



W | A | M *Capital*

Financial Report

For the half year ended 31 December 2019

ABN 34 086 587 395

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 AO (Chairman)
Dr Philippa Ryan
James Chirnside
Lindsay Mann
Kate Thorley

Company Secretary

Linda Vo

Investment Manager

Wilson Asset Management
(International) Pty Limited
Level 26, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Auditor

Pitcher Partners

Country of Incorporation

Australia

Registered Office

Level 26, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Contact Details

Postal Address: GPO Box 4658
Sydney NSW 2001
T: (02) 9247 6755
F: (02) 9247 6855
E: info@wilsonassetmanagement.com.au
W: 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 2019

The Directors present their report together with the financial report of WAM Capital Limited for the half year ended 31 December 2019.

Directors

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

Geoff Wilson AO (Chairman – Non-independent)

Dr Philippa Ryan (Director – Independent)

James Chirnside (Director – Independent)

Lindsay Mann (Director – Independent)

Kate Thorley (Director – Non-independent)

Chris Stott (Director – Non-independent) – resigned 26 July 2019

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, provide capital growth and 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 \$95,627,893 (2018: operating loss before tax of \$139,722,694) and an operating profit after tax of \$70,354,264 (2018: operating loss after tax of \$91,478,039). The profit for the period is reflective of the solid performance of the investment portfolio over the six months to 31 December 2019. The investment portfolio increased 8.9% in the six months to December 2019, outperforming the S&P/ASX All Ordinaries Accumulation Index by 5.3%. This outperformance was achieved with an average cash weighting of 20.1%.

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

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

WAM Capital's before tax NTA increased 5.9% for the six months to 31 December 2019, including the 7.75 cents per share fully franked final dividend paid to shareholders during the period. This increase is after corporate tax paid of 2.7 cents per share or 1.5% during the period. Corporate tax payments made throughout the period were the major item of difference between the investment portfolio increase of 8.9% and the NTA performance. The franking credits attached to corporate tax payments are available for distribution to shareholders through fully franked dividends. Other items contributing to the change in the value of the assets during the period were management fees of 0.5%, performance fees accrued of 1.0% and other company related expenses of 0.1%, being offset by capital raising accretion of 0.1%.

The NTA before tax as at 31 December 2019 amounted to \$1.87 per share (June 2019: \$1.84). The NTA after tax was \$1.89 per share (June 2019: \$1.87). These figures are after the 7.75 cents per share fully franked final dividend paid to shareholders during the period.

The total shareholder return for the Company for the period to 31 December 2019 was 15.2%. This was reflective of WAM Capital's investment portfolio performance and the increase in the share price premium to NTA. As at 31 December 2019, the share price premium to NTA was 20.3% (June 2019: 9.8%). This measure does not value the potential benefit of franking credits distributed to shareholders through fully franked dividends.

A fully franked final dividend of 7.75 cents per share was paid during the period and a fully franked interim dividend of 7.75 cents per share has been declared by the Board and will be paid on 28 April 2020.

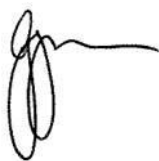
Rounding of amounts to nearest dollar

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, unless otherwise indicated.

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 AO
Chairman

Dated in Sydney this 10th day of February 2020

Level 16, Tower 2 Darling Park
201 Sussex Street
Sydney NSW 2000

Postal Address
GPO Box 1615
Sydney NSW 2001

p. +61 2 9221 2099
e. sydneypartners@pitcher.com.au

**Auditor's Independence Declaration
To the Directors of WAM Capital Limited
ABN 34 086 587 395**

In relation to the independent auditor's review of WAM Capital Limited for the half year ended 31 December 2019, 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.



S M Whiddett
Partner

Pitcher Partners
Sydney

10 February 2020

Statement of comprehensive income for the half year ended 31 December 2019

	Note	December 2019 \$	December 2018 \$
Net realised and unrealised gains/(losses) on financial assets		100,898,065	(155,950,162)
Other revenue from operating activities	2	17,917,575	26,214,657
Management fees		(7,070,034)	(6,937,297)
Performance fees		(12,827,475)	-
Directors fees		(70,710)	(75,000)
Brokerage expense on share purchases		(2,323,531)	(1,992,939)
Expenses paid on borrowed stock		(22,476)	(93,367)
Custody fees		(57,148)	(51,853)
ASX listing and chess fees		(166,149)	(163,740)
Share registry fees		(147,622)	(191,987)
Disbursements, mailing and printing		(208,109)	(204,811)
Legal and professional fees		(26,889)	(107,104)
ASIC industry funding levy		(33,548)	-
Other expenses from ordinary activities		(234,056)	(169,091)
Profit/(loss) before income tax		95,627,893	(139,722,694)
Income tax (expense)/benefit		(25,273,629)	48,244,655
Profit/(loss) after income tax attributable to members of the Company	6	70,354,264	(91,478,039)
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income/(loss) for the period		70,354,264	(91,478,039)
Basic and diluted earnings/(loss) per share		9.78 cents	(13.39) cents

The accompanying notes form part of these financial statements.

