

WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

COMPANY PARTICULARS

WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

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

DIRECTORS:

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

SECRETARY:

M. Kidman

AUDITORS:

Moore Stephens WI

COUNTRY OF INCORPORATION:

Australia

REGISTERED OFFICE:

Level 11, 131 Macquarie Street
Sydney NSW 2000

CONTACT DETAILS:

Mail Address: Lv 11, 131 Macquarie St
Sydney NSW 2000
Telephone: (02) 9247 6755
Fax: (02) 9247 6855
Email: info@wami.com.au
Website: www.wamcapital.com.au

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

SHARE REGISTRAR:

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

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

STOCK EXCHANGE:

Australian Stock Exchange (ASX)
The home exchange is Sydney.
ASX code: WAM Ordinary shares
WAMO Options expiring 17 Jun 2005

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2004 KEY POINTS

- Gross portfolio increased by 27.3% for the year to June 30 2004.
- Profit before tax increased 224.4% to \$16.1m
- Profit after tax increased 199.7% to \$11.4m
- Pre tax net tangible assets rose from 120.2c* a share to 151.8c* a share
- After tax net tangible assets increased from 114.0c* a share to 139.4c* a share
- Total dividend for 2003/04 - 10c a share fully franked

* Adjusted for dividends paid, diluted for options exercised, and undiluted for options on issue.

CHAIRMAN'S LETTER

The year was a solid one for WAM Capital Ltd (WAM). During the period we delivered a return 4.9% in excess of the All Ordinaries Accumulation Index. For the year to 30 June 2004 the gross portfolio (before all expenses and taxes) increased 27.3% compared to a 22.4% increase for the All Ordinaries Accumulation Index. This performance was achieved while holding cash, fixed interest and listed debt instruments of approximately 27% throughout the period.

The pre tax net tangible asset (NTA) backing, after dividends paid, increased from 120.2 cents to 151.8 cents and after tax, the NTA increased from 114.3 cents to 139.4 cents.

Total dividends declared for the year were 10.0 cents a share fully franked, made up of a 5.0 cent interim dividend and a 5.0 cent final dividend. This was a 25% increase on the previous year.

At 30 June 2004 WAM owned shares in 84 companies and held approximately 37% of our funds in cash, fixed interest and listed debt securities. At 30 June 2003 WAM owned 79 companies. During the year we sold our position in 43 companies, increased our shareholding in 15 and reduced our shareholding in 16. We also took new positions in 48 companies.

The ongoing focus of the manager is to seek out suitable companies to invest in. Matthew Kidman, and myself, the portfolio managers responsible for making the investment decisions, spend as much time as possible meeting with the management of companies. During the last 12 months more than 870 meetings with company management were held. We concentrated on researching small and medium sized industrial companies, because we believe that is where we can add most value.

Over time our goal is to deliver a return of 15-20% per annum. This would ideally be achieved with a portfolio of 25 to 30 companies that are growing earnings at 15-25% per annum, trading on a low price earnings multiple, are well managed and have a strong position in a growth industry. The problem we encounter is that companies with all these characteristics are difficult to find. We will always be looking. Along the way we see numerous opportunities that are not purely research based and when we believe the risk/reward is in our favour, we will take the risk. That is why both the number of companies we own shares in, as well as the levels of cash held, will vary. The focus is to provide the maximum return possible while taking the minimum amount of risk.

During the year we continued to communicate actively with WAM's owners, holding shareholder briefings in Sydney, Melbourne, Adelaide and Brisbane. This will remain a semi-annual event.

The past year saw the Australian share market rally strongly after two lean years. The rise was based upon a strong increase in company earnings and robust economic growth. A repeat of this performance in the coming 12 months is unlikely. With rising interest rates and anticipation of a slowing domestic economy in 2005, returns from the stock market should be moderate. While we do not anticipate a collapse in equity prices we do believe that the new financial year will favour stock pickers rather than investors who rely on market direction. We look forward to the current year with cautious optimism.

Geoff Wilson
Chairman
10 September 2004

COMPANY PROFILE

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

COMPETITIVE ADVANTAGE

What distinguishes the Investment manager WAMI from others is:

- A unique research rating process
- a target of meeting with as many companies as possible
- a total focus on managing money

INVESTMENT OBJECTIVES

The two investment objectives of the Company 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.

INVESTMENT PROCESS

The Company has two investment approaches

- Research Driven - Buying shares in companies after extensive research. This may involve detailed discussion with management of the investee entity and its competitors.
- Market Driven - Buying securities in entities through initial public offerings, placements or the purchase of a block of stock below what the Manager believes is the entity's fair value. This requires close monitoring of market activity.

The Company will focus on the following criteria in appraising potential research based investments:

- earnings growth;
- return on equity;
- free cashflow generation;
- management;
- valuation; and
- Industry and relative industry position.

The typical investment approach of the Company will be to seek a combination of value and growth. An entity attractively priced relative to its appraised value that exhibits strong growth characteristics, generates surplus cashflow, is well managed and has a sound position in its industry is an ideal investment for the Company.

