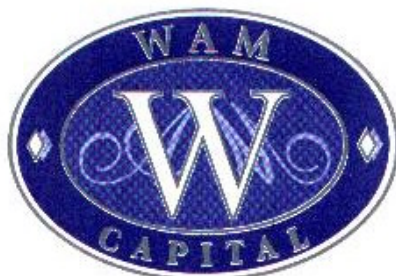


WAM CAPITAL LIMITED

(ACN 086 587 395)



13 September 2006

AMENDMENT TO ANNUAL REPORT

WAM Capital Limited wishes to advise shareholders that the following Annual Report replaces the Annual Report released earlier today.

Amendments relate to page numbering and the Chairman's Letter title only. All other content remains unchanged.

WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2006

COMPANY PARTICULARS

WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

WAM Capital Limited is a Listed Investment Company. It is an investor in equities and similar securities on the stock market primarily in Australia.

DIRECTORS:

G. Wilson (Chairman)
M. Kidman
J. Chirnside
P. Jensen

SECRETARY:

N. Cuffe

AUDITORS:

Moore Stephens Sydney

COUNTRY OF INCORPORATION:

Australia

REGISTERED OFFICE:

Level 11, 139 Macquarie Street
Sydney NSW 2000

CONTACT DETAILS:

Mail Address: Lv 11, 139 Macquarie St
Sydney NSW 2000
Telephone: (02) 9247 6755
Fax: (02) 9247 6855
Email: info@wami.com.au
Websites: www.wilsonassetmanagement.com.au

For enquiries regarding net asset backing (as advised each month to the Australian Stock Exchange) refer to www.asx.com.au or call (02) 9247 6755

SHARE REGISTRAR:

Registries Limited
Level 2, 28 Margaret St
Sydney NSW 2000
Telephone: (02) 9290 9600
Fax: (02) 9279 0664

For all enquiries relating to shareholdings, dividends (including participation in the Dividend Reinvestment Plan) and related matters, please contact the share registrar.

STOCK EXCHANGE:

Australian Stock Exchange (ASX)
The home exchange is Sydney.
ASX code: WAM Ordinary shares

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2006 HIGHLIGHTS

- Profit before tax increased 125.4% to a record \$24.6m
- Profit after tax increased 121.9% to a record \$18.0m
- Total dividend declared in 2005/06 increased 16.7% to 14.0c a share fully franked
- Gross portfolio increased 27.4%
- Pre-tax net tangible assets increased from 140.2*c a share to 169.6c a share
- After-tax net tangible assets increased from 130.7*c a share to 157.3c a share

*adjusted for dividends paid

WAM CAPITAL LIMITED

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CHAIRMAN'S LETTER

The year was a pleasing one for WAM Capital Limited (WAM) having achieved record profits. The absolute performance of the portfolio was strong with an increase of 27.4% while the All Ordinaries Accumulation Index was up by 24.2%. WAM declared dividends for the full year of 14.0 cents a share fully franked, a 16.7% increase on the previous year.

WAM's objective is to deliver a consistent return to its shareholders of between 15-20% per annum over the medium term. Since inception in 1999, WAM's gross portfolio has delivered shareholders an annualised return of 25.2% per annum. WAM has achieved this by investing in companies that have strong earnings growth, trade on a low price earnings multiple, have an experienced management team and hold a strategic position in their industry.

We are constantly challenged finding companies with these characteristics. This year we undertook over 700 meetings researching companies for these attributes. Often we uncover investment opportunities that may not meet all the requirements of our research model. If however, they provide a favourable risk/reward payoff, we will seize the opportunity. These investments form part of our market driven or trading portfolio. The number of companies we own shares in and our cash holding varies as these opportunities are taken and realised. If we cannot find acceptable investment opportunities, we will hold cash and debt securities until the right opportunities present themselves.

This year we held approximately 20% of the funds total assets in cash, fixed interest and listed debt instruments.

Our disciplined approach is to provide the maximum return possible while taking the minimum amount of risk. Matthew Kidman, and myself, the portfolio managers responsible for making the investment decisions, spend as much time as possible meeting with the management of companies. We continue to concentrate on researching small and medium sized industrial companies, because we believe that is where we can add most value.

At 30 June 2006 WAM owned shares in 91 companies and held approximately 22% its funds in cash, fixed interest and listed debt securities. At the beginning of the year WAM owned 78 companies and during the year we sold positions in 37 companies, increased our shareholding in 18 and reduced our shareholding in 13. Shares in companies purchased and sold within the year amounted to 184. We also took new positions in 50 companies.

During the year we continued the successful and well attended shareholder briefings, with seminars held in Sydney, Melbourne, Adelaide and Brisbane. Mathew and I enjoy the opportunity to meet with you and we are committed that the shareholder briefings remain a semi-annual event.

After three exceptional years of 20% plus p.a. returns, the share market has entered a volatile period. This volatility has been the result of higher interest rates, a surging oil price, higher inflation and tensions in the Middle East. We remain cautiously optimistic and believe our stock picking process will hold us in good stead. However, we do believe that markets around the globe have several major hurdles to overcome. We will continue to concentrate on our preferred area of mid to small cap industrial stocks where opportunities regularly emerge.



Geoff Wilson
Chairman

WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

COMPANY PROFILE

WAM Capital Limited (the Company) is an investment company providing investors with access to a diversified investment portfolio and the management expertise of Wilson Asset Management (International) Pty Limited (the Manager).

INVESTMENT OBJECTIVES

The two investment objectives of the Company are:

- a) to achieve a high real rate of return, comprising both income and capital growth, within risk parameters acceptable to the Directors; and
- b) to preserve the capital of the Company.

INVESTMENT PROCESS

The Manager has two investment approaches:

- a) Research Driven - Buying shares in companies after extensive research. This typically involves detailed discussion with management of the company and many of the company's competitors in their industry.

The key criteria we look for when appraising potential research based investment is:

- Management strength
- Earnings growth potential
- Low earnings multiple
- Advantageous industry position
- Generation of free cash flow
- Return on equity

This investment approach is to seek a combination of value and growth or expressed another way, growth at a reasonable price. The ideal investment is an attractively priced company relative to its appraised value, one that has strong growth characteristics, generates surplus free cash flow, is well managed and has a sound position in its industry.

All companies researched are ranked on each criteria and an aggregate score for the company is obtained. There is a set benchmark score that companies have to obtain to be considered for investment. Upon meeting the benchmark, the Manager will seek to identify a catalyst or an event that will alter the markets perception of the company. This will be an event which will likely lead to a re-rating of the company's share price by the market. Upon identification of the catalyst/event the company is eligible for investment.

- b) Market Driven - Buying securities in entities through initial public offerings, placements or the purchase of a block of stock below what the Manager believes is the entity's fair value. This requires close monitoring of market activity. Companies in this portfolio are actively traded.

COMPETITIVE ADVANTAGE OF THE COMPANY

What distinguishes the Manager from others is:

- a) a total focus on managing money;
- b) its unique research and market driven investment processes; and
- c) a high level of contact with company management.

