

# **WAM CAPITAL LIMITED**

A.B.N. 34 086 587 395



**ANNUAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2008**

# COMPANY PARTICULARS

## WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

WAM Capital Limited is a Listed Investment Company and is a reporting entity. 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:**

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Sydney NSW 2001  
Telephone: (02) 9247 6755  
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Email: [info@wami.com.au](mailto:info@wami.com.au)  
Website: [www.wilsonassetmanagement.com.au](http://www.wilsonassetmanagement.com.au)

**SHARE REGISTRAR:**

Registries Limited  
Level 7, 207 Kent Street  
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 Securities Exchange (ASX)  
The home exchange is Sydney.  
ASX code: WAM Ordinary shares

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# WAM CAPITAL LIMITED

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## CHAIRMAN'S LETTER

Dear fellow shareholders,

Firstly I would like to thank you for your support over what has been a very volatile ride for Australian and global equities over the last 12 months.

WAM Capital Limited (WAM) is a listed investment company whose mission is to provide superior returns to its investors over the medium to long term. WAM listed in August 1999 and is managed by Wilson Asset Management (International) Pty Limited.

### Investment Objectives and Process

Our investment objectives are to achieve a high real rate of return, comprising both income and capital growth, within risk parameters acceptable to the Directors and to preserve the capital of the Company.

Our investment process focuses on (a) Research Driven investing, where we undertake extensive research, rating the company's management, earnings growth potential, valuation, industry position, generation of free cashflow and identifying a catalyst that will change the valuation the market gives to the company, and (b) Market Driven investing, where we scour the market for trading opportunities. These could include participating in initial public offerings, placements, block trades, rights issues, merger transactions (such as takeovers, mergers, schemes of arrangements), corporate spin-offs, restructurings, arbitrage opportunities, LIC discount arbitrages or relative value arbitrages. This part of the portfolio is traded actively.

WAM is committed to delivering returns to you 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 20.4% 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 in finding companies with these characteristics. This year we undertook over 800 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 take the opportunity. These investments form part of our market driven or trading portfolio. The number of companies in our portfolio and our cash holding varies as these opportunities are taken and realised. If we cannot find acceptable investment opportunities, we will hold cash until the right opportunities present themselves.

Our disciplined approach is to provide the maximum return possible while taking the minimum amount of risk. Our investment team has continued to progressively develop and now comprises of Matthew Kidman and myself, the portfolio managers, Chris Stott a senior analyst who is responsible for the research driven side of our investing and Tal Bergman a trainee analyst who focuses on the market driven side of investing. We all spend as much time as possible meeting with the management of investee companies.

We continue to concentrate on researching and investing in small and medium sized industrial companies, because we believe that is where we can add most value over the medium to long term.

### Performance

This is the first year the Fund has recorded a negative return since inception in August 1998.

Our results for the year saw a decline in our net tangible asset backing (NTA) by 19% after tax and dividends paid. This was a result of a number of factors which we will now discuss.

The cash portion of our portfolio contributed 2.4% to the overall performance over the twelve months to June 2008. The research part of the portfolio detracted 11.7% as it was impacted by a significant PE (price to earnings) multiple contraction due to the repricing of risk and in some cases, a change in earnings outlook. The trading section of the portfolio detracted 15.8% as positions were impacted by the rapid fall in the market.

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## CHAIRMAN'S LETTER

The structure of the portfolio changed over the twelve months. At 30 June 2007, cash accounted for 26% of the portfolio, research driven investments were 35% and market driven opportunities made up 39%. The cash position of the portfolio was adjusted as we identified and crystallised trading and market driven opportunities. At 30 June 2008, cash accounted for 53% of the portfolio, research driven investments were 25% and market driven opportunities made up 22%.

In the 2007/08 financial year, the managers correctly positioned the Fund with a high cash position. However, the rapid repricing of risk had a significant impact on our portfolio which was made up of industrials with a skew toward mid and small sized capitalised companies. During the financial year to 30 June 2008 the S&P/ASX Financial Accumulation Index fell 31.2% while the Small Ordinaries Accumulation Index fell 20.5%. The All Ordinaries Accumulation Index only declined by 12.1% as it was bolstered by a robust performance from the resources sector of the market which was propelled higher by a surge in oil and bulk commodity prices. With our focus on small to mid sized industrials, we have never had a significant exposure to the resources sector.

At the beginning of the year WAM owned shares in 99 companies and during the year we sold out of 58, increased our shareholding in 20 and reduced our shareholding in 9. Shares in companies purchased and sold within the year amounted to 180. We also took new positions in 28 companies, and as at 30 June 2008 owned shares in 69 companies.

### Dividends

The Board's policy is to pay a growing stream of fully franked dividends to shareholders on a six-monthly basis. This policy is dependent on the profitability, retained earnings and availability of franking credits of the Company. In the 2007/08 financial year the interim dividend paid was 8.0 cents fully franked. In the second half of the year there were sufficient franking credits and cash to fund a dividend payment, however we are required to account for unrealised losses in the portfolio through the profit and loss. As a result of the unrealised losses in the portfolio, the retained earnings were eliminated. This means the Company was unable to pay a final second half dividend. The Company's ability to recommence paying dividends in line with recent payments requires an increase in the value of the Company's portfolio. The NTA after all taxes as at 30 June 2008 was \$1.41 per share and the Company has no borrowings.

### Capital Management – Equal Access Buy Back Scheme

The Directors are acutely aware of the adverse impact the inability to maintain a 6 monthly dividend, in line with recent payments, may have on shareholders. Accordingly, the Directors have reviewed various options aimed at the return of funds to shareholders including that of a share buy-back.

As a result on the 27 August 2008 the Board announced an equal access buy-back scheme. Eligible shareholders may tender up to 5.8% of their shareholding at the record date at a price of \$1.38 per share. The record date for participation is 8 October 2008. Shares will trade on an "ex" basis 1 October 2008.

No shareholder will be obliged to participate in the buy-back. Shareholders who wish to participate will need to accept by 30 October 2008. Payment for shares bought back will be made 7 November 2008.

### Outlook

Looking ahead we see some attractive investment opportunities appearing in the industrial and financial sectors of the market. While earnings growth in these sectors has stalled, valuations have improved significantly. The average price to earnings ratio (PE ratio) has fallen from around 16.5 times prospective earnings to approximately 12 times earnings. A similar, if not more dramatic, reduction in PE's has taken place in small industrial stocks.

Initially the manager will look to take advantage of these opportunities by gaining exposure to a range of top 100 companies in the market driven portion of the portfolio. Later in the recovery (which we predict will be in calendar year 2009) there will be some great opportunities in our traditional hunting ground of small and medium sized industrial stocks.