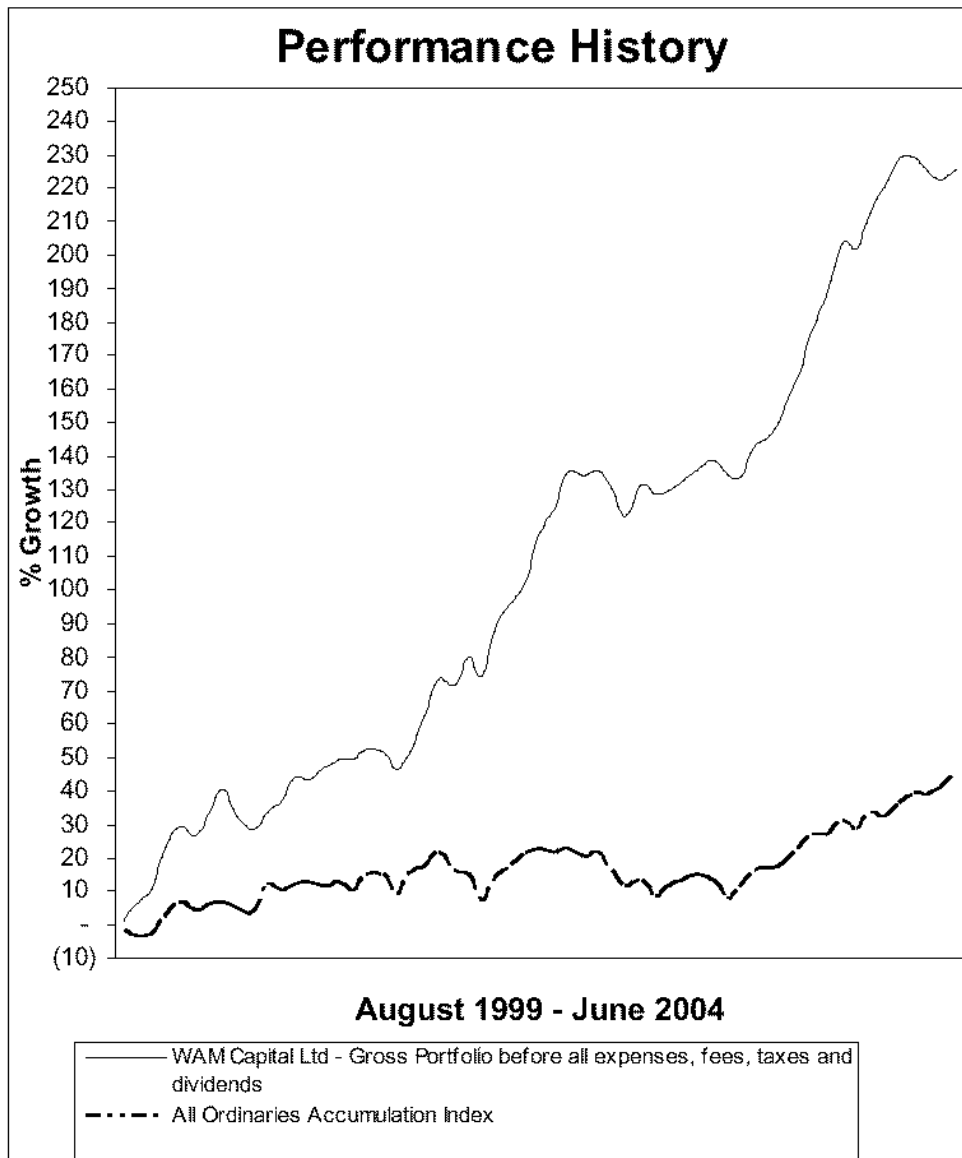
Once the research and relative ranking has been undertaken, the manager will seek to identify a catalyst or an event that alters the market's perception of the entity which will lead to a re-rating of the Company's share price by the market.