Statement of financial position as at 31 December 2019

	Note	December 2019 \$	June 2019 \$
Current assets			
Cash and cash equivalents		233,473,233	325,988,043
Trade and other receivables		3,691,222	37,858,074
Financial assets	7	1,132,657,113	1,000,725,212
Total current assets		1,369,821,568	1,364,571,329
Non-current assets			
Deferred tax assets		16,916,412	23,613,806
Total non-current assets		16,916,412	23,613,806
Total assets		1,386,737,980	1,388,185,135
Current liabilities			
Trade and other payables		18,076,444	31,424,411
Financial liabilities	7	-	10,049,817
Current tax liabilities		1,576,564	2,293,796
Total current liabilities		19,653,008	43,768,024
Total liabilities		19,653,008	43,768,024
Net assets		1,367,084,972	1,344,417,111
Equity			
Issued capital	4	1,345,408,908	1,337,451,236
Profits reserve	5	76,231,201	54,582,036
Accumulated losses	6	(54,555,137)	(47,616,161)
Total equity		1,367,084,972	1,344,417,111

The accompanying notes form part of these financial statements.

Statement of changes in equity for the half year ended 31 December 2019

	Note	Issued capital \$	Accumulated losses \$	Profits reserve \$	Total equity \$
Balance at 1 July 2018		1,221,306,473	(27,619,998)	130,146,739	1,323,833,214
Loss for the half year		-	(91,478,039)	-	(91,478,039)
Transfer to profits reserve		-	(34,529,385)	34,529,385	-
Other comprehensive income for the half year		-	-	-	-
Transactions with owners:					
Shares issued via dividend reinvestment plan	4(b)	8,149,614	-	-	8,149,614
Shares issued via scrip consideration for acquisition	4(b)	99,976,817	-	-	99,976,817
Share issue costs (net of tax)	4(b)	(57,598)	-	-	(57,598)
Dividends paid	3(a)	-	-	(54,821,580)	(54,821,580)
Balance at 31 December 2018		1,329,375,306	(153,627,422)	109,854,544	1,285,602,428
Balance at 1 July 2019		1,337,451,236	(47,616,161)	54,582,036	1,344,417,111
Profit for the half year		-	70,354,264	-	70,354,264
Transfer to profits reserve	5	-	(77,293,240)	77,293,240	-
Other comprehensive income for the half year		-	-	-	-
Transactions with owners:					
Shares issued via dividend reinvestment plan	4(b)	7,957,672	-	-	7,957,672
Dividends paid	3(a)	-	-	(55,644,075)	(55,644,075)
Balance at 31 December 2019		1,345,408,908	(54,555,137)	76,231,201	1,367,084,972

The accompanying notes form part of these financial statements.

Statement of cash flows for the half year ended 31 December 2019

	December 2019 \$	December 2018 \$
Cash flows from operating activities		
Proceeds from sale of investments	1,779,954,798	1,748,908,806
Payments for purchase of investments	(1,814,077,142)	(1,549,054,894)
Dividends received	15,046,459	20,516,609
Interest received	2,280,161	4,078,854
Other investment income received	1,604,737	3,385,326
Management fee (GST inclusive)	(7,549,320)	(7,545,292)
Performance fee (GST inclusive)	-	(364,295)
Brokerage expense on share purchases (GST inclusive)	(2,490,914)	(2,136,736)
Payments for administration expenses (GST inclusive)	(971,208)	(1,176,456)
Income tax paid	(19,293,467)	(20,530,214)
GST on brokerage expense on share sales	(173,655)	(175,264)
Net GST received from ATO	841,144	911,830
Net cash (used in)/provided by operating activities	(44,828,407)	196,818,274
Cash flows from financing activities		
Dividends paid – net of reinvestment	(47,686,403)	(46,671,966)
Share issue costs	-	(82,282)
Net cash used in financing activities	(47,686,403)	(46,754,248)
Net (decrease)/increase in cash and cash equivalents held	(92,514,810)	150,064,026
Cash and cash equivalents at the beginning of the half year	325,988,043	389,675,066
Cash and cash equivalents at the end of the half year	233,473,233	539,739,092
Non- cash transactions:		
Shares issued via dividend reinvestment plan	7,957,672	8,149,614
Shares issued via scrip consideration for acquisition	-	99,976,817

The accompanying notes form part of these financial statements.

Notes to the financial statements for the half year ended 31 December 2019

1. Summary of significant accounting policies

These 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 10 February 2020 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* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Reporting Standard IAS 34: *Interim Financial Reporting*.

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 2019 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, unless otherwise indicated.

The accounting policies have been consistently applied by the Company throughout the period and are consistent with those applied in the 30 June 2019 Annual Financial Report.