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## CHAIRMAN'S LETTER

The manager believes the market will not return to the 1 November 2007 high for several years. To reach that peak the overall market must rise approximately 40% while the All Industrial Index must rise approximately 65% to reach its previous high. We do believe however, that the worst of the bear market is behind us and a bottom will be found in the next 6 to 9 months. That is, if the bottom has not already been reached.

We see the best opportunities in the hardest hit sectors such as banking, building, non bank financials, transport, select property plays and small cap industrials. We are researching all these sectors in detail to identify the companies with the greatest upside and to identify catalysts that will result in a share price re-rating.

### Shareholder Communication

We take an active approach to keeping shareholders informed about the Company's activities and performance including monthly investment updates and NTA announcements, yearly and half yearly profit announcements, semi-annual shareholder briefings and access to all relevant information on our website.

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

Earlier this month shareholders were sent the inaugural edition of the Investor report for 2007/08 with a very noticeable bear on the cover. We hope you enjoyed this report and would encourage feedback on how we can improve this annual edition and our overall communication with our shareholders.

Thank you for your continuing support.



Geoff Wilson  
Chairman

# WAM CAPITAL LIMITED

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## CORPORATE GOVERNANCE STATEMENT

To ensure the Company operates effectively and in the best interests of shareholders, the Board has followed the principles and best practice recommendations established by the ASX Corporate Governance Council having regard to the nature of the Company's activities and its size. The Company has elected to adopt the revised Corporate Governance Principles and Recommendations early and has applied them in reporting for the 2008 financial year.

### ROLE OF THE BOARD

The Company has a Board but no full time employees. Subject at all times to any written guidelines issued by the Board of Directors of WAM Capital Limited, the day-to-day management and investment of funds is carried out by Wilson Asset Management (International) Pty Limited (the Manager) pursuant to a management agreement.

The role of the Board is to set strategic direction and to be responsible for the overall corporate governance of the Company which includes:

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

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

### 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 Board has two independent Directors and two non independent Directors. The names of the Directors considered to be independent are:

James Chirnside  
Paul Jensen

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 additional 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.

The Board monitors the business risks and system of internal control and guides the affairs of the Company in the discharge of its stewardship responsibilities. The Board confirms that there is an ongoing process of identifying, evaluating and managing the risks faced by the Company. The risk framework and internal controls have been documented in the Risk Management Policy. Responsibility for managing and progressing the profitable operation and development of the Company is delegated to the Chairman who reports back to the rest of the Board.

Given the size of the Board, the Board as a whole considers the composition of the Board and appointment of new Directors. The Board identifies suitable candidates to fill vacancies as they arise. 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.

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## CORPORATE GOVERNANCE STATEMENT

### AUDIT & RISK COMMITTEE

The Company has formed an Audit & Risk Committee consisting of three non-executive Directors of whom two are independent as defined by the ASX Corporate Governance Council's principles. This is considered adequate given the size of the Board (4 members) and the nature of the Company. The members of the Audit & Risk Committee are:

James Chirnside	Chairman, independent
Matthew Kidman	Non-Executive Director, non-independent
Paul Jensen	Non-Executive Director, independent

The Committee's responsibilities are to:

- oversee the existence and maintenance of internal controls and procedures to ensure compliance with all applicable regulatory obligations;
- oversee the financial reporting process;
- review the annual and half-year financial reports and recommend them for approval by the Board of Directors;
- nominate external auditors; and
- review the existing external audit arrangements.

The external audit firm partner responsible for the Company audit attends meetings by invitation. The Committee formally reports to the Board after each of its meetings.

The Company's external audit is undertaken by Moore Stephens Sydney and the audit engagement partner is required to be changed at regular intervals. Scott Whiddett, a partner of Moore Stephens Sydney, is the partner responsible for the external audit of the Company for the 2008 financial year.

### REMUNERATION OF DIRECTORS

Given the number of Directors (4), a remuneration committee has not been formed as it is believed that such a committee would not serve to protect or enhance the interests of the shareholders. As such, the Board deals with the issue of remuneration as a whole.

The maximum total remuneration of the Directors of the Company has been set at \$80,000 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.

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.

### SHAREHOLDER COMMUNICATION

The Board aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs.

Measures are in place to ensure all investors have equal and timely access to material information concerning the Company and that Company announcements are factual and presented in a clear and balanced way.

The Company Secretary is primarily responsible for coordinating the disclosure of information to shareholders and regulators under the direction of the Board.

Information is communicated to shareholders through the:

- website;
- ASX Company Announcements platform;
- Annual Report;
- monthly NTA releases; and
- other correspondence regarding matters impacting on shareholders as required.

Monthly NTA releases contain additional information concerning the underlying investment portfolio of the Company in an effort to give investors a better understanding of the Company.



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## CORPORATE GOVERNANCE STATEMENT

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.

Shareholder information sessions are also held twice a year in May and November following the AGM. These provide an informal forum where shareholders are given the opportunity to raise questions and participate in general discussion about the Company.

The following charters and policies are available on request or can be found in the Corporate Governance section of the Company's internet site at [www.wilsonassetmanagement.com.au](http://www.wilsonassetmanagement.com.au):

- Board of Directors Charter
- Code of Conduct
- Securities Dealing Policy
- Continuous Disclosure Policy
- Communications Policy
- Audit & Risk Committee Charter
- Risk Management Policy

### BOARD'S POLICY ON DEALING IN SHARES

Directors are not required to hold a minimum number of shares pursuant to the Company's Constitution. However, their current relevant interests in the Company's shares are shown in the Directors' Report.

Subject to them not being in possession of undisclosed price sensitive information with adequate time being given for this to be reflected in the security's price, 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 2008

The Directors present their report together with the financial report of WAM Capital Limited ("the Company") for the financial year ended 30 June 2008.

### 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 loss before tax of \$46,808,488 (2007: operating profit before tax \$47,181,601) and an operating loss after tax of \$31,619,033 (2007: operating profit after tax \$34,005,754).

### REVIEW OF OPERATIONS

Investments are valued continuously to market value. For the year ended 30 June 2008, investments were valued downwards by \$52,796,328 (2007: valued upwards \$20,467,178). A net decrease of \$26,138,729 was transferred from the Asset Revaluation Reserve to the Retained Earnings (2007: net increase of \$14,325,780 transferred to the Asset Revaluation Reserve).