INVESTMENTS AT MARKET VALUE AS AT 30 JUNE 2004

	<u>Quantity</u>	<u>Market Value \$</u>		<u>Quantity</u>	<u>Market Value \$</u>
Corporate Debt					
Amity Oil Unsec. Conv.Note	300,000	582,000			
Bank of Queensland Reser Prefs	20,000	2,013,000			
Burns Philp Ltd 7.5% Conv. Pref.	571,830	405,999			
Consolidated Min. 11.25% Conv.Note	191,000	233,020			
Crown Diamonds 11% Conv. Note	1,823,888	364,778			
Kagara Zinc Conv. Note	360,000	360,000			
Mount Gibson 10% Conv. Note	800,000	200,000			
Nylex 9.5% Conv. Note	5,241	235,321			
Primelife 9.5% Conv. Note	5,400	489,780			
Protrome Syst. Conv. Note	670,000	670,000			
REM 9.5% Conv. Note	378,000	166,320			
Timbercorp 9% Conv. Pref.	300,932	583,808			
Sydney Gas 12% Conv.Note	1,412,175	1,256,836			
Strathfield Convertible Notes	486,917	211,809			
		7,772,671			
Materials					
Ausdrill Ltd	673,095	430,781			
Aviva Corp Ltd	5,000,000	160,000			
Aviva Corp Ltd Options	5,000,000	30,000			
Colorpak Ltd	143,660	66,084			
Dominion Mining Ltd	548,810	241,476			
Eurogold Ltd	1,630,000	268,950			
Great Southern Plantations Ltd	167,500	482,400			
Kimberley Diamond Company	267,500	345,075			
Mark Sensing Ltd	3,799,014	436,887			
Minara Resources Ltd	112,500	264,375			
Nustar Mining Ltd	8,400,000	285,600			
Paradigm Gold Ltd	900,000	69,300			
Paradigm Gold Ltd Options	450,000	11,700			
Sedimentary Holdings Ltd	564,860	110,148			
		3,202,776			
Capital Goods					
Austin Engineering Ltd	243,765	70,692			
Hugall & Hoile Ltd	5,729,558	429,717			
Hugall & Hoile Ltd Options	3,890,164	15,561			
Ludowici Ltd	42,612	198,146			
Nylex Ltd	3,052,852	809,006			
PCH Group Ltd	1,590,521	540,777			
		2,063,899			
Commercial Services & Supplies					
Candle Australia Ltd	134,000	215,740			
Catalyst Recruitment	853,270	503,429			
Credit Corp Ltd	439,447	966,783			
Penfold Buscombe Ltd	495,682	555,164			
Roberts Ltd	400,467	2,791,255			
		5,032,371			
Consumer Durables & Apparel					
Undercoverwear Ltd	335,000	197,650			
		197,650			
Hotels, Restaurants & Leisure					
Harvey World Travel Ltd	420,000	604,800			
Reef Casino Trust	237,924	642,395			
		1,247,195			
Utilities					
Australian Energy Ltd	161,770	150,446			
		150,446			
Media					
Infochoice Ltd	1,051,885	368,160			
Photon Group Ltd	430,000	881,500			
RG Capital Radio Ltd	377,800	1,125,844			
		2,375,504			
Telecommunication Services					
PowerTel Ltd	783,347	728,513			
Unwired Group	666,667	413,334			
		1,141,847			
Retail					
A P Eagers Ltd	99,681	717,703			
Homeleisure Ltd	1,298,219	701,038			
Nick Scali Ltd	167,500	231,150			
Signature Brands Ltd	1,752,000	700,800			
Strathfield Ltd	3,228,090	500,354			
					2,851,045
Food Beverage & Tobacco					
Burns Philp Ltd	(571,832)	(390,348)			
Greens Food Ltd	1,126,295	1,058,717			
McGuigan Simeon Wines Ltd	317,408	1,485,469			
Select Harvests Ltd	153,112	1,021,257			
Tassal Group Ltd	1,481,150	1,303,412			
					4,478,507
Health Care Equipment & Services					
Apollo Life	750,000	300,000			
Independent Practitioners	5,005,857	350,410			
MIA Group Ltd	670,000	649,900			
Q-Vis Ltd	18,490,146	110,941			
					1,411,251
Pharmaceuticals & Biotechnology					
Advance Power Tech Ltd	330	233,090			
Bionomics Ltd	2,365,283	532,189			
Bionomics Ltd Options	904,172	28,934			
Cygenics Ltd	168,000	169,680			
Medical Developments Internat. Ltd	1,228,964	1,081,488			
					2,045,381
Diversified Financials					
Australian Stock Exchange Ltd	50,100	778,554			
Challenger Financial Services Group Ltd	1,340,000	649,900			
Contango Microcap Ltd	166,000	147,740			
Equity Capital Markets Ltd	9,995,240	649,691			
JDV Ltd	648,315	460,304			
Loftus Capital Partners Ltd	2,840,146	2,073,307			
Mariner Financial Ltd	440,000	453,200			
Mariner Retirement Ltd	1,120,000	403,200			
Metals Exploration Ltd	600,000	522,000			
MMC Contrarian Ltd	1,640,000	1,590,800			
OFM Investment Ltd	1,046,995	2,219,629			
Pacific Strategic Inv. Ltd	3,784,916	946,229			
Terrain Australia Ltd	1,889,055	340,030			
Trent Capital Ltd	580,692	522,623			
Trent Capital Ltd Options	135,346	16,918			
Wilson Invest. Taurine Fund Ltd	266,426	277,083			
					12,051,208
Insurance					
OAMPS Ltd	544,325	1,643,862			
Promina Group Ltd	171,000	684,000			
					2,327,862
Software & Services					
Alphawest Ltd	1,033,000	433,860			
Innovonics Ltd	1,380,526	262,300			
Melbourne IT Ltd	592,281	491,593			
Oakton Ltd	581,505	686,176			
Powerlan Ltd	14,888,888	550,889			
Rattoon Holdings Ltd	1,680,000	420,000			
Reckon Ltd	4,231,735	4,581,349			
					7,426,167
Semiconductors & Semiconductor Equipment					
Legend Corporation Ltd	253,250	131,690			
					131,690
Real Estate					
Beston Wine Industry Trust	904,478	841,165			
Village Life Ltd	815,295	815,295			
					1,656,460
TOTAL PORTFOLIO VALUE					57,563,930

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

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

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CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2004

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

Board of Directors and its Committees

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

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

The Company formed an Audit Committee on 8 September 2003. The Audit Committee now consists of:

James Chirnside	Chairman
Matthew Kidman	Director and Secretary
Paul Jensen	Director

The Committee's responsibilities are to:

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

Composition of the Board

The Board comprises the Chairman and three other non-executive Directors who consider the composition of the Board and appointment of new Directors. The Board identifies suitable candidates to fill vacancies as they arise.

The performance of each Director is reviewed by the Chairman periodically. At every annual general meeting one third of the Directors must retire from office and be eligible for re-election. Shareholder approval is required on the composition of the Board.

Remuneration of Directors and Executives

The maximum total remuneration of the Directors of the Company has been set at \$60,000 per annum to be divided in such proportions as they agree. The scope of the Company's operations, and the frequency of Board meetings are principal determinants of the fee level. Refer to Note 16 of financial statements.

The Chairman and Secretary 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. Refer to Note 16 of financial statements.

Ethical Standards

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

The Role of Shareholders

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

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CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2004

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

Board's Policy on Dealing in Shares

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

Independent Professional Advice and Access to Company Information

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

Conflict of Interest

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

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2004

The Directors present their report together with the financial report of WAM Capital Limited ("the Company") for the year ended 30 June 2004.

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.

REVIEW OF OPERATIONS AND OPERATING RESULTS

Investment operations over the year resulted in an operating profit after tax of \$11,406,462 (2003: \$3,806,480). Investments are revalued monthly to market value. For the year ended 30 June 2004, investments were revalued by \$5,936,920 (2003: \$123,007), after an adjustment for deferred tax on unrealised gains, a net increment of \$3,808,845 (2003: \$225,101) was transferred to an Unrealised Capital Profits Reserve.

Asset backing for each ordinary share at 30 June 2004 (calculated on market value less realisation costs and all applicable taxes and before provision for dividend) amounted to \$1.39 per share (2003: \$1.14). Asset backing after tax on realised gains but before tax on unrealised gains was \$1.47 per share (2003: \$1.19). The equivalent asset backing before tax was \$1.52 per share (2003: \$1.20). These figures are undiluted for options on issue.

DIVIDENDS

Dividends paid or declared are as follows:

	\$
Fully franked Final dividend of 4.0c per share was paid on the 6 November 2003	2,009,909
Fully franked interim dividend of 5.0c per share was paid on the 27 April 2004	2,789,334

Since year end, the Directors have declared a fully franked final dividend of 5.0c to be paid on 29 November 2004.

