

WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

**ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2005**

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 Sydney

COUNTRY OF INCORPORATION:

Australia

REGISTERED OFFICE:

Level 11, 131 Macquarie Street
Sydney NSW 2000

CONTACT DETAILS:

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

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

SHARE REGISTRAR:

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

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

STOCK EXCHANGE:

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

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2005 KEY POINTS

- Gross portfolio increased by 13.9% for the year to 30 June 2005
- Profit before tax was \$10.97m
- Profit after tax was \$8.18m
- Pre tax net tangible assets rose from 140.8c* a share to 153.2c a share
- After tax net tangible assets increased from 128.4c* a share to 143.7c a share
- Total dividends declared for 2004/05 increased 20% to 12c a share fully franked

* Adjusted for dividends paid

CHAIRMAN'S LETTER

The year was one of mixed results for WAM Capital Limited (WAM). The absolute performance of the portfolio was strong with an increase of 13.9% while the relative performance was disappointing with the All Ordinaries Accumulation Index up 24.8%. Over the period we held approximately 44% of total assets in cash, fixed interest and listed debt instruments which reduced our direct exposure to equities.

The manager uses two investment approaches – Research Driven and Market Driven. Over the period Management has found it difficult to find acceptable investment opportunities. When this is the case it will hold cash and fixed interest securities until the right opportunities present themselves.

The pre tax net tangible asset (NTA) backing, after dividends paid, increased from 140.8 cents to 153.2 cents and after tax, the NTA increased from 128.4 cents to 143.7 cents.

Gross assets have increased by \$16.1m to \$103.7m as a result of investment performance and \$12.1m raised through the exercise of options. Over the period, the Company paid cash dividends of \$4.5m and \$3.6m in taxes.

Total dividends declared for the year were 12.0 cents a share fully franked, made up of a 6.0 cent interim dividend and a 6.0 cent final dividend. This was a 20% increase on the previous year.

At 30 June 2005 WAM owned shares in 78 companies and held approximately 46% of its funds in cash, fixed interest and listed debt securities. At 30 June 2004 WAM owned 84 companies. During the year we sold our position in 43 companies, increased our shareholding in 15 and reduced our shareholding in 14. We also took new positions in 37 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 700 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 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, Brisbane and Canberra. This will remain a semi-annual event.

The past year saw the Australian share market continue to rally strongly. The rally has been based upon a strong increase in company earnings and robust global economic growth leading to strong commodity prices. Looking ahead, stable interest rates should underpin valuations, but the risk to corporate profitability continues to be cost pressures particularly wages, raw materials and oil costs. We look forward to the current year with cautious optimism.

Geoff Wilson
Chairman
31st August 2005

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; and
- 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 markets perception of the entity which will lead to a re-rating of the Company's share price by the market.

