

# WAM CAPITAL LIMITED

ABN 34 086 587 395

## Appendix 4D Half Year Report

for the half year ended 31 December 2016

### Results for Announcement to the Market

All comparisons to the half year ended 31 December 2015

	\$	up/down	% mvmt
Revenue from ordinary activities	89,756,488	down	(34.1%)
Profit from ordinary activities before income tax expense	79,704,078	down	(22.6%)
Net profit from ordinary activities after income tax expense	59,059,191	down	(20.8%)

Dividend information	Cents per share	Franked amount per share	Tax rate for franking
2017 Interim dividend cents per share	7.50c	7.50c	30%
2016 Final dividend cents per share	7.25c	7.25c	30%

### Interim dividend dates

Ex dividend date	13 April 2017
Record date	18 April 2017
Last election date for the DRP	20 April 2017
Payment date	28 April 2017

### Dividend Reinvestment Plan

The Dividend Reinvestment Plan ('DRP') is in operation and the recommended fully franked interim dividend of 7.50 cents per share qualifies. Participating shareholders will be entitled to be allotted the number of shares (rounded to the nearest whole number) which the cash dividend would purchase at the relevant issue price. The relevant issue price will be at a 2.5% discount to the price, calculated as the VWAP (volume weighted average market price) of shares sold on the ASX on the ex date for the relevant dividend and the 3 trading days following that date.

	31 Dec 16	31 Dec 15
Net tangible asset backing (after tax) per share	\$1.95	\$1.88

This report is based on the Half Year Financial Report which has been subject to independent review by the Auditors, Pitcher Partners. All the documents comprise the information required by Listing Rule 4.2A. This information should be read in conjunction with the 30 June 2016 Annual Financial Report.



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**Financial Report**

For the half year ended 31 December 2016

# WAM Capital Limited

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

## Directors

Geoff Wilson (Chairman)  
Matthew Kidman  
Paul Jensen  
James Chirnside  
Lindsay Mann  
Chris Stott  
Kate Thorley

## Company Secretary

Kate Thorley

## Investment Manager

Wilson Asset Management  
(International) Pty Ltd  
Level 11, 139 Macquarie Street  
Sydney NSW 2000

## Auditor

Pitcher Partners

## Country of Incorporation

Australia

## Registered Office

Level 11, 139 Macquarie Street  
Sydney NSW 2000

## Contact Details

Postal Address: GPO Box 4658  
Sydney NSW 2001  
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W: [wilsonassetmanagement.com.au](http://wilsonassetmanagement.com.au)

## Share Registry

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

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

## Australian Securities Exchange

WAM Capital Limited  
Ordinary Shares (WAM)

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## Directors' Report to shareholders for the half year ended 31 December 2016

The Directors present their report together with the financial report of WAM Capital Limited for the half year ended 31 December 2016.

### Directors

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

- Geoff Wilson (Chairman – Non-independent)
- Matthew Kidman (Director – Independent)
- Paul Jensen (Director – Independent)
- James Chirnside (Director – Independent)
- Lindsay Mann (Director – Independent)
- Chris Stott (Director – Non-independent)
- Kate Thorley (Director – Non-independent) (appointed 31 August 2016)

### Principal activity

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

### Operating and financial review

Investment operations during the half year resulted in an operating profit before tax of \$79,704,078 (2015: \$102,987,869) and an operating profit after tax of \$59,059,191 (2015: \$74,608,216). The change in profit is a reflection of the increased capital base and the change in value of the investment portfolio. The investment portfolio rose 9.7% in the 6 months to 31 December 2016 while the portfolio increased 16.5% in the previous corresponding period. This reduction in absolute performance negatively impacted the half year profit.

Under Accounting Standards, realised gains and losses on the investment portfolio and dividend income are added to or reduced by changes in the market value of the Company's investments. This can lead to large variations in reported profits. We believe a more appropriate measure of the results is the change in Net Tangible Asset (NTA) per share and the fully franked dividends paid. The after tax NTA, adjusted for dividends, increased 8.8% for the 6 months to 31 December 2016.

The NTA after tax for each share as at 31 December 2016 amounted to \$1.95 per share (2015: \$1.88). The NTA before tax was \$2.00 per share (2015: \$1.96). These figures are after 7.25 cents in fully franked dividends paid to shareholders during the period (2015: 7.0 cents).

The total shareholder return for the Company for the period to 31 December 2016 was 11.5%.