WAM CAPITAL LIMITED

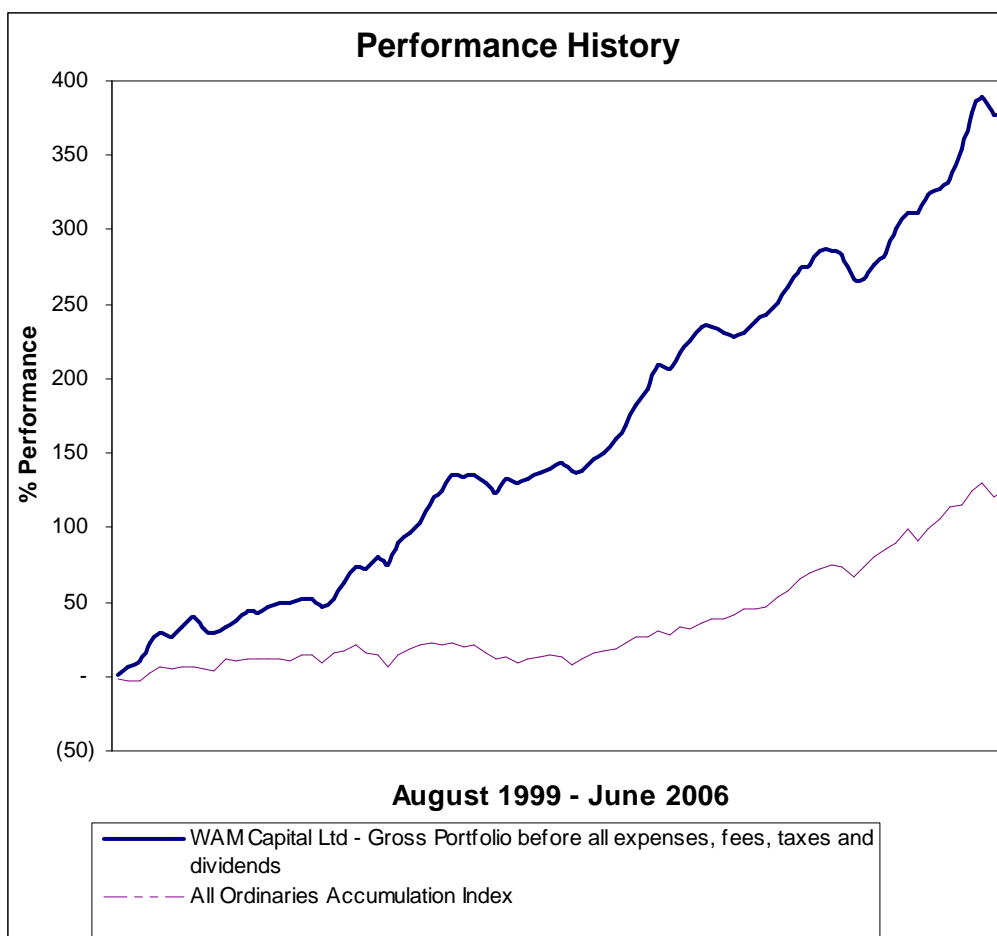
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INVESTMENTS AT MARKET VALUE AS AT 30 JUNE 2006

	<u>Quantity</u>	<u>Market Value\$</u>		<u>Quantity</u>	<u>Market Value \$</u>
Corporate Debt			Food Beverage & Tobacco		
Bank of Queensland Prefs	16,590	1,672,604	Select Harvests Ltd	232,615	3,028,647
Burns Philp & Company CPD	571,830	531,802	Tassal Group Ltd	2,592,517	2,955,469
Futuris Corporation Ltd 7.85% Perp Notes	4,900	488,775			5,984,117
		2,693,181	Health Care Equipment & Services		
Energy			AtCor Medical Ltd	645,842	125,939
Aurora Oil & Gas Ltd	209,999	100,800	IBA Health Ltd	437,500	328,125
Drillsearch Energy Ltd	6,499,600	974,940	ITL Ltd	2,530,594	860,402
Elk Petroleum Ltd	861,000	628,530	Pro Medicus Ltd	797,300	1,076,355
Interfinancial Holdings Pty Ltd	9,995,240	649,691			2,390,821
First Australian Resources Ltd	1,120,000	179,200	Pharmaceuticals & Biotechnology		
Incremental Petroleum Ltd	1,575,000	2,283,750	Apollo Life Sciences Ltd	349,000	129,130
K2 Energy Ltd	1,400,000	280,000	Gropep Ltd	606,396	976,298
Petsec Energy Ltd	665,000	2,214,450	Medical Development Intern Ltd	1,055,338	321,878
Salinas Energy Ltd	679,000	346,290	Sigma Pharmaceuticals Ltd	56,252	146,255
		7,657,650			1,573,561
Materials			Banks		
Allegiance Mining NL	1,910,323	515,787	Bendigo Bank Ltd	192,547	2,483,856
Eurogold Ltd	350,000	31,500	Mortgage Choice Ltd	284,500	725,475
Finders Capital Ltd	485,137	322,670			3,209,331
Gleneagle Gold Ltd	341,600	124,684	Diversified Financials		
Iberian Resources Ltd	933,334	560,000	Bentley International Ltd	1,491,832	619,110
Linq Resources Fund	2,310,620	1,917,815	Contango Microcap Ltd	2,045,845	2,557,306
Mantle Mining Ltd	700,000	70,000	Impact Capital Ltd	1,286,675	514,670
Mawson West Ltd	711,188	92,454	Loftus Capital Partners Ltd	2,840,146	1,846,095
Mundo Minerals Ltd	1,032,500	206,500	Mariner Financial Ltd	840,000	1,218,000
Northwest Resources Ltd Options	100,625	8,050	Mariner Retirement Solutions Ltd	1,064,000	122,360
Panagis Gold Mines Ltd	1,214,800	151,850	NSX Ltd	658,500	395,100
Rubirosa Ltd	875,000	140,000	OFM Investment Group Ltd	509,359	1,151,151
Scarborough Minerals Ltd	372,600	484,380	Trent Capital Ltd	580,692	319,381
Wattyl Ltd	272,298	933,982	Trent Capital Ltd Options	135,346	541
		5,559,673			8,743,715
Capital Goods			Insurance		
AJ Lucas Group Ltd	634,490	552,006	Oamps Ltd	890,363	3,018,331
Aust Waterwise Solutions Ltd	5,031,505	125,788	Tower Ltd	1,713,122	4,831,004
Coates Hire Ltd	140,000	894,600			7,849,335
Ludowici Ltd	140,000	1,089,200	Real Estate		
Tutt Bryant Group Ltd	27,314	51,623	Australian Education Trust	105,000	170,100
United Group Ltd	7,000	100,800	Blue Chip Financial Solutions Ltd	1,014,055	740,260
		2,814,017	Finbar International Ltd	461,800	420,238
Commercial Services & Supplies			Wentworth Mutual Ltd	63,390,872	1,838,335
Catalyst Recruitment Ltd	506,844	354,791			3,168,933
Credit Corp Group Ltd	926,439	6,577,717	Software & Services		
McMillan Shakespeare Ltd	729,120	2,442,552	Customers Ltd	5,997,658	1,409,450
MXL Limited	2,210,526	198,947	DWS Advanced Bus Solutions Ltd	875,000	918,750
		9,574,007	Jumbuck Entertainment Ltd	577,463	1,368,587
Consumer Durables & Apparel			Melbourne IT Ltd	983,996	1,849,912
Fisher & Paykel App Holding Ltd	70,000	264,600	Multimedia Ltd	175,156,563	1,226,096
Homeleisure Ltd	2,161,034	507,843	Oakton Ltd	458,761	1,509,324
		772,443	Rattoon Holdings Ltd	1,849,611	425,411
Consumer Services			Reckon Ltd	3,974,612	3,298,928
ABC Learning Centres Ltd	298,414	1,909,850	SMS Management & Tech Ltd	224,085	694,664
Reef Casino Trust	320,424	1,140,709	UXC Ltd	561,670	561,670
Travel.com.au Ltd	362,606	97,904			13,262,791
Webjet Ltd	6,987,566	2,096,270	Technology Hardware & Equip		
		5,244,732	DCS Technologies Ltd	2,030,000	223,300
Media			Service Stream Ltd	1,800,557	666,206
Infochoice Ltd	1,063,885	111,708			889,506
Photon Group Ltd	493,846	2,153,169	Telecommunication Services		
SelectTV Broadcasting Ltd	4,750,000	525,000	Access Providers Ltd	540,700	81,105
SWT Comm Group Ltd	373,725	1,050,167	B Digital Ltd	6,893,400	792,741
		3,840,044	Reverse Corp Ltd	195,858	509,231
Retailing					1,383,077
Cheviot Bridge Ltd	2,069,692	248,363	INVESTMENT PORTFOLIO VALUE		
Rebel Sport Ltd	525,115	1,837,903			90,289,910
The Reject Shop Ltd	261,100	1,592,710			
		3,678,976			