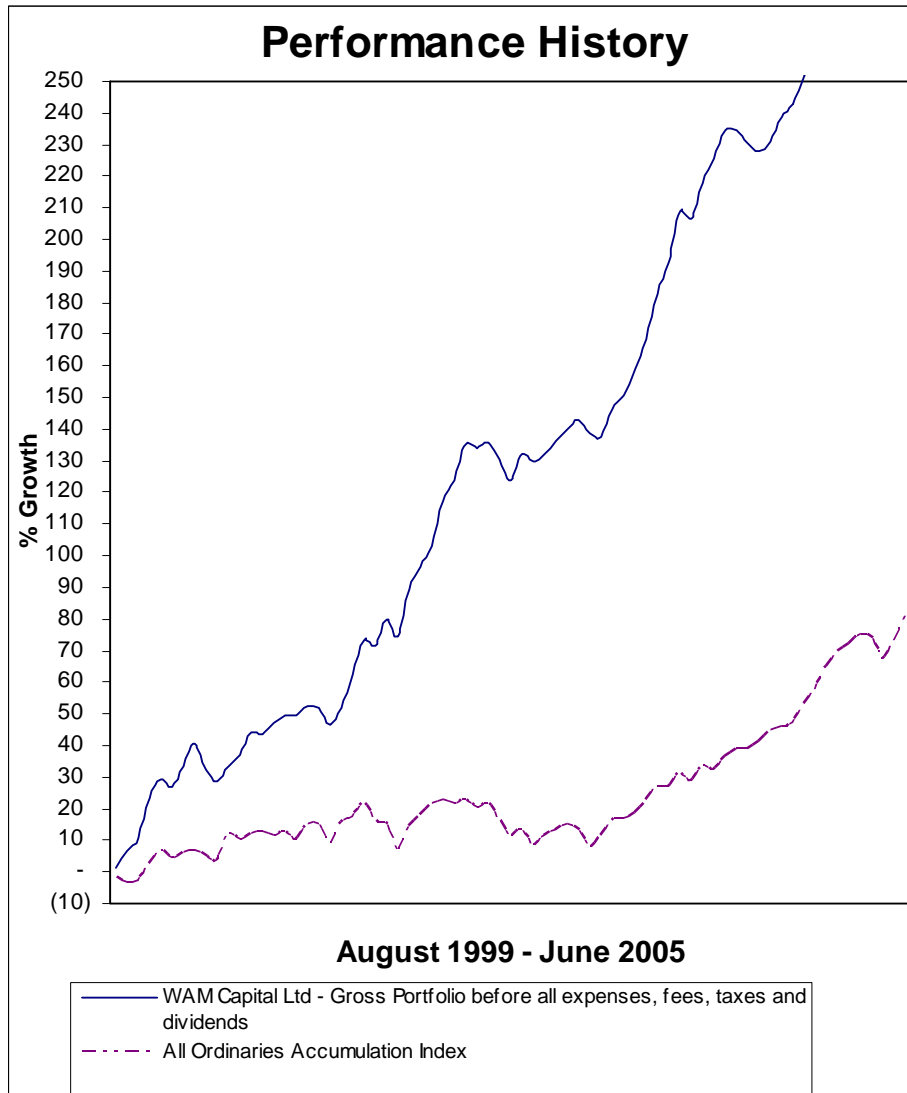
INVESTMENTS AT MARKET VALUE

AS AT 30 JUNE 2005

	<u>Quantity</u>	<u>Market Value</u> \$		<u>Quantity</u>	<u>Market Value \$</u>
Corporate Debt			Health Care Equipment & Services		
Bank of Qld Pref.	20,000	2,020,000	Healthscope Ltd	394,340	1,853,398
Burns Philp Ltd 7.5% Conv. Pref.	571,830	534,661	Heartware Ltd	467,483	175,306
Sydney Gas 12% Conv.Note	671,643	402,986	ITL Ltd	533,984	93,447
Cardno 9% Notes	99,200	297,600	Premier Bionics Ltd	1,479	281
Seven Non-Redeem Pref.	4,200	420,000	Proteome Systems Ltd	609,777	204,275
		3,675,247			2,326,706
Energy			Pharmaceuticals & Biotechnology		
Origin Energy Ltd	138,000	1,050,180	Apollo Life Science Ltd	1,200,000	1,212,000
Tomahawk Energy Ltd	300,000	240,000	Bionomics Ltd	1,078,842	118,673
		1,290,180	Bionomics Ltd Options	567,172	11,343
Materials			GroPep Ltd	933,352	1,269,359
Advanced Nanotech Ltd	1,742,932	244,010	Medical Developments Int. Ltd	1,038,903	872,679
Buka Minerals Ltd	3,200,000	864,000	Pharmaxis Ltd	390,000	670,800
Finders Capital Ltd	720,000	180,000			4,154,854
Nustar Mining Ltd	7,200,000	388,800	Diversified Financials		
Paradigm Gold Ltd	618,000	31,518	Aberdeen Leaders Ltd	561,426	668,097
Paradigm Gold Ltd Options	450,000	6,300	AMCIL Ltd	906,996	426,288
Penrice Soda Ltd	156,000	301,080	Aust. Wealth Management Ltd	478,422	545,401
Samson Oil & Gas Ltd	600,000	189,000	Bentley International Ltd	817,469	269,765
		2,204,708	Contango Microcap Ltd	1,102,035	1,091,015
Capital Goods			Equity Capital Markets Ltd	9,995,240	649,691
Total Communications			Loftus Capital Partners Ltd	2,840,146	1,647,285
Infrastructure Ltd	420,001	533,401	Mariner Financial Ltd	840,000	621,600
Austin Engineering Ltd	855,765	239,614	Mariner Retirement Ltd	1,064,000	319,200
Essa Australia Ltd	499,900	167,467	Mortgage Choice Ltd	128,000	149,760
Hugall & Hoile Ltd	5,474,322	328,459	NSX Ltd	606,000	309,060
Monadelphous Ltd	496,408	1,682,823	OFM Investment Ltd	844,564	1,722,911
Nylex Ltd	2,054,490	534,167	Pacific Strategic Inv. Ltd	2,804,916	953,671
United Group Ltd	15,388	145,417	Premium Investors Ltd	128,000	119,040
		3,631,348	Scarborough Equities Ltd	1,805,000	225,625
Commercial Services & Supplies			Trent Capital Ltd	580,692	406,484
Catalyst Recruitment Ltd	968,112	682,519	Trent Capital Ltd Options	135,346	4,060
Credit Corp Ltd	528,760	1,586,280	Wilson Invest. Taurine Fund Ltd	266,426	346,354
Farsands Solutions Ltd	3,107,618	839,057			10,475,307
McMillan Shakespeare Ltd	476,724	748,457	Insurance		
PMP Ltd	60,000	80,400	Calliden Group Ltd	2,040,000	918,000
Roberts Ltd	283,728	2,851,466	OAMPS Ltd	714,774	1,822,674
		6,788,179	Tower Ltd	1,328,122	2,589,838
Consumer Durables & Apparel					5,330,512
HomeLeisure Ltd	1,298,219	324,555	Software & Services		
		324,555	Alphawest Ltd	1,065,366	522,029
Consumer Services			CommSoft Group Ltd	17,343,147	34,686
eBet Ltd	1,740,000	374,100	iiNet Ltd	222,000	632,700
Reef Casino Trust	120,424	379,336	Innovonics Ltd	1,330,974	246,230
		753,436	Melbourne IT Ltd	851,900	1,039,318
Media			Oakton Ltd	561,020	1,004,226
Infochoice Ltd	1,063,885	164,902	Rattoon Holdings Ltd	1,849,611	665,860
Photon Group Ltd	493,846	1,481,538	Reckon Ltd	3,301,880	2,575,466
		1,646,440	VeCommerce Ltd	213,208	362,454
Food & Staples Retailing					7,082,969
ABB Grain Ltd	128,000	812,800	Telecommunication Services		
Metcash Ltd	538,000	2,108,960	Access Providers Ltd	610,000	109,800
		2,921,760			109,800
Food Beverage & Tobacco			Retailing		
Select Harvests Ltd	311,129	3,017,951	Cheviot Bridge Ltd	1,999,999	220,000
Tassal Group Ltd	1,673,431	1,489,354	Signature Brands Ltd	2,959,666	124,306
		4,507,305			344,306
INVESTMENT PORTFOLIO VALUE					57,567,612
Investments on Loan with Lender					
			Alinta Ltd	120,000	1,170,000
TOTAL INVESTMENTS VALUE					58,737,612