The Company achieved continued growth during the period increasing shareholders equity by 33.3% to \$1.2 billion and total shareholder numbers by 20.8% to 24,686. This growth was achieved through the strong performance of the investment portfolio and capital management initiatives including the Share

Purchase Plan and Placement that raised a combined \$247.5 million and the DRP shortfall placement in October 2016 that raised \$20.3 million.

A final dividend of 7.25 cents per share fully franked was paid in the period to 31 December 2016 and an interim dividend 7.50 cents per share fully franked has been declared by the Board and will be paid on 28 April 2017.

#### **Rounding of amounts to nearest dollar**

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

#### **Auditor's Independence Declaration**

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* in relation to the review for the half-year is set out on page 6 of this financial report.

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



**Geoff Wilson**  
**Chairman**

Dated in Sydney this 8<sup>th</sup> day of February 2017

**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF WAM CAPITAL LIMITED  
ABN 34 086 587 395**

In relation to the independent auditor's review for the half-year ended 31 December 2016, to the best of my knowledge and belief there have been:

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

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



**CHRIS CHANDRAN**  
Partner

**PITCHER PARTNERS**  
Sydney

8 February 2017

## Statement of comprehensive income for the half year ended 31 December 2016

	Note	December 2016 \$	December 2015 \$
Net realised and unrealised gains on financial assets		64,022,045	119,717,772
Other revenue from operating activities	2	25,734,443	16,423,243
Management fees		(6,020,837)	(4,540,776)
Performance fees		-	(25,908,591)
Directors fees		(95,000)	(90,000)
Brokerage expense on share purchases		(2,839,213)	(1,957,625)
Expenses paid on borrowed stock		(426,930)	(175,731)
Custody fees		(40,538)	(71,718)
ASX listing and chess fees		(154,366)	(144,037)
Share registry fees		(220,530)	(151,949)
Disbursements, mailing and printing		(65,670)	(41,274)
Legal fees		(59,197)	(1,679)
Payroll tax		(5,178)	-
Other expenses from ordinary activities		(124,951)	(69,766)
<b>Profit before income tax</b>		<b>79,704,078</b>	<b>102,987,869</b>
Income tax expense		(20,644,887)	(28,379,653)
<b>Profit attributable to members of the Company</b>	6	<b>59,059,191</b>	<b>74,608,216</b>
<b>Other comprehensive income</b>			
Other comprehensive income for the period, net of tax		-	-
<b>Total comprehensive income for the period</b>		<b>59,059,191</b>	<b>74,608,216</b>
<b>Basic earnings per share</b>		<b>10.57 cents</b>	<b>16.33 cents</b>
<b>Diluted earnings per share</b>		<b>10.57 cents</b>	<b>16.33 cents</b>

The accompanying notes form part of these financial statements.

## Statement of financial position as at 31 December 2016

	Note	December 2016 \$	June 2016 \$
<b>Current assets</b>			
Cash and cash equivalents		394,730,004	290,991,754
Trade and other receivables		10,337,757	82,302,938
Financial assets		799,325,870	598,828,104
<b>Total current assets</b>		<b>1,204,393,631</b>	<b>972,122,796</b>
<b>Non-current assets</b>			
Deferred tax assets		272,032	1,833,204
<b>Total non-current assets</b>		<b>272,032</b>	<b>1,833,204</b>
<b>Total assets</b>		<b>1,204,665,663</b>	<b>973,956,000</b>
<b>Current liabilities</b>			
Trade and other payables		5,096,038	55,065,844
Financial liabilities		-	11,504,217
Current tax liabilities		11,920,229	18,251,214
<b>Total current liabilities</b>		<b>17,016,267</b>	<b>84,821,275</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		16,549,710	10,385,479
<b>Total non-current liabilities</b>		<b>16,549,710</b>	<b>10,385,479</b>
<b>Total liabilities</b>		<b>33,565,977</b>	<b>95,206,754</b>
<b>Net assets</b>		<b>1,171,099,686</b>	<b>878,749,246</b>
<b>Equity</b>			
Issued capital	4	1,060,549,163	784,687,748
Reserves	5	147,240,163	121,681,496
Accumulated losses	6	(36,689,640)	(27,619,998)
<b>Total equity</b>		<b>1,171,099,686</b>	<b>878,749,246</b>

The accompanying notes form part of these financial statements.