WAM CAPITAL LIMITED

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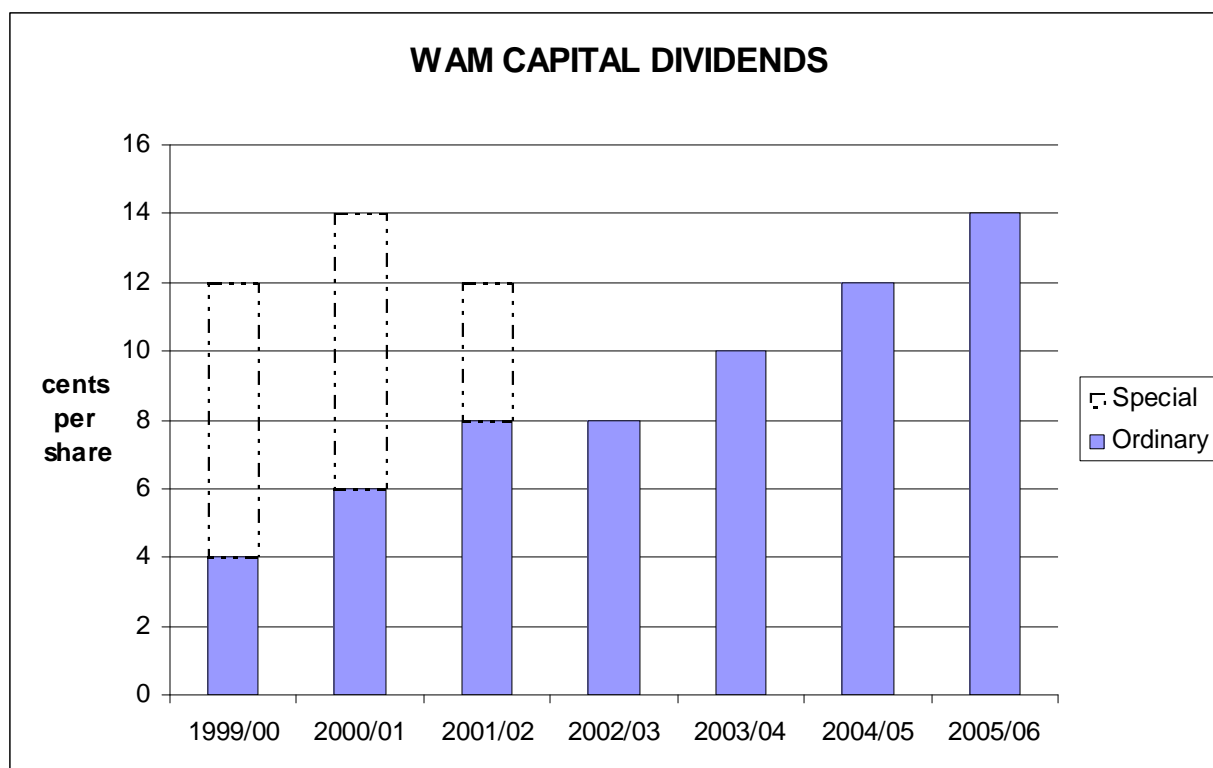
WAM Capital Limited's Gross Portfolio has added significant value since inception

	Gross Portfolio	All Ords. Accumulation Index	Outperformance
1999/2000	+33.3%	+11.3%	+22.0%
2000/2001	+30.2%	+8.9%	+21.3%
2001/2002	+32.7%	-4.5%	+37.2%
2002/2003	+12.3%	-1.1%	+13.4%
2003/2004	+27.3%	+22.4%	+4.9%
2004/2005	+13.9%	+24.8%	-10.9%
2005/2006	+27.4%	+24.2%	+3.2%

Annualised performance	Gross Portfolio	All Ords. Accumulation Index	Outperformance
1 year	+27.4%	+24.2%	+3.2%
3 years	+22.7%	+23.8%	-1.1%
5 years	+22.6%	+12.4%	+10.2%
Since inception	+25.2%	+12.4%	+12.8%

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Dividend Reinvestment Plan Price History

Date Paid	Amount per share	Dividend Type	DRP Price
28-Apr-06	7.0c	Interim	\$ 1.5886
17-Oct-05	6.0c	Final	\$ 1.4270
29-Apr-05	6.0c	Interim	\$ 1.4314
29-Nov-04	5.0c	Final	\$ 1.4919
27-Apr-04	5.0c	Interim	\$ 1.5209
6-Nov-03	4.0c	Final	\$ 1.5051
18-Apr-03	4.0c	Interim	\$ 1.3161
7-Nov-02	4.0c	Special	\$ 1.3775
7-Nov-02	4.0c	Final	\$ 1.3775
19-Apr-02	4.0c	Interim	\$ 1.4506
2-Nov-01	8.0c	Special	\$ 1.2256
2-Nov-01	3.0c	Final	\$ 1.2256
2-Apr-01	3.0c	Interim	\$ 0.9169
31-Oct-00	8.0c	Special	\$ 0.9167
31-Oct-00	2.0c	Final	\$ 0.9167
31-Mar-00	2.0c	Interim	\$ 1.0126

WAM CAPITAL LIMITED

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CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

All the best practice recommendations of the Australian Stock Exchange Corporate Governance Council have been applied throughout the financial year, unless otherwise stated. These practices are dealt with under the following headings: Board of Directors and its Committees, Composition of the Board, Remuneration of Directors and Executives, Ethical Standards, The Role of Shareholders, Board's Policy on Dealing in Shares, Independent Professional Advice and Access to Company Information, and Conflict of Interest.

BOARD OF DIRECTORS AND ITS COMMITTEES

Subject at all times to any written guidelines issued by the Board of Directors of WAM Capital Limited, the day-to-day management and investment of funds is carried out by Wilson Asset Management (International) Pty Limited pursuant to a management agreement.

The Board is responsible for the overall Corporate Governance of the Company including the strategic direction, establishing goals for the appointed Manager and monitoring the achievement of these goals. The Board reviews the reports of its Manager on the operational and financial performance of the Company.

The Company has formed an Audit Committee consisting of:

James Chirnside	Chairman
Matthew Kidman	Non-Executive Director
Paul Jensen	Non-Executive Director

The Committee's responsibilities are to:

- (a) oversee the existence and maintenance of internal controls and accounting systems;
- (b) oversee the financial reporting process;
- (c) review the annual and half-year financial reports and recommend them for approval by the Board of Directors;
- (d) nominate external auditors; and
- (e) review the existing external audit arrangements.

COMPOSITION OF THE BOARD

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term in office are detailed in the directors' report.

The names of the independent directors of the Company are:

James Chirnside
Paul Jensen

The Board comprises the Chairman and three other non-executive Directors who consider the composition of the Board and appointment of new Directors. The Board identifies suitable candidates to fill vacancies as they arise. The performance of each Director is reviewed by the Chairman periodically. At every annual general meeting one third of the Directors must retire from office and be eligible for re-election. Shareholder approval is required on the composition of the Board.

The Board is 50% independent. Whilst the Company agrees with the benefits of a majority of independent Directors, it believes that it can better achieve the results of the Company with the current Boards' level of expertise and without burdening shareholders with the potentially significant costs associated with adding further independent Directors.