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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%
2004/2005	+13.9%	+24.8%	-10.9%

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CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

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

BOARD OF DIRECTORS AND ITS COMMITTEES

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

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

The Company has formed an Audit Committee consisting of:

James Chirnside	Chairman
Matthew Kidman	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.

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

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

REMUNERATION OF DIRECTORS AND EXECUTIVES

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

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. Further detail is provided in the Directors' Report.

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CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

ETHICAL STANDARDS

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

THE ROLE OF SHAREHOLDERS

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

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

BOARD'S POLICY ON DEALING IN SHARES

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

INDEPENDENT PROFESSIONAL ADVICE AND ACCESS TO COMPANY INFORMATION

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

CONFLICT OF INTEREST

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

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2005

The Directors present their report together with the financial report of WAM Capital Limited ("the Company") for the year ended 30 June 2005.

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 \$8,181,688 (2004: \$11,406,462). Investments are valued monthly to market value. For the year ended 30 June 2005, investments were valued down by \$2,364,615 (2004: valued up \$5,936,920), after an adjustment for deferred tax on unrealised gains, a net decrease of \$1,737,628 (2004: net increase of \$3,808,845) was transferred to an Asset Revaluation Reserve.

Asset backing for each ordinary share at 30 June 2005 (calculated on market value less realisation costs and all applicable taxes and before provision for dividend) amounted to \$1.44 per share (2004: \$1.39). Asset backing after tax on realised gains but before tax on unrealised gains was \$1.50 per share (2004: \$1.47). The equivalent asset backing before tax was \$1.53 per share (2004: \$1.52).

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

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 2005.

DIVIDENDS

Dividends paid or declared are as follows:

	\$
Fully franked final dividend of 5.0c per share was paid on 29 November 2004	2,984,099
Fully franked interim dividend of 6.0c per share was paid on 29 April 2005	3,903,828

Since year end, the Directors have declared a fully franked final dividend of 6.0c to be paid on 17 October 2005.

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 expired on 17 June 2005. During the period from 1 July 2004 to 17 June 2005 the Company issued 7,794,401 ordinary shares as a result of the exercise of options. From the date of issue until expiry, a total of 15,144,837 options were exercised for a total consideration of \$23,474,497. The market values on the dates of exercise ranged from \$1.53 to \$1.72. At 17 June 2005, 32,943,987 options expired.

DIRECTORS

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

Geoffrey J. Wilson – Chairman

Geoffrey Wilson is Chairman of Wilson Investment Fund Limited, Wilson Leaders Limited, the investment management companies, Wilson Asset Management (International) Pty Limited and Boutique Asset Management Pty Limited, and the Australian Stockbrokers Foundation Limited. He is a Director of the Sporting Chance Cancer Foundation, North Shore Heart Foundation, Clime Capital Limited, Mariner Wealth Management Limited (previously known as JAM Development Capital Limited), Cadence Capital Limited and the investment management company, MAM Pty Limited. He holds a Bachelor of Science Degree and a Graduate Management Qualification. He has 25 years experience in the Australian and International securities industry. He is also a Fellow of the Institute of Company Directors and a Fellow of the Securities Institute of Australia. Age 47.

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2005

Matthew J. Kidman – Non-Executive Director and Secretary

Matthew Kidman is a Director of MAM Pty Limited and Boutique Asset Management Pty Limited, and a portfolio manager for Wilson Asset Management (International) Pty Limited. He has been instrumental in establishing the Company's valuation methodology of rating companies. Matthew Kidman worked as a finance reporter for the Sydney Morning Herald between 1994 and 1998. In 1997 he was appointed Investment Editor of that newspaper and was charged with the responsibility of company coverage for the newspaper. He is a Director of Wilson Investment Fund Limited, Wilson Leaders Limited and Mariner Wealth Management Limited (previously known as JAM Development Capital Limited). He has degrees in Economics and Law and a Graduate Diploma in Applied Finance. Matthew is a member of the Audit Committee. Age 36.