Asset backing for each ordinary share as at 30 June 2008 (calculated on market value less realisation costs and all applicable taxes and before provision for dividend) amounted to \$1.41 per share (2007: \$1.88). Asset backing after tax on realised gains but before tax on unrealised gains was \$1.43 per share (2007: \$2.02). The equivalent asset backing before tax payable and after tax assets was \$1.43 per share (2007: \$2.07).

Further information on the operating and financial review of the Company is contained in the Chairman's Letter on pages 1 to 3 of the Annual Report.

### FINANCIAL POSITION

The net asset value of the Company for the current financial year was \$149,917,636 (2007: \$163,884,222).

### 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 2008.

### DIVIDENDS PAID OR RECOMMENDED

Dividends paid are as follows:	\$
Fully franked 2007 final dividend of 8.0c per share was paid on 26 October 2007	8,163,825
Fully franked 2008 interim dividend of 8.0c per share was paid on 11 March 2008	8,404,205

### OPTIONS

The Company issued a prospectus dated 17 November 2006 for a 1 for 1 bonus issue of 68,210,771 options to acquire fully paid ordinary shares exercisable at \$1.80 per option. The options began trading on the Australian Securities Exchange on 23 November 2006 and expired on 17 December 2007. For the year period 1 July 2007 to 17 December 2007 the Company issued 17,304,337 ordinary shares (2007: 17,839,970 ordinary shares) as a result of the exercise of options for a total consideration of \$31,147,808 (2007: \$32,111,949). The market values on the dates of exercise ranged from \$1.74 to \$1.96 (2007: \$1.77 to \$2.03). On 17 December 2007, 33,066,464 options expired.

### SHARE BUY BACK

The Board announced on 28 August 2008 an equal access buy-back scheme. Eligible shareholders may tender up to 5.8% of their shareholding at the record date at a price of \$1.38 per share. The record date for participation is 8 October 2008. Shares will trade on an "ex" basis 1 October 2008.

No shareholder will be obliged to participate in the buy-back. Shareholders who wish to participate will need to accept by 30 October 2008. Payment for shares bought back will be made 7 November 2008.

# WAM CAPITAL LIMITED

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## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2008

### 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

### INFORMATION ON DIRECTORS

**Geoffrey Wilson** *Chairman – Non-independent*

#### **Experience and expertise**

Geoffrey Wilson has had 28 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), WAM Active Limited (appointed July 2007), the Australian Stockbrokers Foundation and Ascham Foundation. He is a Director of Australian Leaders Fund Limited (formerly known as Wilson Leaders Fund Limited) (appointed October 2003), Clime Capital Limited (appointed November 2003), Cadence Capital Limited (appointed February 2005), Vietnam Fund Limited (appointed October 2007), Incubator Capital Limited (appointed February 2000), the Sporting Chance Cancer Foundation, Australian Fund Managers Foundation and Odyssey House McGrath Foundation. He is also a director of the investment management companies, Wilson Asset Management (International) Pty Limited, Boutique Asset Management Pty Limited and MAM Pty Limited.

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

Geoff Wilson is a former Director of Mariner Wealth Management Limited (currently known as Keybridge Capital Limited) from September 1999 to October 2006.

#### **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** *Non-Executive Director – Non-independent*

#### **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 Limited 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), WAM Active Limited (appointed July 2007), Australian Leaders Fund Limited (formerly known as Wilson Leaders Fund Limited) (appointed October 2003) and Incubator Capital Limited (appointed February 2000). He is also a Director of the investment management companies MAM Pty Limited and Boutique Asset Management Pty Limited.

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## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2008

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

Matthew Kidman is a former Director of Mariner Wealth Management Limited (currently known as Keybridge Capital Limited) from June 1999 to November 2005.

### **Special responsibilities**

Member of the Audit & Risk Committee

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

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

### **James M. Chirnside                      Non-Executive Director - Independent**

#### **Experience and expertise**

James Chirnside has been exclusively focussed in emerging markets and absolute return investment strategies for seventeen years in Sydney, Hong Kong, and London. Mr. Chirnside is a shareholder and Managing Director of Asia Pacific Asset Management, a specialist emerging market and alternative investment firm based in Sydney. Mr. Chirnside previously worked for Challenger Financial Group in Sydney. Prior to this he managed emerging market hedge funds in Hong Kong for specialist Regent Fund Management (now Charlemagne Capital). 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 is a Director of Cadence Capital Limited (appointed February 2005).

### **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 & Risk 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                      Non-Executive Director - Independent**

#### **Experience and expertise**

Paul Jensen has over 20 years of international experience in the funds management and institutional banking sectors. 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 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 HFA Holdings Limited from February to September 2007, HFA Asset Management Limited from February to September 2007 and HFA Accelerator Plus Limited from February to September 2007.

### **Special responsibilities**

Member of the Audit & Risk Committee

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

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

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## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2008

### 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 10 years and has worked for Wilson Asset Management (International) Pty Limited, the investment manager of WAM Capital Limited, as Finance Manager for the past 5 years. Natasha Cuffe was appointed company secretary on 2 February 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 \$80,000 per annum. Non-Executive Directors do not receive bonuses nor are they issued options on securities as part of their remuneration. Directors' fees cover all main board activities and membership of committees.

Directors' remuneration received for the year ended 30 June 2008:

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	27,523	2,477	30,000
P.D.K Jensen	Non-Executive Director	-	30,000	30,000
		<u>45,871</u>	<u>34,129</u>	<u>80,000</u>

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

	2008	2007	2006	2005	2004
Operating (loss)/profit after tax (\$)	(31,619,033)	34,005,754	18,041,517	8,181,688	7,597,617
Dividends (cents per share)	8.0	16.0	14.0	12.0	10.0
Net tangible asset (\$ per share)	1.41	1.88	1.57	1.44	1.39
Total Directors' remuneration (\$)	80,000	70,000	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 \$1,914,694 inclusive of GST (2007: \$1,562,695). As at 30 June 2008 the balance payable to the manager was \$134,493 (2007: \$168,103).

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## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2008

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 2008, no performance fee was payable to Wilson Asset Management (International) Pty Limited (2007: \$3,171,005 inclusive of GST).

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

Directors	Ordinary Shares
G.J. Wilson	3,560,947
M.J. Kidman	329,454
P.D.K Jensen	83,473
J. M. Chirnside	-

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.

### DIRECTORS' MEETINGS

Director	No. eligible to attend	Attended
G.J. Wilson	6	6
M.J. Kidman	6	6
J.M. Chirnside	6	6
P.D.K. Jensen	6	6

### AUDIT & RISK COMMITTEE MEETINGS

The main responsibilities of the Audit & Risk Committee are set out in the Corporate Governance section on pages 4-6 of this Annual Report.