The Chairman is not independent. The Company believes that an independent Chairman does not necessarily improve the function of the Board. The Company believes that when the Chairman is a significant driver behind the business and is a sizeable shareholder, it adds value to the Company.

REMUNERATION OF DIRECTORS AND EXECUTIVES

The maximum total remuneration of the Directors of the Company has been set at \$60,000 per annum to be divided in such proportions as they agree. The scope of the Company's operations, and the frequency of Board meetings are principal determinants of the fee level. Further detail is provided in the Directors' Report.

WAM CAPITAL LIMITED

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CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

No separate Remuneration Committee has been established by the Company as the Company does not believe that this adds any value to its Corporate Governance.

The Chairman and a Director of WAM Capital Limited are employees, and the Chairman is the sole Director, of Wilson Asset Management (International) Pty Limited and they are further remunerated by that Company. Further detail is provided in the Directors' Report.

ETHICAL STANDARDS

The Board aims to ensure that all Directors and its Manager act with the utmost integrity and objectivity and endeavour to enhance the reputation of the Company.

THE ROLE OF SHAREHOLDERS

The Board of Directors aim to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders through the Annual Financial Report, monthly asset backing data and Half-Year Financial Report lodged with the Australian Stock Exchange.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals.

BOARD'S POLICY ON DEALING IN SHARES

Subject to them not being in possession of undisclosed price sensitive information, Directors may deal in shares of the Company when appropriate. As WAM Capital Limited is an investment Company announcing its results monthly, the Board believes the shareholders are generally fully informed.

INDEPENDENT PROFESSIONAL ADVICE AND ACCESS TO COMPANY INFORMATION

Each Director has the right to access all relevant information and subject to prior consultation with the Chairman, may seek independent professional advice at the entity's expense. A copy of advice received by the Director is made available to all other members of the Board.

CONFLICT OF INTEREST

In accordance with the *Corporations Act 2001*, the Directors must keep the Board advised, on an ongoing basis, of any interests that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.

WAM CAPITAL LIMITED

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2006

The Directors present their report together with the financial report of WAM Capital Limited (the Company) for the financial year ended 30 June 2006.

PRINCIPAL ACTIVITY

The principal activity of the Company is making investments in listed and unlisted companies. No change in this activity took place during the year or is likely in the future.

OPERATING RESULTS

Investment operations over the year resulted in an operating profit before tax of \$24,580,143 (2005: \$10,974,836) and an operating profit after tax of \$18,041,517 (2005: \$8,181,688).

REVIEW OF OPERATIONS

Investments are valued continuously to market value. For the year ended 30 June 2006, investments were valued upwards by \$8,373,139 (2005: valued down \$2,364,615), after an adjustment for deferred tax on unrealised gains, a net increase of \$5,907,812 (2005: net decrease of \$1,737,628) was transferred to an Asset Revaluation Reserve.

Asset backing for each ordinary share as at 30 June 2006 (calculated on market value less realisation costs and all applicable taxes and before provision for dividend) amounted to \$1.57 per share (2005: \$1.44). Asset backing after tax on realised gains but before tax on unrealised gains was \$1.67 per share (2005: \$1.50). The equivalent asset backing before tax was \$1.70 per share (2005: \$1.53).

Further information on the operating and financial review of the Company is contained in the Chairman's Letter on page 1 of the Annual Report.

FINANCIAL POSITION

The net asset value of the Company for the current financial year was \$106,542,782 (2005: \$94,797,806).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the year ended 30 June 2006.

DIVIDENDS PAID OR RECOMMENDED

Dividends paid or declared are as follows:	\$
Fully franked 2005 final dividend of 6.0c per share was paid on 17 October 2005	3,957,908
Fully franked 2006 interim dividend of 7.0c per share was paid on 28 April 2006	4,672,985

Since year end, the Directors have declared a fully franked final dividend of 7.0 cents to be paid on 27 October 2006.

OPTIONS

No options were on issue nor were there any options that were previously issued that expired during the current financial year.

DIRECTORS

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

G.J. Wilson
M.J. Kidman
P.D.K. Jensen
J.M. Chirnside

WAM CAPITAL LIMITED

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2006

INFORMATION ON DIRECTORS

Geoffrey Wilson (Age 48) *Chairman*

Experience and expertise

Geoffrey Wilson has had 26 years experience in the Australian and international securities industry. He holds a Bachelor of Science Degree and a Graduate Management Qualification. He is also a Fellow of the Institute of Company Directors and a Senior Fellow of the Financial Services Institute of Australasia.

Geoffrey Wilson has been Chairman of the Company since March 1999.

Other current directorships

Geoffrey Wilson is the Chairman of Wilson Investment Fund Limited (appointed June 2003), Wilson Leaders Limited (appointed October 2003) and the Australian Stockbrokers Foundation Limited. He is a Director of Clime Capital Limited (appointed November 2003), Mariner Wealth Management Limited (appointed September 1999) and Cadence Capital Limited (appointed February 2005). He is also a director of the investment management companies, Wilson Asset Management (International) Pty Ltd, Boutique Asset Management Pty Ltd, MAM Pty Ltd and a Director of the Sporting Chance Cancer Foundation.

Former directorships in the last 3 years

Geoffrey Wilson has not held any other directorships of listed companies within the last three years.

Special responsibilities

Chairman of the Board

Interests in shares of the Company

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

Interests in contracts

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

Matthew Kidman (Age 37) *Non-Executive Director*

Experience and expertise

Matthew Kidman worked as a finance reporter for the Sydney Morning Herald between 1994 and 1998. In 1997 he was appointed Investment Editor of that newspaper and was charged with the responsibility of company coverage for the newspaper. He has degrees in Economics and Law and a Graduate Diploma in Applied Finance. He is a portfolio manager of Wilson Asset Management (International) Pty Ltd and has been instrumental in establishing the Company's valuation methodology of rating companies.

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

Other current directorships

Matthew Kidman is a Director of Wilson Investment Fund Limited (appointed May 2002) and Wilson Leaders Limited (appointed October 2003). He is also a Director of the investment management companies MAM Pty Ltd and Boutique Asset Management Pty Ltd.

Former directorships in the last 3 years

Matthew Kidman is a former Director of Mariner Wealth Management Limited from June 1999 to November 2005.

Special responsibilities

Member of the Audit Committee

Interests in shares of the Company

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

WAM CAPITAL LIMITED

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2006

James M. Chirnside (Age 45) *Non-Executive Director*

Experience and expertise

James Chirnside has been exclusively focussed in absolute return investment strategies for sixteen years in Sydney, Hong Kong, and London. Mr Chirnside is a shareholder and Managing Director of Asia Pacific Asset Management, a specialist alternative investment firm based in Sydney. Mr Chirnside previously worked for Challenger Financial Services Group in Sydney. Prior to this he managed hedge funds in Hong Kong for emerging markets specialist Regent Pacific Group. Between 1988 and 1992 Mr Chirnside ran a proprietary trading book for County Natwest in London.

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

Other current directorships

James Chirnside does not hold any other current directorships.

Former directorships in the last 3 years

James Chirnside has not held any other directorships of listed companies within the last three years.

Special responsibilities

Chairman of the Audit Committee

Interests in shares of the Company

Details of James Chirnside's interests in shares of the Company are included later in this report.

Paul D.K. Jensen (Age 44) *Non-Executive Director*

Experience and expertise

Paul Jensen has over 20 years of international experience in the Funds Management and Institutional Banking sectors. He is Sydney based and manages a portfolio of interests. He holds a Bachelor of Commerce and Administration in accounting and commercial law from Victoria University, Wellington, NZ and is a fellow of the Australian Institute of Company Directors.

Paul Jensen has been a Director of the Company since June 2004.

Other current directorships

Paul Jensen is a Director of Global On Line Dealing Limited and Felsen Pty Limited.

Former directorships in the last 3 years

Paul Jensen is a former Director of Fiducian Portfolio Services Limited from June 2003 to September 2004.