2. Other revenue

	December 2019 \$	December 2018 \$
Australian sourced dividends	14,181,210	20,516,608
Interest	1,668,579	3,749,038
Trust distributions	1,932,110	1,761,249
Underwriting fees	135,676	166,844
Other income	-	20,918
	17,917,575	26,214,657

3. Dividends

a) Ordinary dividends paid during the period

	December 2019 \$	December 2018 \$
Final dividend FY2019: 7.75 cents per share fully franked at 30% tax rate, paid 25 October 2019 (Final dividend FY2018: 7.75 cents per share fully franked)	55,644,075	54,821,580

b) Dividends not recognised at period end

	December 2019 \$	December 2018 \$
Since the end of the period, the Directors have declared a fully franked interim dividend of 7.75 cents per share, payable on 28 April 2020 (Interim dividend FY2019: 7.75 cents per share fully franked)	55,898,032	55,272,508

4. Issued capital

a) Paid-up capital

	December 2019 \$	June 2019 \$
721,264,927 ordinary shares fully paid (June 2019: 717,571,132)	1,345,408,908	1,337,451,236

b) Ordinary shares

	December 2019 \$	June 2019 \$
Balance at the beginning of the period	1,337,451,236	1,221,306,473
3,693,795 ordinary shares issued on 25 October 2019 under a dividend reinvestment plan	7,957,672	-
39,011,851 ordinary shares issued on 31 October 2018 as scrip consideration for acquisition of Wealth Defender Equities	-	94,798,798
3,891,095 ordinary shares issued on 26 November 2018 under a dividend reinvestment plan	-	8,149,614
2,342,995 ordinary shares issued on 10 December 2018 as scrip consideration for acquisition of Wealth Defender Equities	-	5,178,019
3,962,185 ordinary shares issued on 26 April 2019 under a dividend reinvestment plan	-	8,088,006
Share issue costs (net of tax)	-	(69,674)
At reporting date	1,345,408,908	1,337,451,236

5. Profits reserve

	December 2019 \$	June 2019 \$
Profits reserve	76,231,201	54,582,036

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

	December 2019 \$	June 2019 \$
Movement in profits reserve		
Balance at the beginning of the period	54,582,036	130,146,739
Transfer of profits during the period	77,293,240	34,529,385
Final dividend paid (refer to note 3(a))	(55,644,075)	(54,821,580)
Interim dividend paid (refer to note 3(b))	-	(55,272,508)
At reporting date	76,231,201	54,582,036

6. Accumulated losses

	December 2019 \$	June 2019 \$
Balance at the beginning of the period	(47,616,161)	(27,619,998)
Profit for the period attributable to members of the Company	70,354,264	14,533,222
Transfer to profits reserve	(77,293,240)	(34,529,385)
At reporting date	(54,555,137)	(47,616,161)

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)

Included within Level 2 of the hierarchy are WAM Capital's investments in unlisted investment companies. The fair value of these investments has been based on their respective net asset backing, being the underlying value of their cash and cash equivalents and investment portfolio values at the end of the reporting period.

The remaining balance of the investments in Level 2 of the hierarchy include unlisted investments which have been valued using valuation techniques such as comparisons to similar investments for which market observable prices are available, the net asset backing per share or the last price to determine fair value.

The following table presents the Company's financial assets and liabilities measured and recognised at fair value at 31 December 2019:

31 December 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	1,130,791,470	1,865,643	-	1,132,657,113
Financial liabilities	-	-	-	-
Total	1,130,791,470	1,865,643	-	1,132,657,113

30 June 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	997,388,145	3,337,067	-	1,000,725,212
Financial liabilities	(9,917,200)	(132,617)	-	(10,049,817)
Total	987,470,945	3,204,450	-	990,675,395

There were no transfers between Level 1 and Level 2 during the period (June 2019: Ask Funding Limited was delisted from the ASX and subsequently transferred to level 2).

The carrying amount of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

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 (June 2019: nil).

10. Contingent liabilities

There were no contingent liabilities for the Company as at 31 December 2019 (June 2019: nil).

11. Events subsequent to reporting date

Since the end of the period, the Directors declared a fully franked interim dividend of 7.75 cents per share to be paid on 28 April 2020.

No other matter or circumstance has arisen since the end of the period, other than already disclosed, which significantly affects 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 15, 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 2019 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 AO
Chairman

Dated in Sydney this 10th day of February 2020

Level 16, Tower 2 Darling Park
201 Sussex Street
Sydney NSW 2000

Postal Address
GPO Box 1615
Sydney NSW 2001

p. +61 2 9221 2099
e. sydneypartners@pitcher.com.au

**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 2019, 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.

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 2019 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 2019 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*.



S M Whiddett
Partner

10 February 2020



Pitcher Partners
Sydney

Wilson Asset Management

Level 26, Governor Phillip Tower
1 Farrer Place, Sydney NSW 2000
E info@wilsonassetmanagement.com.au
T + 61 2 9247 6755

wilsonassetmanagement.com.au