature within three months.

As at 30 June 2011, the Company's exposure to interest rate risk and the effective weighted average interest rate is set out in the following table:

	Weighted average interest rate (% pa)	Interest bearing \$	Non-interest bearing \$	Total \$
<b>30 June 2011</b>				
<b>Assets</b>				
Cash and cash equivalents	6.03%	81,676,377	-	81,676,377
Trade and other receivables		-	5,741,684	5,741,684
Financial assets		-	94,175,124	95,175,124
Deferred tax assets		-	10,108	10,108
<b>Total</b>		<b>81,676,377</b>	<b>99,926,916</b>	<b>181,603,293</b>
<b>Liabilities</b>				
Trade and other payables		-	3,791,935	3,791,935
Financial liabilities		-	799,710	799,710
		-	816,172	816,172
Deferred tax liabilities		-	4,849,026	4,849,026
<b>Total</b>		<b>-</b>	<b>10,256,843</b>	<b>10,256,843</b>

As at 30 June 2010, the company's exposure to interest rate risk and the effective weighted average interest rate is set out in the following table:

	Weighted average interest rate (% pa)	Interest bearing \$	Non-interest bearing \$	Total \$
<b>30 June 2010</b>				
<b>Assets</b>				
Cash and cash equivalents	5.75%	80,666,402	-	80,666,402
Trade and other receivables		-	14,272,244	14,272,244
Financial assets		-	75,079,790	75,079,790
Deferred tax assets		-	2,635,083	2,635,083
<b>Total</b>		<b>80,666,402</b>	<b>91,987,117</b>	<b>172,653,519</b>
<b>Liabilities</b>				
Trade and other payables		-	5,685,989	5,685,989
Financial liabilities		-	2,860,907	2,860,907
Deferred tax liabilities		-	5,359,997	5,359,997
<b>Total</b>		<b>-</b>	<b>13,906,893</b>	<b>13,906,893</b>

# WAM CAPITAL LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 16. Financial Risk Management (continued)

#### e) Sensitivity Analysis

Investments represent 52.5% (2010: 43.4%) of gross assets at year end. A 5% movement in the market value of each of the companies within the portfolio would result in a 2.6% (2010: 2.2%) movement in the net assets after tax. This would result in the net asset backing after tax moving by 0.04 cents per share using the 30 June 2011 numbers (2010: 0.03 cents per share).

#### f) Financial Instruments Measured at Fair Value

The financial assets and liabilities recognised at fair value in the Statement of Financial Position have been analysed and classified 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 value of these financial assets and liabilities have been based on the closing quoted last sale prices at the end of the reporting period, excluding transaction cost.

In valuing unlisted investments, included in Level 2 of the hierarchy, valuation techniques such as those using comparisons to similar investments for which market observable prices are available or the last sale price have been adopted to determine the fair valued of these investments.

<b>30 June 2011</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Financial assets	93,592,087	583,037	-	94,175,124
Financial liabilities	(799,710)	-	-	(799,710)
<b>Total</b>	<b>92,792,377</b>	<b>583,037</b>	<b>-</b>	<b>93,375,414</b>

  

<b>30 June 2010</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Financial assets	74,686,485	393,295	-	75,079,780
Financial liabilities	(2,860,907)	-	-	(2,860,907)
<b>Total</b>	<b>71,825,578</b>	<b>393,295</b>	<b>-</b>	<b>72,218,873</b>

### 17. Events Subsequent to Reporting Date

Since year end the Directors have declared a final dividend of 5.0 cents per share fully franked to be paid on 15 September 2011.

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

### 18. Investment Transactions

The total number of contract notes that were issued for transactions in securities during the financial year was 4,288 (2010: 3,578). Each contract note could involve multiple transactions. The total brokerage paid on these contract notes was \$1,917,370 (\$2010: \$2,231,533).

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 19. Segment Reporting

The Company currently operates only in the investment industry within Australia. It has no reportable business or geographic segments.