## Statement of changes in equity for the half year ended 31 December 2016

	Note	Issued capital \$	Accumulated losses \$	Profits reserve \$	Total equity \$
<b>Balance at 1 July 2015</b>		<b>744,928,101</b>	<b>(27,619,998)</b>	<b>89,191,532</b>	<b>806,499,635</b>
Profit for the half year		-	74,608,216	-	74,608,216
Transfer to profits reserve		-	(74,608,216)	74,608,216	-
Other comprehensive income for the half year		-	-	-	-
Shares issued via dividend reinvestment plan	4(b)	7,396,301	-	-	7,396,301
Shares issued via placement	4(b)	25,135,899	-	-	25,135,899
Capitalised share issue costs	4(b)	(185,957)	-	-	(185,957)
Dividends paid	3(a)	-	-	(31,573,550)	(31,573,550)
<b>Balance at 31 December 2015</b>		<b>777,274,344</b>	<b>(27,619,998)</b>	<b>132,226,198</b>	<b>881,880,544</b>
<b>Balance at 1 July 2016</b>		<b>784,687,748</b>	<b>(27,619,998)</b>	<b>121,681,496</b>	<b>878,749,246</b>
Profit for the half year		-	59,059,191	-	59,059,191
Transfer to profits reserve		-	(68,128,833)	68,128,833	-
Other comprehensive income for the half year		-	-	-	-
Shares issued via share purchase plan	4(b)	128,397,982	-	-	128,397,982
Shares issued via placement	4(b)	119,114,202	-	-	119,114,202
Shares issued via dividend reinvestment plan	4(b)	8,394,037	-	-	8,394,037
Shares issued via DRP shortfall placement	4(b)	20,342,379	-	-	20,342,379
Capitalised share issue costs	4(b)	(387,185)	-	-	(387,185)
Dividends paid	3(a)	-	-	(42,570,166)	(42,570,166)
<b>Balance at 31 December 2016</b>		<b>1,060,549,163</b>	<b>(36,689,640)</b>	<b>147,240,163</b>	<b>1,171,099,686</b>

The accompanying notes form part of these financial statements.

## Statement of cash flows for the half year ended 31 December 2016

	Note	December 2016 \$	December 2015 \$
<b>Cash flows from operating activities</b>			
Proceeds from sale of investments		1,451,970,169	900,661,834
Payments for purchase of investments		(1,547,945,586)	(919,745,111)
Dividends received		16,006,876	9,892,174
Trust distributions received		5,420,607	2,483,236
Interest received		4,020,847	3,881,348
Other investment income received		133,752	143,834
Management fee (GST inclusive)		(6,219,462)	(5,470,283)
Performance fee (GST inclusive)		(32,335,391)	(11,028,731)
Brokerage expense on share purchases (GST inclusive)		(3,044,057)	(2,098,144)
Payments for administration expenses (GST inclusive)		(1,431,126)	(724,905)
Income tax paid		(19,084,533)	(6,498,997)
GST on brokerage expense on share sales		(173,876)	(135,590)
Net GST received from ATO		3,294,717	1,342,313
<b>Net cash used in operating activities</b>		<b>(129,387,063)</b>	<b>(27,297,022)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		267,854,563	25,135,899
Dividends paid – net of reinvestment		(34,176,130)	(24,177,249)
Payments for issue of shares		(553,120)	(265,653)
<b>Net cash provided by financing activities</b>		<b>233,125,313</b>	<b>692,997</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>		<b>103,738,250</b>	<b>(26,604,025)</b>
Cash and cash equivalents at the beginning of the half year		290,991,754	321,673,812
<b>Cash and cash equivalents at the end of the half year</b>		<b>394,730,004</b>	<b>295,069,787</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements for the half year ended 31 December 2016

## 1. Summary of significant accounting policies

These condensed interim financial statements and notes for the half year represent those of WAM Capital Limited.

The half year financial report was authorised for issue on 8 February 2017 by the Board of Directors.

### Basis of preparation

The half year financial statements are general purpose financial statements that have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: *Interim Financial Reporting*, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The half year report does not include full disclosures of the type normally included in an annual financial report. It is recommended that the half year financial report be read in conjunction with the Annual Financial Report for the year ended 30 June 2016 and any public announcements made by the Company during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical cost with the exception of certain financial assets and liabilities that have been measured at fair value.