James M. Chirnside – Non-Executive Director

James Chirnside has been exclusively focussed in alternative asset management and absolute return investment strategies for sixteen years in Sydney, Hong Kong, and London. Mr Chirnside is a shareholder and operator of Asia Pacific Asset Management, a specialist firm in alternative investment management based in Sydney. Mr Chirnside previously worked for Challenger Financial Services Group in Sydney. Prior to this he managed hedge funds in Hong Kong for emerging markets specialist Regent Pacific Group. Between 1988 and 1992 Mr Chirnside ran a proprietary trading book for County Natwest in London. James is the Chairman of the Audit Committee. Age 44

Paul D.K. Jensen – Non-Executive Director

Paul Jensen has a 21-year international career in Banking, Financial Markets, and Funds Management sectors. He is currently General Manager New Zealand for Travelex Australia Limited. He holds a Bachelor of Commerce and Administration and is a fellow of the Australian Institute of Company Directors. Paul Jensen was a Director of Fiducian Portfolio Services Limited between June 2003 and September 2004. Paul is a member of the Audit Committee. Age 44

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

REMUNERATION REPORT

(a) Remuneration of Directors

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

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

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

Directors' remuneration received for the year ended 30 June 2005:

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

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2005

(b) Director Related Entities Remuneration

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

Geoffrey Wilson is the sole Director and beneficial owner of Wilson Asset Management (International) Pty Limited, the entity appointed to manage the investment portfolio of WAM Capital Limited. Matthew Kidman is an employee of Wilson Asset Management (International) Pty Limited. In its capacity as manager, Wilson Asset Management (International) Pty Limited was paid a management fee of 1% of gross assets per annum, of \$990,629 (2004: \$811,277). As at 30 June 2005 the balance payable to the manager was \$92,793.

In addition, Wilson Asset Management (International) Pty Limited is to be paid, annually in arrears, a performance fee being 20% of:

- where the level of the All Ordinaries Accumulation Index has increased over that period, the amount by which the Value of the Portfolio exceeds this increase; or
- where the All Ordinaries Accumulation Index has decreased over that period, the amount of the increase in the Value of the Portfolio.

No performance fee is payable in respect of any performance period where the portfolio has decreased in value over that period. For the year ended 30 June 2005, there was no performance fee payable to Wilson Asset Management (International) Pty Limited (2004: \$507,577).

These amounts are in addition to the above Directors remuneration.

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

(c) Remuneration of Executives

There are no executives that are paid by the Company. Wilson Asset Management (International) Pty Limited, the investment manager of the Company also provides day to day management of the Company and is remunerated as outlined above.

(d) Equity Instruments Disclosures of Directors and Related Parties

As at 30 June 2005 the Company's directors and their related parties held the following interests in the Company:

Ordinary Shares held

Directors	Position	Balance at 30 June 2004	Acquisitions / Options Exercised	Disposals	Balance at 30 June 2005
G.J. Wilson	Chairman	3,768,281	514,457	609,205	3,673,533
M.J. Kidman	Non-Executive Director	119,224	9,161	-	128,385
J. M. Chirnside	Non-Executive Director	30,000	2,305	-	32,305
P.D.K Jensen	Non-Executive Director	15,904	1,222	-	17,126
		3,933,409	527,145	609,205	3,851,349

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2005

Options held

Director	Position	Balance at 30 June 2004	Acquisitions/ Bonus Issue	Disposals/ Exercised/ Lapsed	Balance at 30 June 2005
G.J. Wilson	Chairman	3,701,978	-	3,701,978	-
M.J. Kidman	Non-Executive Director	-	-	-	-
J. M. Chirnside	Non-Executive Director	15,000	-	15,000	-
P.D.K Jensen	Non-Executive Director	15,000	-	15,000	-
		3,731,978	-	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.

DIRECTORS' MEETINGS

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

AUDIT COMMITTEE MEETINGS

The main responsibilities of the Audit Committee are set out in the Corporate Governance section on page 5 and 6 of this Annual Report.

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

AFTER BALANCE DATE EVENTS

The Directors have declared a fully franked final dividend of 6.0 cents to be paid on 17 October 2005.

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

FUTURE DEVELOPMENTS

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

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.

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2005

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

NON AUDIT SERVICES

During the year Moore Stephens Sydney, the Company's auditor, have performed certain other services in addition to their statutory duties. Details of the amount paid to the auditors are disclosed in Note 5 to the financial statements.

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

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 is set out on page 12 of this Annual Report.