Special responsibilities

Member of the Audit Committee

Interests in shares of the Company

Details of Paul Jensen's interests in shares of the Company are included later in this report.

COMPANY SECRETARY

The following person held the position of company secretary as at the end of the financial year:

Natasha Cuffe – Bachelor of Commerce, Chartered Accountant. Natasha Cuffe has worked in the funds management industry for the past 8 years and has worked for Wilson Asset Management (International) Pty Ltd, the investment manager of WAM Capital Limited, as Finance Manager for the past 3 years. Natasha Cuffe was appointed company secretary on 2 February 2006.

WAM CAPITAL LIMITED

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2006

REMUNERATION REPORT

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

(a) Remuneration of Directors

The board from time to time determines remuneration of Non-Executive Directors within the maximum amount approved by the shareholders. Non-Executive Directors are not entitled to any other remuneration.

Fees and payments to Non-Executive 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.

Directors' base fees are presently \$60,000 per annum. Non-Executive Directors do not receive bonuses nor are they issued options on securities. Directors' fees cover all main board activities and membership of committees.

Directors' remuneration received for the year ended 30 June 2006:

Director	Position	Directors' Fees \$	Post-employment Superannuation \$	Total \$
G.J. Wilson	Chairman	9,174	826	10,000
M.J. Kidman	Non-Executive Director	9,174	826	10,000
J. M. Chirnside	Non-Executive Director	18,349	1,651	20,000
P.D.K Jensen	Non-Executive Director	18,349	1,651	20,000
		55,046	4,954	60,000

The following table compares the company performance and non-executive directors' remuneration over five years.

	2006	2005	2004	2003	2002
Operating profit after tax (\$)	18,041,517	8,181,688	7,597,617	3,581,379	4,874,744
Dividends paid (cents per share)	14.0	12.0	10.0	8.0	12.0
Net tangible asset (\$ per share)	1.57	1.44	1.39	1.23	1.29
Total Directors' remuneration (\$)	60,000	60,000	60,000	60,000	60,000

(b) Director Related Entities Remuneration

All transactions with related entities were made on normal commercial terms and conditions.

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. Matthew Kidman is an employee of Wilson Asset Management (International) Pty Limited. In its capacity as manager, Wilson Asset Management (International) Pty Limited was paid a management fee of 1%p.a (plus GST) of gross assets amounting to \$1,220,833 (2005: \$1,063,114). As at 30 June 2006 the balance payable to the manager was \$105,547.

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 the Value of the Portfolio.

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2006

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 2006, a performance fee of \$229,364 (inclusive of GST) was payable to Wilson Asset Management (International) Pty Limited (2005: nil).

These amounts are in addition to the above Directors remuneration.

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

(c) Remuneration of Executives

There are no executives that are paid by the Company. Wilson Asset Management (International) Pty Limited, the investment manager of the Company, remunerates Geoff Wilson, Matthew Kidman and Natasha Cuffe as employees and/or directors of the Company. The Manager also provides day to day management of the Company and is remunerated as outlined above.

(d) Equity Instruments Disclosures of Directors and Related Parties

As at 30 June 2006 the Company's directors and their related parties held the following interests in the Company:

Ordinary Shares held

Directors	Position	Balance at 30 June 2005	Acquisitions	Disposals	Balance at 30 June 2006
G.J. Wilson	Chairman	3,673,533	86,544	-	3,760,077
M.J. Kidman	Non-Executive Director	278,899	11,293	-	290,192
P.D.K Jensen	Non-Executive Director	17,126	27,608	-	44,734
J. M. Chirnside	Non-Executive Director	32,305	2,841	-	35,146
		4,001,863	128,286	-	4,130,149

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

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

DIRECTORS' MEETINGS

Director	No. eligible to attend	Attended
G.J. Wilson	3	3
M.J. Kidman	3	3
J.M. Chirnside	3	3
P.D.K. Jensen	3	3

AUDIT COMMITTEE MEETINGS

The main responsibilities of the Audit Committee are set out in the Corporate Governance section on page 6 and 7 of this Annual Report.

Director	No. eligible to attend	Attended
M.J. Kidman	2	2
J.M. Chirnside	2	2
P.D.K. Jensen	2	2

WAM CAPITAL LIMITED

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2006

ADOPTION OF AUSTRALIAN EQUIVALENTS TO IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the Company's financial report has been prepared in accordance with those standards from 1 July 2005.

AFTER BALANCE DATE EVENTS

The Directors have declared a fully franked final dividend of 7.0 cents to be paid on 27 October 2006.

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

FUTURE DEVELOPMENTS

The Company will continue to pursue its policy of investment during the next financial year, investing its current fixed interest and cash holdings into the equity market as opportunities arise.

ENVIRONMENTAL ISSUES

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

INDEMNIFICATION AND INSURANCE OF OFFICERS OR AUDITORS

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

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

PROCEEDINGS ON BEHALF OF COMPANY

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

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

NON AUDIT SERVICES

During the year Moore Stephens Sydney, the Company's auditor, did not perform any other services in addition to their statutory duties for the Company. Moore Stephens Sydney Pty Ltd, a related party of the Company's auditor, performed taxation services for the Company. Details of the amounts paid to the auditors and their related parties are disclosed in Note 5 to the financial statements.

The board has considered the non-audit services provided during the year by the auditor and their related parties and in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement *F1 Professional Independence*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

WAM CAPITAL LIMITED

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2006

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 15 of this Annual Report.

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

A handwritten signature in blue ink, appearing to read 'MKd', is positioned above the printed name of the director.

M.J. KIDMAN, Director

Dated at Sydney this 12th day of September 2006

PARTNERS:

Andrew Blackwell CA
Chris Chandran CA
Stephen Humphrys FCA
Garry Leyshon FCA
Wayne Morton FCA
Joe Shannon CA
Robert Southwell CA
Spiro Tzannes FCA
Charlie Viola (Affiliate ICAA)
Bob Webster FCA
Scott Whiddett CA

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AUDITOR'S INDEPENDENCE DECLARATION

CONSULTANTS:

Pat Bugden FCA
Anja Dorrell CA

As lead auditor for the audit of WAM Capital Limited Limited for the year ended 30 June 2006, I declare that, to the best my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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



S M WHIDDETT
Partner
MOORE STEPHENS SYDNEY

Dated in Sydney, this 12th day of September 2006

WAM CAPITAL LIMITED

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INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Notes	June 2006 \$	June 2005 \$
Proceeds from sale of investments		184,673,903	110,493,184
Cost of investments sold		(170,989,594)	(99,887,657)
Unrealised gain/(loss) on investments		8,373,139	(2,364,615)
Other revenue from ordinary activities	2	4,736,167	4,006,975
Performance fees		(213,725)	-
Management fees		(1,137,594)	(990,629)
Directors fees		(60,000)	(60,000)
Brokerage expense on share purchases		(563,614)	-
Other expenses from ordinary activities		<u>(238,539)</u>	<u>(222,422)</u>
Profit before income tax		24,580,143	10,974,836
Income tax expense	3(a)	<u>(6,538,626)</u>	<u>(2,793,148)</u>
Profit attributable to members of the Company	11	<u>18,041,517</u>	<u>8,181,688</u>
Basic earnings per share	14	<u>25.9 cents</u>	<u>12.7 cents</u>

The accompanying notes form part of these financial statements.