In accordance with ASIC Corporations (rounding in financial reports) Instrument 2016/191, the amounts in the financial report have been rounded to the nearest dollar.

There are no new and revised accounting requirements significantly affecting the half year financial statements. The accounting policies have been consistently applied by the Company throughout the period and are consistent with those applied in the 30 June 2016 Annual Financial Report.

## 2. Other revenue

	December 2016 \$	December 2015 \$
Australian sourced dividends	12,165,442	10,099,721
Interest	3,901,535	3,629,948
Trust distributions	9,237,310	2,558,954
Underwriting fees	113,691	134,620
Foreign sourced dividends	296,404	-
Other income	20,061	-
	<b>25,734,443</b>	<b>16,423,243</b>

### 3. Dividends

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

	December 2016 \$	December 2015 \$
Final dividend FY2016: 7.25 cents per share fully franked at 30% tax rate paid 28 October 2016 (Final dividend FY2015: 7.0 cents per share fully franked)	<b>42,570,166</b>	<b>31,573,550</b>

#### b) Dividends not recognised the period

	December 2016 \$	December 2015 \$
Since the end of the period, the Directors have declared an interim fully franked dividend of 7.50 cents per share payable on 28 April 2017 (Interim dividend FY2016: 7.25 cents per share fully franked)	<b>44,991,602</b>	<b>33,930,526</b>

### 4. Issued capital

#### a) Paid-up capital

	December 2016 \$	June 2016 \$
599,888,029 ordinary shares fully paid (June 2016: 471,514,559)	<b>1,060,549,163</b>	<b>784,687,748</b>

#### b) Ordinary shares

	December 2016 \$	June 2016 \$
Balance at the beginning of the period	784,687,748	744,928,101
59,999,057 ordinary shares issued under the share purchase plan on 26 August 2016	128,397,982	-
55,660,842 ordinary shares issued under the placement on 26 August 2016	119,114,202	-
3,713,713 ordinary shares issued on 28 October 2016 under a dividend reinvestment plan	8,394,037	-
8,999,858 ordinary shares issued on 28 October 2016 under a dividend reinvestment plan shortfall placement	20,342,379	-
Share issue costs (net of tax)	(387,185)	(185,957)
3,855,003 ordinary shares issued on 30 October 2015 under a dividend reinvestment plan	-	7,396,301
13,101,167 ordinary shares issued on 3 November 2015 under a dividend reinvestment plan shortfall placement	-	25,135,899
3,507,674 ordinary shares issued on 13 May 2016 under a dividend reinvestment plan	-	7,413,404
At reporting date	<b>1,060,549,163</b>	<b>784,687,748</b>

## 5. Reserves

	December 2016 \$	June 2016 \$
Profits reserve	<b>147,240,163</b>	<b>121,681,496</b>

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

	December 2016 \$	June 2016 \$
<b>Movement in profits reserve</b>		
Balance at the beginning of the period	121,681,496	89,191,532
Transfer of profits during the period	68,128,833	97,994,040
Final dividend paid (refer to note 3a)	(42,570,166)	(31,573,550)
Interim dividend paid (refer to note 3b)	-	(33,930,526)
At reporting date	<b>147,240,163</b>	<b>121,681,496</b>

## 6. Accumulated losses

	December 2016 \$	June 2016 \$
Balance at the beginning of the period	(27,619,998)	(27,619,998)
Profit for the period attributable to members of the Company	59,059,191	97,994,040
Transfer to profits reserve	(68,128,833)	(97,994,040)
At reporting date	<b>(36,689,640)</b>	<b>(27,619,998)</b>

## 7. Financial instruments measured at fair value

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

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

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

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

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

## 7. Financial instruments measured at fair value (cont'd)

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

The following table presents the Company's financial assets and liabilities measured and recognised at fair value at 31 December 2016:

31 December 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	790,136,872	9,188,998	-	799,325,870
Financial liabilities	-	-	-	-
<b>Total</b>	<b>790,136,872</b>	<b>9,188,998</b>	<b>-</b>	<b>799,325,870</b>

30 June 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	593,217,144	5,610,960	-	598,828,104
Financial liabilities	(11,504,217)	-	-	(11,504,217)
<b>Total</b>	<b>581,712,927</b>	<b>5,610,960</b>	<b>-</b>	<b>587,323,887</b>

## 8. Segment reporting

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

## 9. Capital commitments

There were no capital commitments entered into by the Company before period end which settle after period end (2015: nil).