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



M.J. KIDMAN, Director

Dated at Sydney this 31st day of August 2005

Auditor's Independence Declaration

As lead auditor for the audit of WAM Capital Limited for the year ended 30 June 2005, I declare that, to the best my knowledge and belief, there have been:

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

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



S M WHIDDETT
Partner
Moore Stephens Sydney

31 August 2005
Sydney

PARTNERS:

Andrew Blackwell
Angus Gluskie
Stephen Humphrys

Cameron McCullagh
Robert Southwell
Scott Whiddett

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by a scheme
approved under
Professional
Standards
Legislation



WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

	Notes	June 2005 \$	June 2004 \$
Proceeds from sale of investments		110,493,184	109,454,339
Cost of investments sold			(100,880,254)
Unrealised gain on investments		(2,364,615)	5,936,920
Other revenue from ordinary activities	2	4,006,975	3,258,850
Performance fee		-	(507,577)
Management fee		(990,629)	(811,277)
Directors fees		(60,000)	(60,000)
Other expenses from ordinary activities		(222,422)	(274,178)
Profit from ordinary activities before related income tax expense		10,974,836	16,116,823
Income tax expense relating to ordinary activities	3(a)	(2,793,148)	
Net profit from ordinary activities after related income tax expense		8,181,688	11,406,462
Changes in equity other than those resulting from transactions with owners as owners			
Amount transferred (from)/to asset revaluation reserve	10	1,737,628	(3,808,845)
Total changes in equity other than those resulting from transactions with owners as owners	11	9,919,316	7,597,617
Basic earnings per share	13	12.7 cents	21.0 cents
Diluted earnings per share	13	N/A	21.0 cents

The accompanying notes form part of these financial statements.

WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

	Notes	June 2005 \$	June 2004 \$
ASSETS			
Cash assets	12(a)	44,059,136	27,777,802
Receivables	6	843,267	1,568,078
Investments	7	58,737,612	58,186,570
Tax assets	3(b)	35,960	56,923
TOTAL ASSETS		<u>103,675,975</u>	<u>87,589,373</u>
LIABILITIES			
Payables	8	2,602,150	1,419,284
Current tax liabilities	3(c)	2,382,294	2,715,571
Deferred tax liabilities	3(d)	3,893,725	4,401,445
TOTAL LIABILITIES		<u>8,878,169</u>	<u>8,536,300</u>
NET ASSETS		<u>94,797,806</u>	<u>79,053,073</u>
EQUITY			
Contributed equity	9	80,438,960	65,987,988
Reserve	10	5,905,136	7,642,764
Retained profits	11	8,453,710	5,422,321
TOTAL EQUITY		<u>94,797,806</u>	<u>79,053,073</u>

The accompanying notes form part of these financial statements.

WAM CAPITAL LIMITED

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2005

	Notes	June 2005 \$	June 2004 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends received		1,587,872	1,734,312
Interest received		2,200,575	1,238,106
Other investment income received		251,469	413,713
Investment management fees		(1,049,867)	(790,354)
Investment performance fees		(544,716)	(1,383,825)
Payments for administration expenses		(129,955)	(234,872)
Income tax paid/(refund received)	3(c)	(780,403)	170,049
NET CASH PROVIDED BY OPERATING ACTIVITIES	12(b)	1,534,975	1,147,129
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		111,179,469	109,143,453
Payments for purchase of investments		(101,149,150)	(102,679,980)
Income tax paid	3(c)	(2,854,875)	(843,402)
NET CASH PROVIDED BY INVESTING ACTIVITIES		7,175,444	5,620,071
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(4,517,197)	(3,123,552)
Proceeds from options exercised		12,088,111	11,394,261
NET CASH PROVIDED BY FINANCING ACTIVITIES		7,570,914	8,270,708
NET INCREASE IN CASH HELD		16,281,334	15,037,908
CASH AT 1 JULY 2004		27,777,802	12,739,894
CASH AT 30 JUNE 2005	12(a)	44,059,136	27,777,802

The accompanying notes form part of these financial statements.

WAM CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

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 amounts 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 asset revaluation reserve, net of the potential tax charges that may arise from the future sale of the investments.

iv) Investment income

Dividend income is recognised in the 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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

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) Receivables

Trade debtors to be settled within 60 days are carried at amounts due.

(e) Payables

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

(f) 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.

(g) 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 2005 \$	June 2004 \$
2. OTHER REVENUE FROM ORDINARY ACTIVITIES		
Dividends	1,596,005	1,613,569
Interest	2,152,977	1,264,663
Underwriting fees	145,071	179,492
Trust distributions	88,162	143,435
Stock lending rebate	11,894	43,662
Foreign sourced income	12,866	14,029
	<u>4,006,975</u>	<u>3,258,850</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	June 2005 \$	June 2004 \$
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%		
	3,292,451	4,835,047
Franking credits (gross up)	186,855	193,942
Rebatable fully franked dividends	(622,851)	(646,472)
Sundry items	-	328,114
Over provision in prior year	(63,307)	-
	2,793,148	4,710,361
Total income tax expense results in a:		
Movement in Current Income Tax Provision	3,233,917	2,926,926
Movement in Deferred Income Tax Provision	(376,061)	1,783,435
Movement in Future Income Tax Provision	(1,401)	-
Over provision in prior year	(63,307)	-
	2,793,148	4,710,361
(b) Current Tax Assets		
Estimated expense at expected future income tax rate of 30% on expense provisions currently not deductible		
	3,201	1,800
Goods and Services Tax receivable	32,759	55,123
	35,960	56,923
(c) Provision for Current Income Tax Expense		
Movements in the year were as follows:		
Opening balance	2,715,571	461,998
Current year income tax expense on operating profit	3,233,917	2,926,926
Income tax paid/(refund received):		
- operating activities	(780,403)	170,049
- investing activities	(2,854,875)	(843,402)
Under provision in prior year	68,084	-
	2,382,294	2,715,571
(d) Provision for Deferred Income Tax		
Provision for deferred income tax comprises the estimated expense at the future income tax rate of 30%.		
	3,893,725	4,401,445