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

# WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2008

### AFTER BALANCE DATE EVENTS

The Board announced on 28 August 2008 an equal access buy-back scheme. Eligible shareholders may tender up to 5.8% of their shareholding at the record date at a price of \$1.38 per share. The record date for participation is 8 October 2008. Shares will trade on an "ex" basis 1 October 2008.

No shareholder will be obliged to participate in the buy-back. Shareholders who wish to participate will need to accept by 30 October 2008. Payment for shares bought back will be made 7 November 2008.

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

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

# WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2008

### 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 14 of this Annual Report.

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

A handwritten signature in black ink, consisting of a large, stylized initial 'G' followed by a horizontal line extending to the right.

G.J. Wilson, Chairman

Dated at Sydney this 17<sup>th</sup> day of September 2008



PARTNERS:

Howard Badger CA  
Andrew Blackwell CA  
Chris Chandran CA  
Michael Dundas CA  
Martin Fowler CA  
Stephen Humphrys FCA  
Garry Leyshon FCA  
Allan Mortel CA  
Wayne Morton FCA  
Joe Shannon CA  
Robert Southwell CA  
Spiro Tzannes FCA  
Charlie Viola (Affiliate ICAA)  
Scott Whiddett CA

## AUDITOR'S INDEPENDENCE DECLARATION to the Directors of WAM Capital Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of WAM Capital Limited for the year ended 30 June 2008, I declare that, to the best of 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.



**Moore Stephens Sydney**  
Chartered Accountants



**S.M. Whiddett**  
Partner

Dated in Sydney, this 16<sup>th</sup> day of September 2008.

# WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Notes	June 2008 \$	June 2007 \$
Proceeds from sale of investments		289,548,649	267,001,370
Cost of investments sold		(290,684,567)	(240,224,490)
Unrealised (loss)/gain on investments		(52,796,328)	20,467,178
Other revenue from ordinary activities	2	10,130,383	5,582,156
Performance fees		-	(2,954,800)
Management fees		(1,784,147)	(1,456,147)
Directors fees		(80,000)	(70,000)
Brokerage expense on share purchases		(801,500)	(785,113)
Other expenses from ordinary activities		(340,978)	(378,553)
<b>(Loss)/Profit before income tax</b>		<b>(46,808,488)</b>	<b>47,181,601</b>
Income tax benefit/(expense)	3(a)	15,189,455	(13,175,847)
<b>(Loss)/profit attributable to members of the Company</b>	12	<b>(31,619,033)</b>	<b>34,005,754</b>
<b>Basic earnings per share</b>	15	<b>(30.0) cents</b>	<b>45.8 cents</b>
<b>Diluted earnings per share</b>	15	<b>(30.0) cents</b>	<b>44.8 cents</b>

The accompanying notes form part of these financial statements.

# WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

## BALANCE SHEET AS AT 30 JUNE 2008

	Notes	June 2008 \$	June 2007 \$
<b>ASSETS</b>			
Cash and cash equivalents	13	65,824,103	40,548,144
Trade and other receivables	6	14,929,621	10,698,453
Financial assets	7	69,324,116	136,384,110
Deferred tax assets	3(b)	5,220,434	4,125
<b>TOTAL ASSETS</b>		<b>155,298,274</b>	<b>187,634,832</b>
<b>LIABILITIES</b>			
Financial liabilities	8	1,816,207	1,505,520
Trade and other payables	9	1,694,272	5,826,235
Current tax liabilities	3(c)	-	4,200,970
Deferred tax liabilities	3(d)	1,870,159	12,197,885
<b>TOTAL LIABILITIES</b>		<b>5,380,638</b>	<b>23,750,610</b>
<b>NET ASSETS</b>		<b>149,917,636</b>	<b>163,884,222</b>
<b>EQUITY</b>			
Issued capital	10	151,927,454	117,706,977
Reserve	11	-	26,138,729
(Accumulated losses)/Retained earnings	12	(2,009,818)	20,038,516
<b>TOTAL EQUITY</b>		<b>149,917,636</b>	<b>163,884,222</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 2008

	Notes	June 2008 \$	June 2007 \$
<b>Total equity as at 1 July 2007</b>		<b>163,884,222</b>	<b>106,542,783</b>
(Loss)/profit for the year attributable to members of the Company	12	(31,619,033)	34,005,754
Shares issued in the year	10(b)	<u>34,220,477</u>	<u>34,933,664</u>
		166,485,666	175,482,201
Dividends paid or provided for	4	<u>(16,568,030)</u>	<u>(11,597,979)</u>
<b>Total equity as at 30 June 2008 attributable to members of the Company</b>		<b><u>149,917,636</u></b>	<b><u>163,884,222</u></b>

The accompanying notes form part of these financial statements.

# WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Notes	June 2008 \$	June 2007 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Dividends received		4,927,394	3,626,061
Interest received		4,306,277	1,681,185
Other investment income received		514,323	383,348
Investment management fees		(1,948,304)	(1,500,140)
Investment performance fees		(3,171,005)	(229,364)
Brokerage expense on share purchases		(801,500)	(785,113)
Payments for administration expenses		(38,948)	(351,107)
Income tax paid	3(c)	(4,555,551)	(5,054,033)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>14</b>	<b>(767,314)</b>	<b>(2,229,163)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of investments		284,200,285	263,444,865
Payments for purchase of investments		(275,809,459)	(264,370,303)
<b>NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES</b>		<b>8,390,826</b>	<b>(925,438)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(13,495,361)	(8,776,265)
Proceeds from options exercised		31,147,808	32,111,949
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>17,652,447</b>	<b>23,335,685</b>
<b>NET INCREASE IN CASH HELD</b>		<b>25,275,959</b>	<b>20,181,084</b>
Cash at beginning of financial year		40,548,144	20,367,060
<b>CASH AT END OF FINANCIAL YEAR</b>	<b>13</b>	<b>65,824,103</b>	<b>40,548,144</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 2008

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report was authorised for issue on 17 September 2008 by the Board of Directors.

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

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is 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) Financial Instruments

###### *i) Recognition and Initial 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 marketplace convention.

Financial instruments are initially measured at fair value. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to the Income Statement immediately. Financial instruments are classified and measured as set out below.

###### *ii) 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 entity 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 Income Statement.

###### *iii) Classification and Subsequent Measurement*

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.

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 Income Statement.

###### *v) Financial assets at fair value through profit or loss*

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

# WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Accounting Policies (Continued)

##### *vi) Financial Liabilities*

Borrowed stock financial liabilities are classified at fair value through profit or loss. Realised and unrealised gains and losses arising from changes in fair value are included in Income Statement in the period in which they arise.