OPTIONS

The Company issued a prospectus dated 9 September 2003 for a 1 for 1 bonus issue of 48,088,824 options to acquire fully paid ordinary shares, exercisable at \$1.55 per option. The options began trading on the Australian Stock Exchange on 10 October 2003 and expire on 17 June 2005. During the year the Company issued 7,350,436 ordinary shares as a result of the exercise of options. The market values on the dates of exercise ranged from \$1.51 to \$1.69. At year end 40,738,388 options remain outstanding.

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 2004.

DIRECTORS

The names of the Directors in office at any time during or since the end of the year, and, their qualifications and experience are as follows:-

Geoffrey J. Wilson – Chairman

Geoffrey Wilson is Chairman of Wilson Asset Management (International) Pty Limited, an investment management company, and has 24 years experience in the Australian and International securities industry. He is Chairman of the Wilson Investment Fund Limited, Wilson Leaders Limited, and the Australian Stockbrokers Foundation Limited, and a Director of the North Shore Heart Foundation, Clime Capital Limited, JAM Development Capital Limited and the investment management company, MAM Pty Limited. 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 Fellow of the Securities Institute of Australia. Age 46.

Matthew J. Kidman – Non Executive Director and Secretary

Matthew Kidman is a portfolio manager for Wilson Asset Management (International) Pty Limited. Mr Kidman worked as a finance reporter/investment editor for the Sydney Morning Herald for four years between 1994 and 1998. He is a Director of Wilson Investment Fund Limited, Wilson Leaders Limited, JAM Development Capital Limited and the investment management company, MAM Pty Limited. Mr Kidman has degrees in Economics and Law. Age 35

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2004

DIRECTORS (CONTINUED)

James M. Chirnside – Non-executive Director

James Chirnside has been exclusively focussed in alternative asset management and absolute return investment strategies for fifteen years in Sydney, Hong Kong, and London. More recently Mr Chirnside worked for Challenger International as a specialist manager in alternative investments. Prior to that he worked for emerging markets specialist manager Regent Pacific Group in Hong Kong and he managed a proprietary trading book for County Natwest in London. Age 43

Timothy J. Hughes – Non-executive Director – Resigned 3 June 2004

Timothy Hughes is the Executive Chairman of Macquarie Media Group, Photon Group Limited, and a Director of Carinya Investment Management Pty Limited and Sporting Chance Cancer Foundation. Mr Hughes has had a 21 year business career in television production and distribution, television broadcasting, radio, investment management and marketing services. Tim holds a Bachelor of Business from University of Technology Sydney. Age 41

Paul D.K. Jensen – Non-executive Director – Appointed 11 June 2004

Paul Jensen has a 20-year international career in Banking, Financial Markets, and Funds Management. He is currently General Manager New Zealand for Travelex Australia Limited and is a non-executive Director of Fiducian Portfolio Services Limited. He holds a Bachelor of Commerce and Administration and is a fellow of the Australian Institute of Company Directors. Age 43

The Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

DIRECTORS' RELEVANT INTERESTS

Director	Ordinary Share held at 30 June 2004	Options held at 30 June 2004
G.J. Wilson	3,701,978	3,701,978
M.J. Kidman	119,224	-
J.M. Chirnside	30,000	15,000
P.D.K. Jensen (appointed 11 June 2004)	15,904	15,000
T.J. Hughes (resigned 3 June 2004)	126,534	50,000

DIRECTORS' MEETINGS

Director	No. eligible to attend	Attended
G.J. Wilson	5	5
M.J. Kidman	5	5
J.M. Chirnside	5	5
P.D.K. Jensen (appointed 11 June 2004)	2	2
T.J. Hughes (resigned 3 June 2004)	3	2

AUDIT COMMITTEE

The Company formed an Audit Committee on 8 September 2003. The main responsibilities of the Audit Committee are set out in the Corporate Governance section of this Annual Report.

AUDIT COMMITTEE MEETINGS

Director	No. eligible to attend	Attended
M.J. Kidman	1	1
J.M. Chirnside	1	1
P.D.K. Jensen (appointed 11 June 2004)	-	-
T.J. Hughes (resigned 3 June 2004)	1	1

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2004

DIRECTORS' EMOLUMENTS

Pursuant to Australian Securities and Investments Commission Class Order 98/2395 dated 24 December 1998 information required to be included in the Directors' report may be transferred to the financial report. Accordingly the information required to be disclosed in relation to Directors Emoluments has been transferred to Note 15 to the financial statements.

DIRECTORS' BENEFITS

Directors' benefits are set out in Note 15 and 16 to the financial statements.

No Director since the end of the previous financial year has received or become entitled to receive a benefit (other than emoluments shown in the annual financial report or notes thereto) 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.

AFTER BALANCE DATE EVENTS

The Directors have declared a fully franked final dividend of 5.0 cents to be paid on 29 November 2004.

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.

LIKELY DEVELOPMENTS

The entity will continue to pursue its policy of investment during the next financial year.

INDEMNIFICATION AND INSURANCE OF OFFICERS

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.

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.

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



M.J. KIDMAN, Director

Dated at Sydney this 15th day of September 2004

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STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004

	Notes	June 2004 \$	June 2003 \$
Proceeds from sale of investments		109,454,339	71,626,165
Cost of investments sold		(100,880,254)	(67,292,338)
Unrealised gain on investments		5,936,920	123,007
Other revenue from ordinary activities	2	3,258,850	2,647,422
Performance fee		(507,577)	(1,289,473)
Management fee		(811,277)	(597,525)
Directors fees		(60,000)	(60,000)
Other expenses from ordinary activities		(274,178)	(189,042)
Profit from ordinary activities before related income tax expense		16,116,823	4,968,216
Income tax expense relating to ordinary activities	3(a)	(4,710,361)	(1,161,736)
Net profit from ordinary activities after related income tax expense		11,406,462	3,806,480
Changes in equity other than those resulting from transactions with owners as owners			
Amount transferred to unrealised capital profits reserve	10	(3,808,845)	(225,101)
Total changes in equity other than those resulting from transactions with owners as owners	11	7,597,617	3,581,379
Basic earnings per share	13	0.21	0.08
Diluted earnings per share	13	0.21	0.08

The accompanying notes form part of these financial statements.