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BALANCE SHEET AS AT 30 JUNE 2006

	Notes	June 2006 \$	June 2005 \$
ASSETS			
Cash and cash equivalents	12	20,367,060	44,059,136
Trade and other receivables	6	5,762,143	876,026
Financial assets	7	90,289,910	58,737,612
Deferred tax assets	3(b)	3,465	3,201
TOTAL ASSETS		116,422,578	103,675,975
LIABILITIES			
Trade and other payables	8	1,603,414	2,602,150
Current tax liabilities	3(c)	1,716,756	2,382,294
Deferred tax liabilities	3(d)	6,559,625	3,893,725
TOTAL LIABILITIES		9,879,795	8,878,169
NET ASSETS		106,542,783	94,797,806
EQUITY			
Issued capital	9	82,773,313	80,438,960
Reserve	10	11,812,949	5,905,136
Retained earnings	11	11,956,521	8,453,710
TOTAL EQUITY		106,542,783	94,797,806

The accompanying notes form part of these financial statements.

WAM CAPITAL LIMITED

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2006

	Notes	June 2006 \$	June 2005 \$
Total equity as at 1 July 2005		94,797,806	79,053,073
Profit for the year attributable to members of the Company	11	18,041,517	8,181,688
Shares issued in the year	9(b)	<u>2,334,353</u>	<u>14,450,972</u>
		115,173,676	101,685,733
Dividends paid or provided for	4	<u>(8,630,893)</u>	<u>(6,887,927)</u>
Total equity as at 30 June 2006 attributable to members of the Company		<u>106,542,783</u>	<u>94,797,806</u>

The accompanying notes form part of these financial statements.

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CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Notes	June 2006 \$	June 2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends received		2,935,997	1,587,872
Interest received		1,257,655	2,200,575
Other investment income received		361,458	251,469
Investment management fees		(1,208,078)	(1,049,867)
Investment performance fees		-	(544,716)
Brokerage expense on share purchases		(563,614)	-
Payments for administration expenses		(272,084)	(129,955)
Income tax paid	3(c)	<u>(4,538,528)</u>	<u>(3,635,278)</u>
NET CASH USED IN OPERATING ACTIVITIES	13	<u>(2,027,194)</u>	<u>(1,319,900)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		180,844,576	111,179,469
Payments for purchase of investments		<u>(196,212,917)</u>	<u>(101,149,150)</u>
NET CASH (USED IN)/PROVIDED BY INVESTING ACTIVITIES		<u>(15,368,341)</u>	<u>10,030,319</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(6,296,541)	(4,517,197)
Proceeds from options exercised		<u>-</u>	<u>12,088,112</u>
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES		<u>(6,296,541)</u>	<u>7,570,915</u>
NET (DECREASE)/INCREASE IN CASH HELD		(23,692,076)	16,281,334
CASH AT BEGINNING OF FINANCIAL YEAR		<u>44,059,136</u>	<u>27,777,802</u>
CASH AT END OF FINANCIAL YEAR	12	<u>20,367,060</u>	<u>44,059,136</u>

The accompanying notes form part of these financial statements.

WAM CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group 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.

The following is a summary of the material accounting policies adopted in the preparation of the financial report. The accounting policies have been consistently applied, and except where there is a change in accounting policy, are consistent with those of the previous year.

Basis of Preparation

The Company has prepared these financial statements in accordance with the Australian Equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the Company's accounts resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. This financial report of the Company is the first to be prepared in accordance with AIFRS.

The Company has taken the exemption available under AASB 1 to only apply AASB 132: Financial Instruments: Disclosure and Presentation and AASB 139: Financial Instruments: Recognition and Measurement from 1 July 2005. Had AASB 132 and AASB 139 been applied to the comparative period, transaction costs related to the acquisition of investments would be excluded from Investments in the Balance Sheet and expensed in the Income Statement as incurred.

No comparative figures have needed to be restated as a consequence of adopting AIFRS.

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

Accounting Policies

(a) Investments

i) Classification

Investments consist of shares in publicly listed and unlisted companies 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 Balance Sheet on a liquidity basis.

ii) Valuation

All investments are classified as "held-for-trading" investments and are recognised at fair value, being the market value including the potential tax charges that may arise from the future sale of the investments.

iii) Unrealised Gains and Losses

Unrealised gains and losses are included in operating profit for the year and are transferred to an asset revaluation reserve, net of the potential tax charges that may arise from the future sale of the investments.

iv) Investment income

Dividend income is recognised in the Income Statement on the day on which the relevant investment is first quoted on an "ex-dividend" basis.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

WAM CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Income Tax

The charge for 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 Balance Sheet.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary difference 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 Income Statement 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 income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, at call deposits with banks or financial institutions and fixed interest securities maturing within three months.

(d) Trade and Other Receivables

Trade and other receivables are stated at their amortised cost less impairment losses. (refer Note 1 (f)).

(e) Trade and Other Payables

Trade and other payables are stated at their amortised cost.

(f) 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 have been 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 Income Statement.

(g) Goods and Services Tax

Revenues, expenses and assets 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). 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 an asset or liability in the Balance Sheet.

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

(h) Segment Reporting

The Company is engaged in investment activities conducted in Australia and derives revenue and investment income from listed, unlisted and fixed interest securities.

WAM CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

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.

	June 2006 \$	June 2005 \$
2. OTHER REVENUE FROM ORDINARY ACTIVITIES		
Australian sourced dividends	3,056,964	1,596,005
Foreign sourced dividends	46,479	12,866
Interest	1,275,709	2,164,871
Underwriting fees	181,210	145,071
Trust distributions	175,805	88,162
	<u>4,736,167</u>	<u>4,006,975</u>

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:

Prima facie tax payable on profit from ordinary activities before income tax at 30% (2005: 30%)	7,374,043	3,292,451
Imputation credit gross up	338,791	186,855
Franking credit offset	(1,129,303)	(622,851)
Other non-assessable items	(33,725)	-
Over provision in prior year	(11,180)	(63,307)
	<u>6,538,626</u>	<u>2,793,148</u>

Total income tax expense results in a:

Current tax liability	3,884,170	3,233,917
Deferred tax liability	2,665,900	(376,061)
Deferred tax asset	(264)	(1,401)
Over provision in prior year	(11,180)	(63,307)
	<u>6,538,626</u>	<u>2,793,148</u>

(b) Deferred Tax Assets

Provisions	<u>3,465</u>	<u>3,201</u>
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Movement in deferred tax assets

Balance at the beginning of the year	3,201	1,800
Charged to the Income Statement	264	1,401
At reporting date	<u>3,465</u>	<u>3,201</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	June 2006 \$	June 2005 \$
3. TAXATION (CONTINUED)		
(c) Current Tax Liabilities		
Movement in current tax liabilities		
Balance at the beginning of the year	2,382,294	2,715,571
Current year income tax expense on operating profit	3,884,170	3,233,917
Income tax paid	(4,538,528)	(3,635,278)
(Over)/Under provision in prior year	(11,180)	68,084
At reporting date	1,716,756	2,382,294
(d) Deferred Tax Liabilities		
Fair value adjustments	6,491,626	3,867,965
Income provisions	67,999	25,760
	6,559,625	3,893,725
Movement in deferred tax liabilities		
Balance at the beginning of the year	3,893,725	4,269,786
Charged to the Income Statement	2,665,900	(376,061)
At reporting date	6,559,625	3,893,725
4. DIVIDENDS		
(a) Ordinary dividends recognised in the current year		
Dividends paid by the Company	8,630,893	6,887,927

Dividends paid by the Company for the year ended 30 June 2006	Cents per share	Total amount \$	Date of payment	Tax rate for franking credit	Percentage franked
Final 2005 – ordinary	6.0	3,957,908	17 Oct 2005	30%	100%
Interim 2006 - ordinary	7.0	4,672,985	28 Apr 2006	30%	100%
Total franked amount	13.0	8,630,893			

Dividends paid by the Company for the year ended 30 June 2005	Cents per share	Total amount \$	Date of payment	Tax rate for franking credit	Percentage franked
Final 2004 – ordinary	5.0	2,984,099	29 Nov 2004	30%	100%
Interim 2005 - ordinary	6.0	3,903,828	29 Apr 2005	30%	100%
Total franked amount	11.0	6,887,927			

(b) Dividends not recognised at year end

In addition to the above dividends, since the end of the year, the Directors have recommended the payment of a final dividend of:

	Cents per share	Total amount \$	Date of payment	Tax rate for franking credit	Percentage franked
Final - ordinary	7.0	4,726,058	27 Oct 2006	30%	100%

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

4. DIVIDENDS (CONTINUED)

(b) Dividends not recognised at year end (continued)

The final dividend has not been brought to account in the financial statements for the year ended 30 June 2006 but will be recognised in subsequent financial reports.