## 10. Contingent liabilities

There were no contingent liabilities for the Company as at 31 December 2016 (2015: nil).

## 11. Events subsequent to reporting date

Since the end of the half year, the Directors declared an interim dividend of 7.50 cents per share fully franked to be paid on 28 April 2017.

No other matters or circumstance has arisen since the end of the period which significantly affect or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial periods.

## Directors' Declaration

The Directors of WAM Capital Limited declare that:

- 1) The financial statements and notes, as set out on pages 7 to 14, are in accordance with the *Corporations Act 2001*, including:
  - a) complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - b) giving a true and fair view of the financial position of the Company as at 31 December 2016 and of its performance for the half year ended on that date.
- 2) In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



**Geoff Wilson**  
**Chairman**

Dated in Sydney this 8<sup>th</sup> day of February 2017

**Independent Auditor's Review Report  
to the members of WAM Capital Limited  
ABN: 34 086 587 395**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of WAM Capital Limited ("the company"), which comprises the statement of financial position as at 31 December 2016, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies, other selected explanatory notes and the directors' declaration of the company.

**Directors' Responsibility for the Half-Year Financial Report**

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

**Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: "*Review of a Financial Report Performed by the Independent Auditor of the Entity*", in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporation Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: "*Interim Financial Reporting*" and the *Corporations Regulations 2001*. As the auditor of WAM Capital Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of the half-year financial report consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



## **Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

## **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of WAM Capital Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.

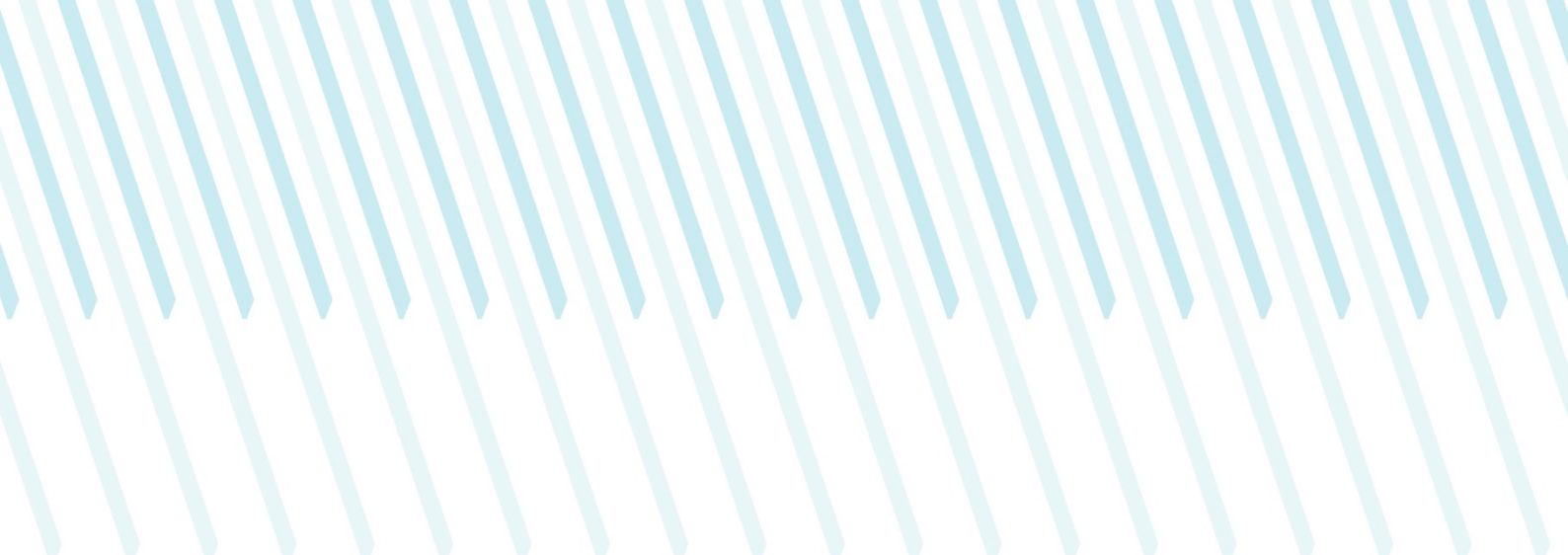


CHRIS CHANDRAN  
Partner



PITCHER PARTNERS  
Sydney

8 February 2017



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