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004

	Notes	June 2004 \$	June 2003 \$
ASSETS			
Cash assets	12(a)	27,777,802	12,739,894
Receivables	6	1,568,078	1,384,473
Investments	7	58,186,570	50,771,160
Tax assets	3(b)	56,923	123,302
TOTAL ASSETS		87,589,373	65,018,829
LIABILITIES			
Payables	8	1,419,284	2,562,917
Current tax liabilities	3(c)	2,715,571	461,998
Deferred tax liabilities	3(d)	4,401,445	2,618,011
TOTAL LIABILITIES		8,536,300	5,642,926
NET ASSETS		79,053,073	59,375,903
EQUITY			
Contributed equity	9	65,987,988	52,918,037
Reserve	10	7,624,764	3,833,919
Retained profits	11	5,442,321	2,623,947
TOTAL EQUITY		79,053,073	59,375,903

The accompanying notes form part of these financial statements.

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2004

	Notes	June 2004 \$	June 2003 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends received		1,734,312	1,203,762
Interest received		1,238,106	1,111,288
Other investment income received		413,713	236,593
Investment management fees		(790,354)	(600,098)
Investment performance fees		(1,383,825)	(2,043,361)
Payments for administration expenses		(234,872)	(209,113)
Income tax paid	3(c)	170,049	222,661
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	12(b)	1,147,129	(78,268)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		109,143,453 (102,679,980)	71,317,465
Payments for purchase of investments)	(79,611,848)
Income tax paid	3(c)	(843,402)	(1,896,799)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		5,620,071	(10,191,182)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(3,123,552)	(3,576,938)
Proceeds from options exercised		11,394,261	13,274,999
NET CASH PROVIDED BY FINANCING ACTIVITIES		8,270,708	9,698,061
NET INCREASE/(DECREASE) IN CASH HELD		15,037,908	(571,389)
CASH AT 1 JULY 2003		12,739,894	13,311,283
CASH AT 30 JUNE 2004	12(a)	27,777,802	12,739,894

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 2004

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES:

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

The accounting policies have been consistently applied, and except where there is a change in accounting policy, are consistent with those of the previous year. The Directors revalue investments on a monthly basis. Apart from this policy, the accounts have been prepared on the basis of historical costs.

The following is a summary of the material accounting policies adopted in the preparation of the financial report.

(a) Investments

i) Classification

Investments consist of shares in publicly listed and unlisted companies and investments in fixed interest securities.

ii) Valuation

Shareholdings in listed companies are brought to account at market value including the potential tax charges that may arise from the future sale of the investments.

Market values are calculated as the closing price traded on the balance date. If there have been no trades on the balance date, then the shares are valued at the last sale price.

Investments in unlisted companies are brought to account at cost or directors' valuation.

The carrying amount of investments are reviewed annually by directors to ensure they are not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the shares' current market value or the underlying net assets in the particular entities.

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

iii) Unrealised Gains and Losses

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

iv) Investment income

Dividend income is recognised in the profit and loss statement on the day on which the relevant investment is first quoted on an "ex-dividend" basis.

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

(b) Income Tax

The Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income, are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(b) Income Tax (CONTINUED)

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

(c) Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand, at call deposits with banks or financial institutions and fixed interest securities maturing within three months.

(d) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received.

(e) 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 Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(f) 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.

	June 2004 \$	June 2003 \$
2. OTHER REVENUE FROM ORDINARY ACTIVITIES		
Dividends received	1,613,569	1,185,904
Interest received	1,264,663	1,192,121
Underwriting fees received	179,492	134,706
Trust distributions received	143,435	110,223
Stock lending rebate received	43,662	24,468
Foreign sourced income	14,029	-
	<u>3,258,850</u>	<u>2,647,422</u>

June

June

WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

	2004	2003
	\$	\$
3. TAXATION		
(a) Income Tax Expense		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30%		
	4,835,047	1,490,465
Franking credits (gross up)	193,942	133,242
Rebatable fully franked dividends	(646,472)	(444,139)
Sundry items	328,114	(17,832)
	<u>4,710,361</u>	<u>1,161,736</u>
Total income tax expense results in a:		
Movement in Current Income Tax Provision	2,926,926	426,729
Movement in Deferred Income Tax Provision	1,783,435	735,007
Movement in Future Income Tax Provision	-	-
	<u>4,710,361</u>	<u>1,161,736</u>
(b) Current Tax Assets		
Estimated expense at expected future income tax rate of 30% on expense provisions currently not deductible		
	1,800	1,800
Goods and Services Tax receivable	55,123	121,502
	<u>56,923</u>	<u>123,302</u>
(c) Provision for Current Income Tax Expense		
Movements in the year were as follows:		
Opening balance	461,998	1,709,407
Current year income tax expense on operating profit	2,926,926	426,729
Income tax paid:		
- operating activities	170,049	222,661
- investing activities	(843,402)	(1,896,799)
	<u>2,715,571</u>	<u>461,998</u>
(d) Provision for Deferred Income Tax		
Provision for deferred income tax comprises the estimated expense at the future income tax rate of 30%.		
	<u>4,401,445</u>	<u>2,618,011</u>

WAM CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

	June 2004	June 2003
	\$	\$
4. DIVIDENDS		
(a) Ordinary dividends recognised in the current year		
Dividends paid by the Company	<u>4,799,243</u>	<u>2,561,926</u>

Dividends paid by the Company for the year ended 30 June 2004	Cents Per Share	Total amount \$	Date of payment	Tax Rate for Franking credit	Percentage franked
Final 2003 - ordinary	4	2,009,909	6 Nov 2003	30%	100%
Interim 2004 - ordinary	5	2,789,334	27 Apr 2004	30%	100%
Total franked amount	9	4,799,243			

Dividends paid by the Company for the year ended 30 June 2003

Final 2002 - final	4	1,758,465	7 Nov 2002	30%	100%
Final 2002 - special	4	1,758,465	7 Nov 2002	30%	100%
Interim 2003 - ordinary	4	1,903,342	18 Apr 2003	30%	100%
Total franked amount	4	5,420,272			

(b) Dividends not recognised at year end

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

	Cents Per Share	Total amount \$	Date of payment	Tax Rate for Franking credit	Percentage franked
Final - ordinary	5	2,827,252	29 Nov 2004	30%	100%

The final dividend has not been brought to account in the financial statements for the year ended 30 June 2004 but will be recognised in subsequent financial reports.