(c) Dividend Franking Account

The franked portion of the final dividend recommended after 30 June 2006 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2006.

	June 2006 \$	June 2005 \$
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.	<u>4,195,442</u>	<u>2,892,104</u>

The franking credit balance does not include an allowance for the ordinary final dividend.

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 \$6,559,625 (2005: \$3,893,725).

5. AUDITORS REMUNERATION

Remuneration of the auditor of the Company for:

Auditing or reviewing the financial report	20,195	25,982
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Non-audit services

Other services provided by a related practice of the auditor:

Taxation Services	<u>6,243</u>	<u>13,069</u>
	<u>26,438</u>	<u>39,051</u>

The Company's Audit Committee oversees the relationship with the Company's External Auditors. The Audit Committee reviews the scope of the audit 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

Trade debtors	4,573,638	744,311
Income receivable	274,728	93,956
Sundry debtors	-	5,000
GST receivable	53,777	32,759
Loans receivable	860,000	-
	<u>5,762,143</u>	<u>876,026</u>

Trade debtors relate to outstanding settlements, and are on the terms operating in the securities industry. These require the settlement within three (3) days of the date of a transaction. Income receivable and sundry debtors relate to accrued income and are non-interest bearing and unsecured. Loans receivable represents a Convertible Note Loan with an interest rate of 24% pa and is due for repayment or conversion on 15 August 2006.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	June 2006 \$	June 2005 \$
7. FINANCIAL ASSETS		
Listed investments	88,418,720	56,653,170
Unlisted investments	1,871,190	2,084,442
	<u>90,289,910</u>	<u>58,737,612</u>

As at 30 June 2006, the interest rate exposure of the portfolio was through the holding of perpetual notes that had a weighted average interest rate 7.85% and a maturity of 18 months. The market values of individual investments as at 30 June 2006 are disclosed on page 3 of the Annual Report.

8. TRADE AND OTHER PAYABLES

Trade creditors	1,222,610	1,909,605
Borrowed stock	-	502,169
Sundry creditors	380,804	190,376
	<u>1,603,414</u>	<u>2,602,150</u>

Trade creditors relate to outstanding settlements, and are on the terms operating in the securities industry. These require settlement within three (3) days of the date of the transaction. Sundry creditors are settled within the terms of payment offered. No interest is applicable on these accounts.

9. ISSUED CAPITAL

(a) Paid-up Capital

67,515,112 ordinary shares fully paid (2005: 65,965,144)	<u>82,773,313</u>	<u>80,438,960</u>
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(b) Movement in Ordinary Share Capital

Balance at the beginning of the year	80,438,960	65,987,988
Refund on ordinary shares issued from the exercise of options issued 10 October 2003, exercise price of \$1.55 per share	-	(1,080)
7,794,401 ordinary shares issues from the exercise of options issued 10 October 2003, exercise price of \$1.55 per share	-	12,081,322
724,365 ordinary shares issued on 29 November 2004 under a dividend reinvestment plan	-	1,080,593
901,342 ordinary shares issued on 29 April 2005 under a dividend reinvestment plan	-	1,290,137
791,782 ordinary shares issued on 17 October 2005 under a dividend reinvestment plan	1,129,876	-
758,186 ordinary shares issued on 28 April 2006 under a dividend reinvestment plan	1,204,477	-
At reporting date	<u>82,773,313</u>	<u>80,438,960</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

A.B.N. 34 086 587 395

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	June 2006 \$	June 2005 \$
10. RESERVE		
Asset Revaluation Reserve	<u>11,812,949</u>	<u>5,905,136</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 1(a) (iii).

Movement in Asset Revaluation Reserve

Balance at the beginning of the year	5,905,136	7,642,764
Transfer from/(to) retained earnings	<u>5,907,813</u>	<u>(1,737,628)</u>
At reporting date	<u>11,812,949</u>	<u>5,905,136</u>

11. RETAINED EARNINGS

Balance at the beginning of the year	8,453,710	5,422,321
Profit for the year attributable to members of the Company	18,041,517	8,181,688
Transfer (to)/from asset revaluation reserve	(5,907,813)	1,737,628
Dividends paid (refer Note 4)	<u>(8,630,893)</u>	<u>(6,887,927)</u>
At reporting date	<u>11,956,521</u>	<u>8,453,710</u>

12. CASH AND CASH EQUIVALENTS

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

Cash at bank and on hand	3,284,443	4,699,066
Fixed interest securities	<u>17,082,617</u>	<u>39,360,070</u>
	<u>20,367,060</u>	<u>44,059,136</u>

The weighted average interest rate for cash and fixed interest securities as at 30 June 2006 is 5.86% (2005: 5.70%). The fixed interest securities had an average maturity of 30 days (2005: 36 days).

13. CASH FLOW INFORMATION

Reconciliation of Operating Profit after Income Tax

Operating profit after income tax	18,041,517	8,181,688
Add/(less) items classified as Investing/Financing Activities:		
Realised gain on sale of investments	(13,684,309)	(10,605,527)
Add/(less) non cash items:		
Unrealised profit/loss on investments	(8,373,139)	2,364,615
Net cash provided by Operating Activities before changes in assets and liabilities:		
Decrease/(increase) in receivables	(201,790)	55,021
Increase in deferred tax assets	(264)	(1,401)
Increase/(decrease) in payables	190,428	(473,299)
Decrease in current tax liabilities	(665,537)	(333,277)
Increase/(decrease) in deferred tax liabilities	<u>2,665,900</u>	<u>(507,720)</u>
Net cash used in Operating Activities	<u>(2,027,194)</u>	<u>(1,319,900)</u>

WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	June 2006 \$	June 2005 \$
14. EARNINGS PER SHARE		
Profit after income tax used in the calculation of basic earnings per share	<u>18,041,517</u>	<u>8,181,688</u>
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	<u>69,776,938</u>	<u>64,547,402</u>

Diluted earnings per share has not been calculated because there were no dilutive potential ordinary shares.

15. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURE

The Company's financial instruments consist of local money market instruments, short term investments, accounts receivable and payable.

(a) Terms, Conditions and Accounting Policies

The Company's accounting policies are included in Note 1, while 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.

(b) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The maximum exposure to credit risk on financial assets, excluding investments, of the Company which have been recognised on the Balance Sheet, is the carrying amount. The Company is not materially exposed to any individual credit risk.

(c) 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 outflows are the purchase of securities and dividends paid to shareholders, the levels of which are managed by the Board and the management company.

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

The Company monitors its cash-flow requirements daily by reference to known sales and purchases of securities, dividends and interest to be paid or received. The Company holds a portion of its portfolio in cash and fixed interest securities sufficient to ensure that it has cash available to meet all payments. Alternatively, the Company can increase its level of sales of the readily tradeable securities it holds to increase cash inflows.

(d) 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.

WAM CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

15. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURE (CONTINUED)

(d) Market Risk (continued)

The Company can seek to reduce market risk by not being overly exposed to one company or one particular sector of the market. 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.

(e) Net Fair Values

The carrying amounts of financial instruments on the Balance Sheet approximate their net fair values.