WAM CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	June 2005 \$	June 2004 \$
4. DIVIDENDS		
(a) Ordinary dividends recognised in the current year		
Dividends paid by the Company	6,887,927	4,799,243

Dividends paid by the Company for the year ended 30 June 2005	Cents Per Share	Total amount \$	Date of payment	Tax Rate for Franking credit	Percentage franked
Final 2004 - ordinary	5	2,984,099	29 Nov 2004	30%	100%
Interim 2005 - ordinary	6	3,903,828	29 Apr 2005	30%	100%
Total franked amount	11	6,887,927			

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			

(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	6	3,957,909	17 Oct 2005	30%	100%

The final dividend has not been brought to account in the financial statements for the year ended 30 June 2005 but will be recognised in subsequent financial reports.

(c) Dividend Franking Account

The franked portion of the final dividend recommended after 30 June 2005 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2006.

	June 2005 \$	June 2004 \$
Balance of franking account at year end adjusted for franking credits, arising from payment of provision for income tax and dividends recognised as receivables and franking credits that may be prevented from distribution in subsequent financial years.	2,892,104	1,895,107

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 \$3,893,725 (2004: \$4,401,045).

WAM CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	June 2005 \$	June 2004 \$
5. AUDITORS REMUNERATION		
Remuneration of the auditor of the Company for:		
Auditing or reviewing the financial report	25,982	14,466
Other services provided by a related practice of the auditor:		
Taxation Services	13,069	-
	<u>39,051</u>	<u>14,466</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	744,311	1,430,596
Income receivable	93,956	130,693
Sundry debtors	5,000	6,789
	<u>843,267</u>	<u>1,568,078</u>

Trade debtors relate to outstanding settlements, and are on the terms operating in the securities industry. These require the settlement within three (3) days of the date of a transaction. Income receivable and sundry debtors relate to accrued income and are non-interest bearing and unsecured.

7. INVESTMENTS

Investments on deposit with lender	1,170,000	-
Listed Investment Portfolio - at Market Value	55,483,170	57,003,789
Unlisted Investments – at Directors' Valuation	2,084,442	1,182,781
	<u>58,737,612</u>	<u>58,186,570</u>

Preference shares and convertible notes had a weighted average interest rate of 5.75% (2004: 5.99%). Not all preference shares and convertible notes had a specified maturity date. The weighted average of the fixed term investments that had a maturity date was 27 months (2004: 26 months). The market values of individual investments as at 30 June 2005 are disclosed on page 3 of the Annual Report.

8. PAYABLES

Trade creditors	1,909,605	134,610
Borrowed stock	502,169	621,000
Sundry creditors	190,376	663,674
	<u>2,602,150</u>	<u>1,419,284</u>

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	June 2005 \$	June 2004 \$
9. CONTRIBUTED EQUITY		
(a) Issued and Paid-up Capital		
65,965,144 ordinary shares fully paid (2004: 56,545,036)	<u>80,438,960</u>	<u>65,987,988</u>
(b) Movement in Ordinary Share Capital		
At the beginning of the reporting period	65,987,988	52,918,037
- 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	(1,080)	11,394,261
- 7,794,401 ordinary shares issues from the exercise of options issued 10 October 2003, with an exercise price of \$1.55 per share	12,081,322	-
- 724,365 ordinary shares issued on 29 November 2004 under a dividend reinvestment plan	1,080,593	-
- 901,342 ordinary shares issued on 29 April 2005 under a dividend reinvestment plan	1,290,137	-
At reporting date	<u>80,438,960</u>	<u>65,987,988</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. These options expired on 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 \$11,393,181 and 7,794,401 were exercised between 1 July 2004 and 17 June 2005, for a total consideration of \$12,081,322. At 17 June 2005, 32,943,987 options expired.