##### *vii) 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, include recent arm's length transactions and reference to similar instruments.

#### **(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.

Current tax assets and liabilities are offset 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 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 fixed interest securities maturing within three months.

#### **(d) Revenue and Other Income**

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

#### **(e) Trade and Other Receivables**

Trade and other receivables are non-derivative financial assets and are stated at their amortised cost less 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.

# WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Accounting Policies (Continued)

##### (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 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.

##### (h) 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.

##### (i) 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.

##### (j) Comparative Figures

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

##### (k) Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and 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 2008.

##### (l) New standards and interpretations not yet adopted

There are no impending new accounting standards that will result in any material change in relation to amounts recognised in the financial statements.

	June 2008 \$	June 2007 \$
<b>2. OTHER REVENUE FROM ORDINARY ACTIVITIES</b>		
Australian sourced dividends	4,495,155	3,394,075
Foreign sourced dividends	818,251	112,367
Interest	4,357,693	1,647,608
Underwriting fees	50,856	196,158
Trust distributions	296,175	223,828
Other income	112,253	8,120
	<b>10,130,383</b>	<b>5,582,156</b>



# WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	June 2008 \$	June 2007 \$
<b>3. TAXATION</b>		
<b>(a) Income Tax (Benefit)/Expense</b>		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax (benefit)/expense as follows:		
Prima facie tax payable on (loss)/profit from ordinary activities before income tax at 30% (2007: 30%)		
	(14,042,546)	14,154,480
Imputation credit gross up	498,172	387,179
Franking credit offset	(1,640,120)	(1,290,597)
Other non-assessable items	(31,166)	(120,268)
Under provision in prior year	26,205	45,053
	<u><b>(15,189,455)</b></u>	<u><b>13,175,847</b></u>
Total income tax (benefit)/expense results in a:		
Current tax (asset)/liability	(4,900,373)	7,493,194
Deferred tax liability	(10,314,780)	5,638,260
Deferred tax asset	(507)	(660)
Under provision in prior year	26,205	45,053
	<u><b>(15,189,455)</b></u>	<u><b>13,175,847</b></u>
<b>(b) Deferred Tax Assets</b>		
Tax losses	5,213,597	-
Provisions	6,837	4,125
	<u><b>5,220,434</b></u>	<u><b>4,125</b></u>
<b>Movement in deferred tax assets</b>		
Balance at the beginning of the year	4,125	3,465
Capitalised legal fees	2,205	-
Transfer tax losses from Current Tax Liability	5,213,597	-
Credited to the Income Statement	507	660
<b>At reporting date</b>	<u><b>5,220,434</b></u>	<u><b>4,125</b></u>
<b>(c) Current Tax Liabilities</b>		
Movement in current tax liabilities		
Balance at the beginning of the year	4,200,970	1,716,756
Current year income tax (benefit)/expense on operating profit	(4,900,373)	7,493,194
Income tax paid	(4,555,551)	(5,054,033)
Under provision in prior year	41,357	45,053
Transfer tax losses to Deferred Tax Asset	5,213,597	-
<b>At reporting date</b>	<u><b>-</b></u>	<u><b>4,200,970</b></u>
<b>(d) Deferred Tax Liabilities</b>		
Fair value adjustments	1,711,326	12,162,898
Income provisions	158,833	34,987
	<u><b>1,870,159</b></u>	<u><b>12,197,885</b></u>

# WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	June 2008 \$	June 2007 \$
<b>3. TAXATION (CONTINUED)</b>		
<b>(d) Deferred Tax Liabilities (continued)</b>		
Movement in deferred tax liabilities		
Balance at the beginning of the year	12,197,885	6,559,625
(Credited)/Charged to the Income Statement	(10,314,780)	5,638,260
Over provision in prior year	(12,946)	-
<b>At reporting date</b>	<b>1,870,159</b>	<b>12,197,885</b>

### 4. DIVIDENDS

#### (a) Ordinary dividends paid during the year

Final dividend for the year ended 30 June 2007 of 8.0 cents fully franked at 30% tax rate paid 26 October 2007 (Final dividend 2006: 7.0 cents fully franked at 30% tax rate paid 27 October 2006)

	8,163,825	4,726,058
--	-----------	-----------

Interim dividend for the year ended 30 June 2008 of 8.0 cents fully franked at 30% tax rate paid 11 March 2008 (Interim dividend 2007: 8.0 cents fully franked at 30% tax rate paid 27 April 2007)

	8,404,205	6,871,921
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Dividends paid by the Company

	<b>16,568,030</b>	<b>11,597,979</b>
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#### (b) Dividends not recognised at year end

In addition to the above dividends, since the end of the year, the Directors have declared the following dividend which have not been recognised as a liability at the end of the financial year:-

There was no final dividend declared for the year ended 30 June 2008 (Final dividend 2007: 8.0 cents fully franked at 30% tax rate payable 26 October 2007)

	-	<b>8,163,825</b>
--	---	------------------

#### (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.

	2,634,660	8,053,724
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Subsequent to year end, the franking account would be reduced by the proposed dividend disclosed in (b) above as follows:

	-	(2,979,525)
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	<b>2,634,660</b>	<b>5,074,199</b>
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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 \$1,870,159 (2007: \$12,197,885).

### 5. AUDITORS REMUNERATION

Remuneration of the auditor of the Company for:

Auditing or reviewing the financial report

	26,307	24,140
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Non-audit services

Other services provided by a related practice of the auditor:

Taxation Services

	13,965	6,150
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	<b>40,272</b>	<b>30,290</b>
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# WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### 5. AUDITORS REMUNERATION (CONTINUED)

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.

	June 2008	June 2007
	\$	\$
<b>6. TRADE AND OTHER RECEIVABLES</b>		
Trade debtors	13,478,506	8,130,143
Income receivable	548,679	166,290
Sundry debtors	-	1,872,000
GST receivable	77,436	304,749
Loans receivable	825,000	225,271
	<u>14,929,621</u>	<u>10,698,453</u>

Trade debtors relate to outstanding settlements, and are on the terms operating in the securities industry. These are non-interest bearing and require the settlement within three (3) days of the date of a transaction. Income receivable relates to accrued income and is non-interest bearing and unsecured. Sundry debtors relates to a non-interest bearing and unsecured unsuccessful share placement that was repaid on the 2 July 2007. Loans receivable represents Convertible Note Loans with an interest rate of 9% p.a. (2007: 20%) and is due for repayment or conversion on 15 August 2008 (2007: 17 August 2007).