16. EVENTS SUBSEQUENT TO REPORTING DATE

The final dividend as recommended by the Directors will be paid subsequent to balance date and is not provided for in the Balance Sheet. Refer to Note 4 of this report.

Other than the matter discussed above there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of material and unusual nature likely, in the opinion of the Company, to significantly affect the operations of the entity, the results of those operations, or the state of affairs of the entity, in future financial years.

17. INVESTMENT TRANSACTIONS

The total number of contract notes that were issued for transactions in securities during the financial year was 2,584 (2005: 2,004). Each contract note could involve multiple transactions. The total brokerage paid on these contract notes was \$1,369,859 (2005: \$769,075).

June 2006	June 2005
\$	\$

18. CONTINGENT LIABILITIES

Estimates of material amounts of contingent liabilities, not provided for in the accounts, arising from:

Sub-underwriting agreements entered into during the year of which the offer closes after balance date.

<u>525,000</u>	<u>180,213</u>
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19. CAPITAL COMMITMENTS

Capital commitments exist for placements entered into before 30 June 2006, which settled after year end in July and August 2006.

<u>700,000</u>	<u>759,823</u>
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20. 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 and Company Secretary
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 investment manager of the Company, remunerates Geoff Wilson and Matthew Kidman as employees and/or directors of the Company. The Manager also provides day to day management of the Company and is remunerated as outlined in the Directors' Report.

WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

20. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

a) Remuneration (continued)

The Company has applied the exemption under Corporations Amendments Regulation 2006 which exempts listed companies from providing remuneration disclosures in relation to their key management personnel in their annual financial reports by Accounting Standard AASB 124 Related Party Disclosures. These remuneration disclosures are provided in the remuneration Report of the Directors' Report designated as audited.

b) Shareholdings

As at 30 June 2006 the Company's key management personnel held the following interests in the Company:
Ordinary Shares held

	Balance at 30 June 2005	Acquisition s	Disposals	Balance at 30 June 2006
G.J. Wilson	3,673,533	86,544	-	3,760,077
M.J. Kidman	278,899	11,293	-	290,192
P.D.K. Jensen	17,126	27,608	-	44,734
J.M. Chirnside	32,305	2,841	-	35,146
	4,001,863	128,286	-	4,130,149

c) Options

No options have been issued to, or are currently held or have been exercised by key management personnel during or since the end of the financial year.

21. 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. Matthew Kidman is an employee of Wilson Asset Management (International) Pty Limited. In its capacity as manager, Wilson Asset Management (International) Pty Limited was paid a management fee of 1% p.a (plus GST) of gross assets amounting to \$1,220,833 (2005: \$1,063,114). As at 30 June 2006 the balance payable to the manager was \$105,547.

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 the Value of the Portfolio.

No performance fee is payable in respect of any performance period where the portfolio has decreased in value over that period. For the year ended 30 June 2006, a performance fee of \$229,364 (inclusive of GST) was payable to Wilson Asset Management (International) Pty Limited (2005: nil).

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.

WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

DIRECTORS' DECLARATION

The Directors of WAM Capital Limited declare that:

1. The financial report and the additional disclosures included in the Directors' Report designated as "Remuneration Report", as set out on pages 11 to 12, are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
 - (b) giving a true and fair view of the financial position of the Company as at 30 June 2006 and of its performance, as represented by the results of the operations and the cashflows, for the year ended on that date; and
2. The Director of the Manager, Wilson Asset Management (International) Pty Limited has declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporation Act 2001*;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. At the date of this declaration, in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



M.J. KIDMAN, Director

Dated at Sydney this 12th day of September 2006

PARTNERS:

Andrew Blackwell CA
Chris Chandran CA
Stephen Humphrys FCA
Garry Leyshon FCA
Wayne Morton FCA
Joe Shannon CA
Robert Southwell CA
Spiro Tzannes FCA
Charlie Viola (Affiliate ICAA)
Bob Webster FCA
Scott Whiddett CA

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF WAM CAPITAL LIMITED

CONSULTANTS:

Pat Bugden FCA
Anja Dorrell CA

Scope

The financial report and remuneration disclosures and directors' responsibility

The financial report comprises the Income Statement, Balance Sheet, Cash Flow Statement, Statement of Changes in Equity, accompanying notes to the financial statements, and the Directors' Declaration for WAM Capital Limited ("the Company") for the year ended 30 June 2006.

As permitted by the *Corporations Regulations 2001*, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standards AASB 124 *Related Party Disclosures*, under the heading "Remuneration Report" on pages 11 and 12 of the "Directors' Report" and not in the financial report.

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the *Corporations Regulation 2001*.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement and that the remuneration disclosures in the "Directors' Report" comply with Accounting Standard AASB 124. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and of its performance as represented by the results of its operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 124.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Audit opinion

In our opinion,

1. the financial report of WAM Capital Limited is in accordance with:
 - a. the *Corporations Act 2001*, including:
 - i. giving a true and fair view of WAM Capital Limited's financial position as at 30 June 2006 and of its performance for the year ended on that date; and
 - ii. complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
 - b. other mandatory financial reporting requirements in Australia.
2. the remuneration disclosures that are contained under the heading "Remuneration Report" on pages 11 and 12 of the "Directors' Report" comply with Accounting Standard AASB 124 and the *Corporations Regulations 2001*.



S WHIDDETT
Partner



MOORE STEPHENS SYDNEY

Dated in Sydney, this 12th day of September 2006

WAM CAPITAL LIMITED

ABN: 34 086 587 395

ASX ADDITIONAL INFORMATION

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

SHAREHOLDINGS

Substantial shareholders (as at 31 August 2006)

The following have advised that they are a substantial shareholder of WAM Capital Limited. The holding of a relevant interest does not infer beneficial ownership. Where two or more parties have a relevant interest in the same shares, those shares have been included for each party.

Substantial ordinary shareholders as at ex-date	No. of shares	% of total
Mr Victor John Plummer	3,790,255	5.61
Mr Geoffrey Wilson and related entity	3,690,978	5.47

On-market buy back

There is no current on-market buy back.

Distribution of shareholders (as at 31 August 2006)

Category	No. of shareholders	
	Ordinary Shares	Options
1 – 1,000	256	-
1,001 – 5,000	968	-
5,001 – 10,000	842	-
10,001 – 100,000	1,202	-
100,001 and over	64	-
	<hr/>	
	3,332	-
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The number of shareholdings held in less than marketable parcels is 54.

Twenty largest shareholders - Ordinary shares (as at 31 August 2006)

Name	Number of ordinary shares held	Percentage of issued capital held
Mr Victor John Plummer	3,790,255	5.61
Mr Geoffrey James Wilson	2,696,773	3.99
Dr Russell Kay Hancock	1,500,000	2.22
Mrs Fay Cleo Martin-Weber	1,463,068	2.17
Marbear Holdings Pty Limited	1,440,300	2.13
Namberry Way Pty Limited	1,400,000	2.07
Vilo Finance Pty Limited	1,400,000	2.07
VBS Investments Pty Limited	1,200,000	1.78
Dynasty Peak Pty Limited	994,205	1.47
Pineross Pty Ltd	480,354	0.71
Edington Pty Ltd	371,192	0.55
Emsdale Holdings Pty Ltd	355,281	0.53
Trophy Components Distributors Pty Limited	354,798	0.53
Irish Global Equity Limited	351,467	0.52
Eneber Investment Company Limited	350,000	0.52
The Uniting Church of Australia Property Trust (SA)	300,000	0.44
Mr Darren Mark Van Gemert	273,000	0.40
Rosetta Pty Ltd	270,983	0.40
Dr Patricia Percival	250,000	0.37
Mr Andrew Ross McLean	249,596	0.37
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	19,491,272	28.87

WAM CAPITAL LIMITED

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ASX ADDITIONAL INFORMATION

STOCK EXCHANGE LISTING

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