WAM CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	June 2005	June 2004
	\$	\$
10. RESERVE		
Asset Revaluation Reserve	<u>5,905,136</u>	<u>7,642,764</u>

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

Movement in Asset Revaluation Reserve

Opening balance	7,642,764	3,833,919
Transfer (from)/to Statement of Financial Performance	<u>(1,737,628)</u>	<u>3,808,845</u>
Closing balance	<u>5,905,136</u>	<u>7,642,764</u>

11. RETAINED PROFITS

Retained profits at the beginning of the year	5,422,321	2,623,947
Total change in equity recognised in the Statement of Financial Performance	9,919,316	7,597,617
Dividends paid (refer Note 4)	<u>(6,887,927)</u>	<u>(4,799,243)</u>
	<u>8,453,710</u>	<u>5,422,321</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	4,699,066	3,968,411
Fixed interest securities	<u>39,360,070</u>	<u>23,809,391</u>
	<u>44,059,136</u>	<u>27,777,802</u>

The weighted average interest rate for cash and fixed interest securities as at 30 June 2005 is 5.70% (2004: 5.28%). The fixed interest securities had an average maturity of 36 days (2004: 21 days).

(b) Reconciliation of Operating Profit after Income Tax

Operating profit after income tax	8,181,688	11,406,462
Add/(less) items classified as Investing/Financing Activities:		

Realised gain on sale of investments	(10,605,527)	(8,574,085)
Income tax expense on sale of investments	2,854,875	843,402

Add/(less) non cash items:

Unrealised profit/loss on investments	2,364,615	(5,936,920)
---------------------------------------	-----------	-------------

Net cash provided by Operating Activities before changes in assets and liabilities:

Decrease/(increase) in receivables	34,657	127,281
Decrease/(increase) in tax assets	20,963	66,377
Increase/(decrease) in deferred tax liability	(507,720)	1,783,435
Increase/(decrease) in payables	(473,299)	(822,396)
Increase/(decrease) in current tax liability	<u>(333,277)</u>	<u>2,253,573</u>
Net cash provided by Operating Activities	<u>1,534,975</u>	<u>1,147,129</u>

WAM CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	June 2005 \$	June 2004 \$
13. EARNINGS PER SHARE		
Net Profit after Income Tax used in the calculation of basic earnings per share:	<u>8,181,688</u>	<u>11,406,460</u>
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share:	<u>64,547,402</u>	<u>54,279,877</u>
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share:	<u>N/A</u>	<u>55,470,254</u>
Diluted earnings per share has not been calculated because there were no dilutive potential ordinary shares.		

14. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURE

(a) Terms, Conditions and Accounting Policies

The Company's accounting policies are included in Note 1, while the terms and conditions including interest rate risk of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at balance date are included under the appropriate note for that instrument.

(b) Credit Risk

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

The maximum exposure to credit risk on financial assets, excluding investments, of the Company which have been recognised on the 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.

15. 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.

16. INVESTMENT TRANSACTIONS

The total number of contract notes that were issued for transactions in securities during the financial year was 2,004 (2004: 1,730). Each contract note could involve multiple transactions. The total brokerage paid on these contract notes was \$769,075 (2004: \$592,504).

WAM CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	June 2005 \$	June 2004 \$
17. CONTINGENT LIABILITIES		
Estimates of material amounts of contingent liabilities, not provided for in the accounts, arising from: Sub-underwriting agreements entered into during the year of which the offer closes after balance date.	<u>180,213</u>	<u>286,000</u>
18. CAPITAL COMMITMENTS		
Capital commitments exist for placements entered into in June 2005, which settled after year end in July and August 2005.	<u>759,823</u>	<u>540,000</u>

19. DIRECTORS AND EXECUTIVES DISCLOSURES

In accordance with the Corporation Amendments Regulations 2005 (No.4) the Company has transferred the remuneration disclosure required by AASB 1046: Directors and Executives Disclosure by Disclosing Entities, from the notes to the Financial Statement to the Directors' Report under the heading of Remuneration Report.

20. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS)

WAM Capital Limited will be required to prepare financial statements using Australian equivalents to International Financial Reporting Standards (AIFRS) for the first time for the half-year ending 31 December 2005 and the year ending 30 June 2006. The Company will be required to restate some of the comparative figures reflecting the adoption of AIFRS to the previous corresponding periods.

Management is in the process of transitioning across to AIFRS and is responsible for identifying the major changes in the accounting standards and quantifying their effect on the existing accounting policies and the Company's financial statements and reporting this periodically to the Audit Committee.

Summarised below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the quantitative impact on the financial statements.

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these adjustments may change.

Therefore, until the first full AIFRS financial statements are prepared, there is the possibility that the following disclosures may change.

(a) AASB 132: Financial Instruments: Disclosure and Presentation AASB 139: Financial Instruments: Recognition and Measurement

As permitted by the election available under AASB 1, AASB 132 and AASB 139 will not be applied until the financial year beginning 1 July 2005 and the Company will not be restating comparative information for the 30 June 2005 financial year.

Investments are currently measured at fair value being closing price traded on balance date. Under AIFRS, investments will be classified as "held for trading" securities and will continue to be recognised at fair value through the Profit or Loss account. However, under AIFRS, fair value will be measured as the last bid price excluding selling costs. Had the company valued the investments at bid price excluding selling costs, the carrying value of investments would be approximately \$541,000 lower.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

20. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS) (CONTINUED)

(b) AASB 112: Income Taxes

Under AIFRS, the Company will be required to adopt a “balance sheet method” of tax effect accounting whereby deferred tax balances are recognised when there is a difference between the carrying value of an asset or liability for accounting purposes and its tax base rather than using the “liability method” of tax-effect accounting for timing and permanent differences between income and accounting profit.