### 20. Capital Commitments

There are no capital commitments for placements entered into before year end which settle after year end (2010: \$156,816).

### 21. Contingent Liabilities

There is an outstanding contingent liability for \$230,553 in relation to the underwriting of a placement for Thorn Group Limited as at 30 June 2011 (2010: nil).

### 22. Key Management Personnel Compensation

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

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

#### a) Remuneration

There are no executives that are paid by the Company. Wilson Asset Management (International) Pty Limited, the Manager of the Company, remunerated Geoffrey Wilson and Matthew Kidman as employees and/or Directors of the Company during the financial year to 30 June 2011.

	Directors' Fees	Post-employment Superannuation	Total
	\$	\$	\$
Total Directors remuneration paid by the Company for the year ended 30 June 2011	55,872	24,128	<b>80,000</b>
Total Directors remuneration paid by the Company for the year ended 30 June 2010	67,132	12,868	<b>80,000</b>

#### b) Share and Option holdings

As at 30 June 2011 the Company's key management personnel and their related parties held the following interests in the Company:

##### Ordinary Shares held

Directors	Balance at 30 June 2010	Acquisitions	Disposals	Balance at 30 June 2011
G.J. Wilson	3,556,896	40,000	-	3,596,896
M.J. Kidman	190,590	12,141	-	202,731
P.D.K. Jensen	69,232	32,126	-	101,358
J.M. Chirnside	-	12,500	-	12,500
	<b>3,816,718</b>	<b>96,767</b>	-	<b>3,913,485</b>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 22 Key Management Personnel Compensation (cont'd)

#### b) Share and Option holdings (cont'd)

As at 30 June 2010 the Company's key management personnel and their related parties held the following interests in the Company:

##### *Ordinary Shares held*

<b>Directors</b>	<b>Balance at 30 June 2009</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Balance at 30 June 2010</b>
G.J. Wilson	3,556,896	-	-	3,556,896
M.J. Kidman	184,779	5,811	-	190,590
P.D,K. Jensen	83,473	4,821	(19,062)	69,232
J.M. Chirnside	-	-	-	-
	<b>3,825,148</b>	<b>10,632</b>	<b>(19,062)</b>	<b>3,816,718</b>

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

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

### 23. Related Party Transactions

All transactions with related entities were made on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Geoffrey Wilson is the sole Director and beneficial owner of Wilson Asset Management (International) Pty Limited, the entity appointed to manage the investment portfolio of WAM Capital Limited and manage the day-to-day operations of the Company. Matthew Kidman was an employee of Wilson Asset Management (International) Pty Limited during the year to 30 June 2011. The core duties of the Manager include managing the investment portfolio; the provision of financial and administrative support to ensure the maintenance of the corporate and statutory records of the Company; liaison with the ASX with respect to compliance with the ASX Listing Rules; liaison with ASIC with respect to compliance with the Corporations Act; liaison with the share registrar of the Company; and the provision of information necessary for the maintenance of financial accounts of the Company to be completed. In its capacity as Manager, Wilson Asset Management (International) Pty Limited was paid a management fee of 1% p.a (plus GST) of gross assets amounting to \$1,977,110 inclusive of GST (2010: \$1,802,104). As at 30 June 2011 the balance payable to the manager was \$163,708 (2010: \$151,509).

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

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

No performance fee is payable in respect of any performance period where the portfolio has decreased in value over that period. For the year ended 30 June 2011, a performance fee of \$1,546,328 inclusive of GST was payable to Wilson Asset Management (International) Pty Limited (2010: \$4,445,012).

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 23 Related Party Transactions (cont'd)

Wilson Asset Management (International) Pty Limited employ's accounting personnel to provide accounting services to WAM Capital Limited. These services are provided on commercial terms and include a standard charge of \$2,750 inclusive of GST per month and an additional charge of \$5,500 inclusive of GST is charged for preparing the half year and full year financial statements. These accounting services total \$38,500 inclusive of GST for the financial year 2011 (2010: \$35,000).

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