### 7. FINANCIAL ASSETS

Listed investments	67,492,566	135,282,569
Unlisted investments	1,831,550	1,101,541
	<u>69,324,116</u>	<u>136,384,110</u>

The market values of individual investments as at 30 June 2008 are disclosed on pages 35 to 37 of the Annual Report.

### 8. FINANCIAL LIABILITIES

Borrowed stock	<u>1,816,207</u>	<u>1,505,520</u>
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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 can not exceed 50% of the net asset value of the Company as outlined in the Company's Management Agreement.

### 9. TRADE AND OTHER PAYABLES

Trade creditors	1,464,053	2,435,570
Sundry creditors	230,219	3,410,665
	<u>1,694,272</u>	<u>5,846,235</u>

Trade creditors relate to outstanding settlements, and are on the terms operating in the securities industry. These do not incur interest and 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.

### 10. ISSUED CAPITAL

#### (a) Paid-up Capital

106,158,940 ordinary shares fully paid (2007: 86,902,811)	<u>151,927,454</u>	<u>117,706,977</u>
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# WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

<b>10. ISSUED CAPITAL (CONTINUED)</b>	<b>June 2008 \$</b>	<b>June 2007 \$</b>
<b>(b) Movement in Ordinary Share Capital</b>		
Balance at the beginning of the year	117,706,977	82,773,313
845,410 ordinary shares issued on 26 October 2007 under a dividend reinvestment plan	1,538,885	-
17,304,337 (2007: 17,839,970) ordinary shares issued from the exercise of options issued 24 October 2006, exercise price of \$1.80 per share	31,147,808	32,111,949
1,106,382 ordinary shares issued on 11 March 2008 under a dividend reinvestment plan	1,533,784	-
695,659 ordinary shares issued on 27 October 2006 under a dividend reinvestment plan	-	1,233,070
852,070 ordinary shares issued on 27 April 2007 under a dividend reinvestment plan	-	1,588,645
At reporting date	<b>151,927,454</b>	<b>117,706,977</b>

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.

### (c) Options

The Company issued a prospectus dated 17 November 2006 for a 1 for 1 bonus issue of 68,210,771 options to acquire fully paid ordinary shares exercisable at \$1.80 per option. The options began trading on the Australian Securities Exchange on 23 November 2006 and expired on 17 December 2007. For the year period 1 July 2007 to 17 December 2007 the Company issued 17,304,337 ordinary shares (2007: 17,839,970 ordinary shares) as a result of the exercise of options for a total consideration of \$31,147,808 (2007: \$32,111,949). The market values on the dates of exercise ranged from \$1.74 to \$1.96 (2007: \$1.77 to \$2.03). On 17 December 2007, 33,066,464 options expired.

### (d) Capital Management

The Board effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. At the core of this management is the belief that shareholder value should be preserved at all costs. Shareholder value will be preserved through the management of the level of distributions to shareholders, share and options to buy shares issues as well as the use of share buy-backs when shares are trading at a significant discount to NTA.

## 11. RESERVE

Asset Revaluation Reserve	-	<b>26,138,729</b>
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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) (v).

Movement in Asset Revaluation Reserve		
Balance at the beginning of the year	26,138,729	11,812,949
Transfer from/(to) retained earnings	(26,138,729)	14,325,780
<b>At reporting date</b>	<b>-</b>	<b>26,138,729</b>

# WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	June 2008 \$	June 2007 \$
<b>12. (ACCUMULATED LOSSES)/RETAINED EARNINGS</b>		
Balance at the beginning of the year	20,038,516	11,956,521
(Loss)/Profit for the year attributable to members of the Company	(31,619,033)	34,005,754
Transfer from/(to) asset revaluation reserve	26,138,729	(14,325,780)
Dividends paid (refer Note 4)	(16,568,030)	(11,597,979)
<b>At reporting date</b>	<b><u>(2,009,818)</u></b>	<b><u>20,038,516</u></b>

### 13. 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	8,407,334	4,016,443
Fixed interest securities	57,416,769	36,531,701
	<b><u>65,824,103</u></b>	<b><u>40,548,144</u></b>

The weighted average interest rate for cash and fixed interest securities as at 30 June 2008 is 7.81% (2007: 6.43%). The fixed interest securities have an average maturity of 94 days (2007: 66 days). The fixed interest securities has 96% invested in Standard & Poor's rated A1+ and 4% invested in Standard & Poor's rated AAA. The fixed interest securities include the cash collateral for the borrowed stock (refer Note 8).

### 14. CASH FLOW INFORMATION

#### Reconciliation of Operating (Loss)/Profit after Income Tax

Operating (loss)/profit after income tax	(31,619,033)	34,005,754
<b>Add/(less) items classified as Investing/Financing Activities:</b>		
Realised loss/(gain) on sale of investments	1,135,917	(26,776,880)
<b>Add/(less) non cash items:</b>		
Unrealised loss/(profit) on investments	52,796,328	(20,467,178)
<b>Net cash provided by Operating Activities before changes in assets and liabilities:</b>		
Increase in receivables	(155,076)	(142,533)
Increase in deferred tax assets	(2,712)	(660)
(Decrease)/Increase in payables	(3,180,445)	3,029,860
(Decrease)/Increase in current tax assets/liabilities	(9,414,567)	2,484,214
(Decrease)/Increase in deferred tax liabilities	(10,327,726)	5,638,260
Net cash used in Operating Activities	<b><u>(767,314)</u></b>	<b><u>(2,229,163)</u></b>

### 15. EARNINGS PER SHARE

(Loss)/profit after income tax used in the calculation of basic earnings per share

	<u>(31,619,033)</u>	<u>34,005,754</u>
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share:	<u>105,550,031</u>	<u>74,243,916</u>
Add: Weighted average number of options outstanding	n/a	1,615,061
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share:	<u>105,550,031</u>	<u>75,858,977</u>

# WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### 16. FINANCIAL RISK MANAGEMENT

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

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 and market risk of the Company.

#### (a) 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 net of any provision for impairment of those assets.

The Manager is responsible for ensuring there is appropriate diversification across counter parties and that they are of a sufficient quality rating. The Manager is satisfied that the Company is currently sufficiently diversified so as to reduce exposure to any individual credit risk.

#### (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 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 and any 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. 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.

#### (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 reduce market risk of the Company by not being overly exposed to one investee 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.

#### (d) Net Fair Values

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

### 17. EVENTS SUBSEQUENT TO REPORTING DATE

The Board announced on 28 August 2008 an equal access buy-back scheme. Eligible shareholders may tender up to 5.8% of their shareholding at the record date at a price of \$1.38 per share. The record date for participation is 8 October 2008. Shares will trade on an "ex" basis 1 October 2008.

# WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### 17. EVENTS SUBSEQUENT TO REPORTING DATE (CONTINUED)

No shareholder will be obliged to participate in the buy-back. Shareholders who wish to participate will need to accept by 30 October 2008. Payment for shares bought back will be made 7 November 2008.

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.

### 18. INVESTMENT TRANSACTIONS

The total number of contract notes that were issued for transactions in securities during the financial year was 2,607 (2007: 2,717). Each contract note could involve multiple transactions. The total brokerage paid on these contract notes was \$2,037,350 (2007: \$2,037,705).

### 19. 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.

	June 2008	June 2007
	\$	\$
	<u>690,000</u>	<u>540,000</u>

### 20. CAPITAL COMMITMENTS

Capital commitments exist for placements entered into before year end.

	<u>-</u>	<u>3,728,952</u>
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### 21. KEY MANAGEMENT PERSONNEL COMPENSATION

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

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 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.

Individual directors' remuneration disclosures are provided in the Remuneration Report of the Directors' Report on pages 7 to 13, as permitted by Corporations Regulation 2M.3.03 and 2M.6.04.

	Directors' Fees	Post-employment Superannuation	Total
	\$	\$	\$
Total Directors remuneration paid by the Company for the year ended 30 June 2008	<u>45,871</u>	<u>34,129</u>	<u>80,000</u>

# WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### 21. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

#### b) Share and Option holdings

As at 30 June 2008 the Company's key management personnel held the following interests in the Company:  
*Ordinary Shares held*

Directors	Balance at 30 June 2007	Acquisitions/ Options Exercised	Disposals	Balance at 30 June 2008
G.J. Wilson	3,560,947	-	-	3,560,947
M.J. Kidman	312,569	16,885	-	329,454
P.D.K Jensen	72,235	9,114	-	81,349
J. M. Chirside	-	-	-	-
	<b>3,945,751</b>	<b>25,999</b>	<b>-</b>	<b>3,971,750</b>

#### b) Share and Option holdings

*Options held*

Directors	Balance at 30 June 2007	Bonus Issue/ Acquisitions	Disposals/ Options Exercised/ Lapsed	Balance at 30 June 2008
G.J. Wilson	69,853	-	(69,853)	-
M.J. Kidman	10,514	-	(10,514)	-
P.D.K Jensen	17,063	-	(17,063)	-
J. M. Chirside	-	-	-	-
	<b>97,430</b>	<b>-</b>	<b>(97,430)</b>	<b>-</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.

### 22. 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 \$1,914,694 inclusive of GST (2007: \$1,562,695). As at 30 June 2008 the balance payable to the manager was \$134,493 (2007: \$168,103).

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 2008, no performance fee was payable to Wilson Asset Management (International) Pty Limited (2007: \$3,171,005 (inclusive of GST)).

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 as set out in pages 15 to 29 and the additional disclosures included in the Directors' Report designated as "Remuneration Report", as set out on pages 10 and 11, 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 2008 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.



G.J. Wilson, Chairman

Dated at Sydney this 17<sup>th</sup> day of September 2008

PARTNERS:

Howard Badger CA  
Andrew Blackwell CA  
Chris Chandran CA  
Michael Dundas CA  
Martin Fowler CA  
Stephen Humphrys FCA  
Garry Leyshon FCA  
Allan Mortel CA  
Wayne Morton FCA  
Joe Shannon CA  
Robert Southwell CA  
Spiro Tzannes FCA  
Charlie Viola (Affiliate ICAA)  
Scott Whiddett CA

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF WAM CAPITAL LIMITED

We have audited the accompanying financial report of WAM Capital Limited (the company) which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of WAM Capital Limited on 16 September 2008 would be in the same terms if provided to the directors as at the date of this auditor's report.

*Auditor's Opinion*

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

- (i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 10 and 11 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

In our opinion the Remuneration Report of WAM Capital Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.



**Moore Stephens Sydney**  
Chartered Accountants



*S.M. Whiddett*  
Partner

Dated in Sydney this 17<sup>th</sup> day of September 2008

# 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 2008)

There are currently no substantial shareholders of WAM Capital Limited.

#### On-market buy back (as at 31 August 2008)

There is no current on-market buy back.

#### Distribution of shareholders (as at 31 August 2008)

Category	No. of shareholders	
	Ordinary Shares	Options
1 – 1,000	311	-
1,001 – 5,000	1,155	-
5,001 – 10,000	1,032	-
10,001 – 100,000	1,906	-
100,001 and over	123	-
	<b>4,527</b>	-

The number of shareholdings held in less than marketable parcels is 105.

#### Twenty largest shareholders - Ordinary shares (as at 31 August 2008)

Name	Number of ordinary shares held	Percentage of issued capital held
Mr Victor John Plummer	3,625,000	3.42
Mr Geoffrey James Wilson and Associated Companies	3,491,094	3.29
Dr Russell Kay Hancock	3,200,013	3.01
Mrs Fay Cleo Martin-Weber	1,463,068	1.38
Marbear Holdings Pty Limited	1,440,300	1.36
Vilo Finance Pty Limited	1,400,000	1.32
VBS Investments Pty Limited	1,200,000	1.13
Pineross Pty Limited	960,708	0.90
Eneber Investment Company Limited	881,000	0.83
Namberry Way Pty Limited	790,000	0.74
Trophy Components Distributors Pty Limited	554,798	0.52
Sanolu Pty Limited	460,240	0.43
Lonceta Pty Limited (Hancock Super Fund A/C)	431,239	0.41
Mrs Trudi Anne Priestly	421,600	0.40
Bond Street Custodians Limited (DMine – GS1028 A/c)	401,900	0.38
Mr Thomas Storey	400,000	0.38
Chiatta Pty Limited <WL Houghton Pract S/F A/C>	390,000	0.37
M & H Nominees	387,600	0.37
Edington Pty Limited (Herring super Fund A/C)	385,851	0.36
Mr & Mrs Heathers <Heathers Family Super A/C>	382,898	0.36
	<b>22,667,309</b>	<b>21.36</b>