Under the balance sheet method, income tax on the profit or loss for the year comprises current and deferred taxes. Income tax will be recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it will be recognised in equity.

Current tax is the expected tax on the taxable income for the year, using tax rates applicable at reporting date and any adjustments to tax payable in respect of prior years.

Under AIFRS and the current accounting policy, a deferred tax liability amount is recognised for the tax payable on unrealised gains in the investment portfolio. This corresponding change is offset against the unrealised gains from the investment portfolio recognised in the Profit or Loss account and then transferred to the Asset Revaluation Reserve.

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 13 to 25, 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 2005 and of its performance, as represented by the results of the operations and the cashflows, for the year ended on that date; and
2. The Director of the Manager, Wilson Asset Management (International) Pty Limited has declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporation Act 2001*;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view; and
3. 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 31st day of August 2005

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 ("the Company") for the year ended 30 June 2005.

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.

Disclosure of information about Director and Executive remuneration

In accordance with the *Corporations Regulations 2001*, the Company has disclosed information about the remuneration of Directors and Executives ("remuneration disclosures"), as required by Accounting Standard AASB 1046 *Director and Executive Disclosures by Disclosing Entities*, under the heading "Remuneration Report" on pages 8 to 10 of the Directors' Report. The Directors of the Company are responsible for the information contained in the remuneration disclosures. The Remuneration Report also contains other information on pages 8 to 10 that is not required by Accounting Standard AASB 1046, which is not subject to our audit.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 1046 and the *Corporations Regulations 2001*. 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 its performance as represented by the results of its operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 1046 and the *Corporations Regulations 2001*.

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.

PARTNERS:

Andrew Blackwell
Angus Gluskie
Stephen Humphrys

Cameron McCallagh
Robert Southwell
Scott Whiddett

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A member of the Moore Stephens International Limited Group of Independent Firms.



Independence

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

Audit opinion

In our opinion,

1. the financial report of WAM Capital Limited is in accordance with:
 - a. the *Corporations Act 2001*, including:
 - i. giving a true and fair view of WAM Capital Limited's financial position as at 30 June 2005 and of its performance for the year ended on that date; and
 - ii. complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
 - b. other mandatory financial reporting requirements in Australia.
2. the remuneration disclosures required by Accounting Standard AASB 1046, which are contained on pages 8 to 10 of the Remuneration Report of the Director's Report, comply with that standard and the *Corporations Regulations 2001*.



S.M.WHIDDETT
Partner



MOORE STEPHENS SYDNEY

Dated this 31 August 2005

PARTNERS:

Andrew Blackwell
Angus Gluskie
Stephen Humphrys

Cameron McCullagh
Robert Southwell
Scott Whiddett

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WAM CAPITAL LIMITED

ABN: 34 086 587 395

ASX ADDITIONAL INFORMATION

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

SHAREHOLDINGS

Substantial shareholders (as at 31 July 2005)

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	3,665,978	5.56
Mr Victor John Plummer	3,483,809	5.28

On-market buy back

There is no current on-market buy back.

Distribution of shareholders (as at 31 July 2005)

Category	No. of shareholders	
	Ordinary Shares	Options
1 – 1,000	250	-
1,001 – 5,000	1,078	-
5,001 – 10,000	849	-
10,001 – 100,000	1,159	-
100,001 and over	67	-
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	3,403	-

The number of shareholdings held in less than marketable parcels is 70.

Twenty largest shareholders - Ordinary shares (as at 31 July 2005)

Name	Number of ordinary shares held	Percentage of issued capital held
Mr Victor John Plummer	3,483,809	5.28
Mr Geoffrey James Wilson	2,696,773	4.09
Mrs Fay Martin-Weber	1,463,068	2.22
Marbear Holdings Pty Limited	1,440,300	2.18
Namberry Way Pty Limited	1,400,000	2.12
Vilo Finance Pty Limited	1,400,000	2.12
VBS Investments Pty Limited	1,200,000	1.82
Mr Robert John Connolly	1,040,000	1.58
Dynasty Peak Pty Limited	969,205	1.47
Dr Russell Kay Hancock	902,360	1.37
Pineross Pty Ltd	480,354	0.73
Trophy Components Distributors Pty Limited	354,798	0.54
Eneber Investment Company Limited	350,000	0.53
Edington Pty Ltd	341,181	0.52
Irish Global Equity Limited	323,051	0.49
Mr Darren Mark Van Gemert	291,513	0.44
Great D Pty Ltd	250,000	0.38
Mr Andrew Ross McLean	229,416	0.35
Dr Patricia Percival	229,222	0.35
Mr Chi-Kuang Jiang & Ms Shu-Ying Teng	229,011	0.35
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	20,174,061	30.6

WAM CAPITAL LIMITED

ABN: 34 086 587 395

ASX ADDITIONAL INFORMATION

STOCK EXCHANGE LISTING

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