(c) Dividend Franking Account

The franked portion of the final dividend recommended after 30 June 2004 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2005.

	June 2004	June 2003
	\$	\$
Balance of franking account at year end adjusted for franking credits, arising from payment of provision for income tax and dividends recognised as receivables and franking credits that may be prevented from distribution in subsequent financial years.	<u>1,895,107</u>	<u>320,763</u>

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

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

The balance of the franking account does not include the tax to be paid on unrealised investment gains currently recognised as a deferred income tax liability of \$4,401,045 (2003: \$2,618,011).

WAM CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

	June 2004 \$	June 2003 \$
5. AUDITORS REMUNERATION		
Remuneration of the auditor of the Company for:		
Auditing or reviewing the financial report	14,466	13,310
Other services provided by a related practice of the auditor:		
Portfolio management and accounts preparation	-	19,700
Share registry services	-	22,767
	<u>14,466</u>	<u>55,777</u>

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

6. RECEIVABLES

Trade debtors*	1,430,596	1,119,710
Income receivable	130,693	264,763
Sundry debtors	6,789	-
	<u>1,568,078</u>	<u>1,384,473</u>

* Trade debtors relate to outstanding settlements, and are on the terms operating in the securities industry. These require the settlement within three (3) days of the date of a transaction.

7. INVESTMENTS

Listed Investment Portfolio - at Market Value	57,003,789	50,121,469
Unlisted Investments – at Directors' Valuation	1,182,781	649,691
	<u>58,186,570</u>	<u>50,771,160</u>

8. PAYABLES

Trade creditors**	134,610	-
Borrowed stock	621,000	1,076,846
Sundry creditors	663,674	1,486,071
	<u>1,419,284</u>	<u>2,562,917</u>

** Trade creditors relate to outstanding settlements, and are on the terms operating in the securities industry. These require settlement within three (3) days of the date of the transaction.

WAM CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

	June 2004 \$	June 2003 \$
9. CONTRIBUTED EQUITY		
(a) Issued and Paid-up Capital		
56,545,036 ordinary shares fully paid (2003: 48,088,824)	<u>65,987,988</u>	<u>52,918,037</u>
(b) Movement in Ordinary Share Capital		
At the beginning of the reporting period	52,918,037	37,799,704
- 854,442 ordinary shares issued on 7 November 2002 under a dividend reinvestment plan	-	1,177,673
- 11,062,504 ordinary shares issues from the exercise of options issued 19 December 2001, with an exercise price of \$1.20 per share	-	13,274,999
- 505,270 ordinary shares issued on 18 April 2003 under a dividend reinvestment plan	-	665,661
- 449,350 ordinary shares issued on 6 November 2003 under a dividend reinvestment plan	677,313	-
- 656,426 ordinary shares issued on 27 April 2004 under a dividend reinvestment plan	998,377	-
- 7,350,436 ordinary shares issued from the exercise of options issued 10 October 2003, with an exercise price of \$1.55 per share	11,394,261	-
At reporting date	<u>65,987,988</u>	<u>52,918,037</u>

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

(c) Options

The Company issued a prospectus dated 9 September 2003 for a 1 for 1 bonus issue of 48,088,824 options to acquire fully paid ordinary shares exercisable at \$1.55 per option. The expiry date of these options are 17 June 2005.

Subsequent to the issue of these options 7,350,436 options were exercised to the year ended 30 June 2004, for a total consideration of \$11,394,261. At year end 40,738,388 options remain outstanding.

WAM CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

	June 2004 \$	June 2003 \$
10. RESERVES		
Unrealised Capital Profits Reserve	<u>7,642,764</u>	<u>3,833,919</u>

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

Movement in Unrealised Capital Profits Reserve

Opening balance	3,833,919	3,608,818
Transfer from Statement of Financial Position	<u>3,808,845</u>	<u>225,101</u>
Closing balance	<u><u>7,642,764</u></u>	<u><u>3,833,919</u></u>

11. RETAINED PROFITS

Retained profits at the beginning of the year	2,623,947	1,604,494
Total change in equity recognised in the statement of financial performance	7,597,617	3,581,379
Dividends paid (refer Note 4)	<u>(4,799,243)</u>	<u>(2,561,926)</u>
	<u><u>5,422,321</u></u>	<u><u>2,623,947</u></u>

12. CASH FLOW INFORMATION

(a) Reconciliation of cash

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

Cash at bank and on hand	3,968,411	2,670,030
Money on deposit with lender	620,000	1,100,537
Fixed interest securities	<u>23,189,391</u>	<u>8,969,327</u>
	<u><u>27,777,802</u></u>	<u><u>12,739,894</u></u>

WAM CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

12. CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of Operating Profit after Income Tax

Operating profit after income tax	11,406,462	3,806,480
Add/(less) items classified as Investing/Financing Activities:		
Realised gain on sale of investments	(8,574,085)	(4,333,827)
Income tax expense on sale of investments	843,402	1,896,798
Add/(less) non cash items:		
Unrealised profits on investments	(5,936,920)	(123,007)
Net cash provided by Operating Activities before changes in assets and liabilities:		
Decrease/(increase) in receivables	127,281	(95,779)
Decrease/(increase) in tax assets	66,377	60,863
Increase/(decrease) in deferred tax liability	1,783,435	735,007
Increase/(decrease) in payables	(822,396)	(777,394)
Increase/(decrease) in current tax liability	2,253,573	(1,247,409)
Net cash provided by/(used in) Operating Activities	1,147,129	(78,268)

13. EARNINGS PER SHARE

Net Profit after Tax used in the calculation of basic earnings per share and diluted earnings per share:

11,406,460 **3,806,480**

Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share:

No.