# **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.

### **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.

# WAM CAPITAL LIMITED

ABN: 34 086 587 395

## INVESTMENTS AT MARKET VALUE AS AT 30 JUNE 2008

Company Name	Code	Quantity	Market Value \$	%
<b>Software &amp; Services</b>				
Reckon Limited	RKN	5,565,543	6,567,341	
Melbourne IT Limited	MLB	1,274,935	3,710,061	
Eservglobal Limited	ESV	1,759,756	1,443,000	
ITX Group Limited	ITX	1,691,024	1,268,268	
MatrixView Limited	MVU	3,476,330	625,739	
NewSat Limited	NWT	184,547,237	553,642	
			<b>14,168,051</b>	<b>20.4%</b>
<b>Diversified Financials</b>				
HFA Holdings Limited	HFA	2,635,740	3,057,458	
HFA Accelerator Plus Limited	HAP	2,136,072	2,007,908	
Keybridge Capital Limited	KBC	2,355,313	1,601,613	
Clime Investment Limited	CIW	2,846,346	1,423,173	
Impact Capital Limited	ICD	2,365,730	1,171,036	
Henderson Group PLC	HGI	472,185	1,038,807	
Rattoon Holdings Limited	RTN	9,764,951	976,495	
Emerging Leaders Investments Limited	ELI	619,066	600,494	
Scarborough Equities Limited	SCB	950,877	575,281	
Bentley International Limited	BEL	1,707,746	461,091	
Everest Babcock & Brown Alt. Inv Trust	EBI	137,883	442,604	
Tidewater Investments Limited	TDI	925,322	370,129	
Austock Group Limited	ACK	299,444	164,694	
Tolhurst Group Limited (escrow 02/04/09)	TNL	160,997	32,199	
Tidewater Investments Limited Opt 30/05/09	TDIO	135,346	135	
			<b>13,923,117</b>	<b>20.1%</b>
<b>Capital Goods</b>				
Service Stream Limited	SSM	1,697,663	1,697,663	
Nomad Building Solutions Limited	NOD	862,044	1,508,577	
Clough Limited	CLO	1,995,089	1,456,415	
Ludowici Limited	LDW	270,173	1,013,149	
Watpac Limited	WTP	370,430	744,564	
Saunders International Limited	SND	492,973	295,784	
			<b>6,716,152</b>	<b>9.7%</b>
<b>Energy</b>				
ARC Energy Limited	ARQ	1,449,000	2,115,540	
Sydney Gas Limited	SGL	3,416,363	1,366,545	
Linc Energy Limited	LNC	241,500	893,550	
AED Oil Limited	AED	241,500	685,860	
			<b>5,061,495</b>	<b>7.3%</b>
<b>Retailing</b>				
RR Australia Limited	RRA	2,707,559	1,732,838	
Just Group Limited	JST	483,000	1,502,130	
The Reject Shop Limited	TRS	91,000	864,500	
Adtrans Group Limited	ADG	159,888	567,602	
Cheviot Bridge Limited	CVB	2,049,692	112,733	
			<b>4,779,803</b>	<b>6.9%</b>

# WAM CAPITAL LIMITED

ABN: 34 086 587 395

## INVESTMENTS AT MARKET VALUE AS AT 30 JUNE 2008 (CONTINUED)

Company Name	Code	Quantity	Market Value \$	%
<b>Commercial Services &amp; Supplies</b>				
McMillan Shakespeare Limited	MMS	853,120	2,098,675	
Seek Limited	SEK	414,000	2,070,000	
Chandler MacLeod Limited	CMG	1,103,481	292,422	
Dolomatrix International Limited	DMX	604,199	138,966	
Clean Tech Holdings Limited	CLQ	342,132	111,193	
			<b>4,711,256</b>	<b>6.8%</b>
<b>Media</b>				
Photon Group Limited	PGA	762,158	2,271,231	
Mitchell Communications Group Limited	MCU	3,017,239	1,840,516	
Macquarie Radio Limited	MRN	639,636	319,818	
			<b>4,431,565</b>	<b>6.4%</b>
<b>Listed hybrids</b>				
Dyno Nobel SPS Trust	DYNPA	17,202	1,974,807	
Bank of Queensland Reset Prefs	BOQPB	16,590	1,619,184	
Antares Energy Ltd Unsec Conv Notes	AZZG	191,870	136,228	
			<b>3,730,219</b>	<b>5.4%</b>
<b>Materials</b>				
Industrial Minerals Limited	IDM	3,942,800	1,379,980	
Proto Resources Ltd	PRW	2,989,974	568,095	
Saracen Mineral Holdings Limited	SAR	3,109,214	528,566	
Finders Resources Limited Options	FNDO	485,137	194,055	
Industrial Minerals Limited Options 31/12/09	IDMO	437,500	87,500	
Proto Resources Limited Options 31/12/13	PRWOA	1,066,058	63,963	
			<b>2,822,159</b>	<b>4.1%</b>
<b>Health Care Equipment &amp; Services</b>				
Primary Health Care Limited	PRY	270,700	1,407,640	
Aevum Limited	AVE	547,989	1,013,780	
			<b>2,421,420</b>	<b>3.5%</b>
<b>Insurance</b>				
Tower Limited	TWR	1,258,930	1,900,984	
			<b>1,900,984</b>	<b>2.7%</b>
<b>Real Estate</b>				
Devine Limited	DVN	1,083,400	872,137	
Wentworth Mutual Limited	WWM	2,173,390	191,258	
Lifestyle Communities Limited	LIC	1,661,625	166,163	
			<b>1,229,558</b>	<b>1.8%</b>
<b>Consumer Services</b>				
Reef Casino Trust	RCT	320,424	740,179	
Blue Ensign Technologies Limited	BLE	1,750,000	525,000	
			<b>1,265,179</b>	<b>1.8%</b>
<b>Food &amp; Staples Retailing</b>				
Metcash Limited	MTS	169,063	625,533	
			<b>625,533</b>	<b>0.9%</b>
<b>Banks</b>				
Homeloans Limited	HOM	1,097,276	526,692	
			<b>526,692</b>	<b>0.8%</b>

# WAM CAPITAL LIMITED

ABN: 34 086 587 395

## INVESTMENTS AT MARKET VALUE AS AT 30 JUNE 2008 (CONTINUED)

<b>Company Name</b>	<b>Code</b>	<b>Quantity</b>	<b>Market Value \$</b>	<b>%</b>
<b>Unlisted equities</b>				
Granite Power Limited		420,000	210,000	
Red Mountain Limited		2,030,000	203,000	
			<b>413,000</b>	<b>0.6%</b>
<b>Telecommunication Services</b>				
SP Telemedia Limited	SOT	1,922,071	345,973	
			<b>345,973</b>	<b>0.5%</b>
<b>Consumer Durables &amp; Apparel</b>				
Headline Group Limited	HLD	1,625,534	251,958	
			<b>251,958</b>	<b>0.4%</b>
<b>Total Long Portfolio</b>			<b>69,324,116</b>	<b>100.0%</b>