No.

54,279,877

47,461,304

Weighted average number of shares outstanding during the year used in the calculation of diluted earnings per share:

55,470,254

47,461,304

WAM CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

14. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURE

(a) Interest Rate Risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below.

	Weighted Average Interest Rate	Floating Interest Rate \$	Non Interest Bearing \$	Total \$
2004				
Financial Assets				
Cash assets	5.28%	27,777,802	-	27,777,802
Receivables		-	1,625,001	1,625,001
Investments		-	58,186,570	58,186,570
		<u>27,777,802</u>	<u>59,811,571</u>	<u>87,589,373</u>
Financial Liabilities				
Payables		1,419,284	-	1,419,284
		<u>1,419,284</u>	<u>-</u>	<u>1,419,284</u>

	Weighted Average Interest Rate	Floating Interest Rate \$	Non Interest Bearing \$	Total \$
2003				
Financial Assets				
Cash assets	4.25%	12,739,894	-	12,739,894
Receivables		-	1,507,775	1,507,775
Investments		-	50,771,160	50,771,160
		<u>12,739,894</u>	<u>52,278,935</u>	<u>65,018,829</u>
Financial Liabilities				
Payables		-	2,562,917	2,562,917
		<u>-</u>	<u>2,562,917</u>	<u>2,562,917</u>

(b) Credit Risk

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

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

(c) Net Fair Values

The carrying amounts of financial instruments on the Statement of Financial Position approximate their net fair values.

WAM CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

15. DIRECTORS AND EXECUTIVES DISCLOSURES

(a) Directors

Names and positions held of the Company Directors in office at any time during the financial year are:

G.J. Wilson	- Chairman
M.J. Kidman	- Non-Executive Director
J. M. Chirnside	- Non-Executive Director
T.J. Hughes	- Non-Executive Director (Resigned 3 June 2004)
P.D.K. Jensen	- Non-Executive Director (Appointed 11 June 2004)

Other than as noted above, there are no other specified executives involved in the strategic direction and operational management of the Company.

(b) Remuneration of Directors

Non-executive directors

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

Fees and payments to Non-Executive Directors reflect the demands that are made on, and the responsibilities of, the Directors and are reviewed annually by the Board. The Company determines the remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced directors.

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

The following are the Directors' remuneration received for the year ended 30 June 2004:

Directors	Position	Directors' Fees \$	Post-employment Superannuation \$	Total \$
G.J. Wilson	Chairman	9,174	826	10,000
M.J. Kidman	Non-Executive Director	9,174	826	10,000
J. M. Chirnside	Non-Executive Director	18,349	1,651	20,000
T.J. Hughes	Non-Executive Director	16,988	1,529	18,517
P.D.K Jensen	Non-Executive Director	1,361	122	1,483
		55,046	4,954	60,000

(c) Equity Instrument Disclosures Relating to Directors

As at 30 June 2004 the Company's directors held the following interests in the Company:

Directors Shareholdings

Directors	Position	Balance at 30 June 2003	Acquisitions / Options Exercised	Disposals	Balance at 30 June 2004
G.J. Wilson	Chairman	3,701,978	-	-	3,701,978
M.J. Kidman	Non-Executive Director	106,302	12,922	-	119,224
J. M. Chirnside	Non-Executive Director	-	30,000	-	30,000
T.J. Hughes	Non-Executive Director	126,534	-	76,534	50,000
P.D.K Jensen	Non-Executive Director	15,000	904	-	15,904
		3,949,814	43,826	76,534	3,917,106

WAM CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

15. DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)

(c) Equity Instrument Disclosures Relating to Directors (continued)

Directors Options held

Directors	Position	Balance at 30 June 2003	Issues	Disposals/ Options Exercised	Balance at 30 June 2004
G.J. Wilson	Chairman	-	3,701,978	-	3,701,978
M.J. Kidman	Non-Executive Director	-	106,302	106,302	-
J. M. Chirnside	Non-Executive Director	-	15,000	-	15,000
T.J. Hughes	Non-Executive Director	-	126,534	126,534	-
P.D.K Jensen	Non-Executive Director	-	15,000	-	15,000
		-	3,964,814	232,836	3,731,978

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

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

June 2004	June 2003
\$	\$

16. RELATED PARTY DISCLOSURE

(a) Directors' Remuneration

Total remuneration consisting of income paid or payable, or otherwise made available to the Directors of the Company in connection with the management of the Company.

60,000	60,000
--------	--------

(b) Directors and Director-Related Entities

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% of gross assets per annum, of \$811,277 (2003: \$597,525).

As at 30 June 2004 the balance payable to the manager was \$79,545. 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.

As at 30 June 2004, the performance fee payable to Wilson Asset Management (International) Pty Limited totalled \$507,577 (2003: \$1,258,022).

These amounts are in addition to the above Directors remuneration, as detailed in Note 15(b).

WAM CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

17. EVENTS SUBSEQUENT TO REPORTING DATE

The final dividend as recommended by the directors will be paid subsequent to balance date and is not provided for in the Statement of Financial Position. Refer to Note 4 of this report.

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

18. INVESTMENT TRANSACTIONS

The total number of contract notes that were issued for transactions in securities during the financial year was 1,730 (2003: 1,380). Each contract note would involve multiple transactions. The total brokerage paid on these contract notes was \$592,504 (2003: \$439,350).

June 2004 \$	June 2003 \$
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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.

286,000	570,000
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20. CAPITAL COMMITMENTS

Capital commitments exist for placements entered into in June 2004, which settled after year end in July and August 2004.

540,000	270,000
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21. IMPACT OF ADOPTING INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Australian Accounting Standards Board (AASB) is adopting Australian equivalents to International Financial Reporting Standards (AIFRS) for application to reporting periods beginning on or after 1 January 2005. The adoption of AIFRS will be first reflected in the Company's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006. Management are overseeing the transition process and reporting periodically to the Audit Committee.

The Company is in the process of analysing the full impact of AIFRS. The actual impacts will depend on the particular circumstances and conditions prevailing at any time of application of AIFRS. For these reasons it is not yet possible to fully quantify the impact of the transition to AIFRS on the Company.

The key differences in accounting policies by adopting IFRS as potentially having a significant effect on the accounts are:

- income tax will be calculated based on the "balance sheet" approach, which will result in more deferred tax assets and liabilities and as tax effects follow the underlying transactions, some tax effects will be recognised in equity.
- changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

WAM CAPITAL LIMITED

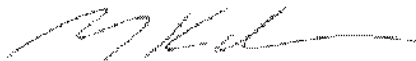
A.B.N. 34 086 587 395

DIRECTORS' DECLARATION

The Directors of WAM Capital Limited declare that:

1. The financial statements and notes, as set out on pages 10 to 24, 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 2004 and of its performance, as represented by the results of the operations and the cashflows, for the year ended on that date; and
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.



M.J. KIDMAN, Director

Dated at Sydney this 15th day of September 2004

**INDEPENDENT AUDIT REPORT
TO MEMBERS OF
WAM CAPITAL LIMITED**

Scope

The financial report and directors' responsibility

The financial report comprises the Statement of Financial Position, Statement of Financial Performance, Statement of Cash Flows, accompanying notes to the financial statements, and the Directors' Declaration for WAM Capital Limited, for the year ended 30 June 2004.

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

Audit approach

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

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

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

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

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

Independence


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

Audit opinion

In our opinion, the financial report of WAM Capital Limited is in accordance with:

- a. the Corporations Act 2001, including:
 - i. giving a true and fair view of WAM Capital's financial position as at 30 June 2004 and of its performance for the year ended on that date; and
 - ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

- b. other mandatory financial reporting requirements in Australia.



S. M. WHIDDETT
Partner



MOORE STEPHENS WI
Sydney

Dated: 15th September 2004

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

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

Substantial ordinary shareholders as at ex-date	No. of shares	% of total
Mr Geoffrey Wilson and related entity	3,701,978	6.54
Mr Victor John Plummer	3,235,230	5.72

On-market buy back

There is no current on-market buy back.

Distribution of shareholders (as at 31 August 2004)

Category	No. of shareholders	
	Ordinary Shares	Options
1 – 1,000	244	184
1,001 – 5,000	1102	780
5,001 – 10,000	827	567
10,001 – 100,000	1009	608
100,001 and over	47	51
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	3229	2190

Number of ordinary holders holding less than a marketable parcel

44

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Twenty largest shareholders - Ordinary shares (as at 31 August 2004)

Name	Number of ordinary shares held	Percentage of issued capital held
Mr Victor John Plummer	3,235,230	5.72
Mr Geoffrey James Wilson	2,692,773	4.76
Mrs Fay Martin-Weber	1,463,068	2.59
Marbear Holdings Pty Limited	1,440,300	2.55
Namberry Way Pty Limited	1,400,000	2.48
Vilo Finance Pty Limited	1,400,000	2.48
VBS Investments Pty Limited	1,200,000	2.12
Dynasty Peak Pty Limited	1,009,205	1.78
Mr Erich Gustav Brosell	447,000	0.79
Dr Russell Kay Hancock	370,689	0.66
Halcyon Pty Limited	350,000	0.62
Trophy Components Distributors Pty Limited	329,482	0.58
Mr Chi-Kuang Jiang & Ms Shu-Ying Teng	303,638	0.54
Irish Global Equity Limited	300,000	0.53
Mr Darren Mark Van Gemert	280,337	0.50
Mr John Joseph Ryan	247,233	0.44
Ryan Constructions Pty Ltd	217,367	0.38
Mr Andrew Ross McLean	213,046	0.38
Mr Peter Michael Antaw & Mrs Victoria Mary Antaw	202,937	0.36
Mr Thomas James Storey & Mrs Elizabeth Kathleen Storey	202,600	0.36
	<hr/>	<hr/>
	17,304,905	30.62

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.

Twenty largest shareholders - Options (as at 31 August 2004)

Name	Number of ordinary shares held	Percentage of issued capital held
Mr Geoffrey Wilson	2,692,773	6.62
Mr John Joseph Ryan	1,430,500	3.51
Vilo Finance Pty Limited	1,400,000	3.44
VBS Investments Pty Limited	1,200,000	2.95
Dynasty Peak Pty Limited	1,009,205	2.48
Confidential Investments Pty Ltd	520,000	1.28
Mr Raymond Anthony Chant & Mr John Ellis Fraser	491,494	1.21
Irish Global Equity Limited	445,413	1.09
Mr Rex Broadbent	366,000	0.90
RB Super Pty Ltd	358,406	0.88
Trophy Components Distributors Pty Limited	310,737	0.76
Mr Darren Mark Van Gemert	275,000	0.68
Telemount Pty Ltd	269,832	0.66
Ryan Constructions Pty Ltd	259,000	0.64
Brian Lovell Nominees Pty Ltd	250,000	0.61
Mrs Betty Leonie Ling	245,618	0.60
Marbear Holdings Pty Limited	240,300	0.59
Dr Sten Harald Starnar	235,530	0.58
Mr Robert Leonard & Mrs Ann Leonard	212,607	0.52
Mr Peter Michael Antaw	208,658	0.51
	12,421,073	30.51

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.

