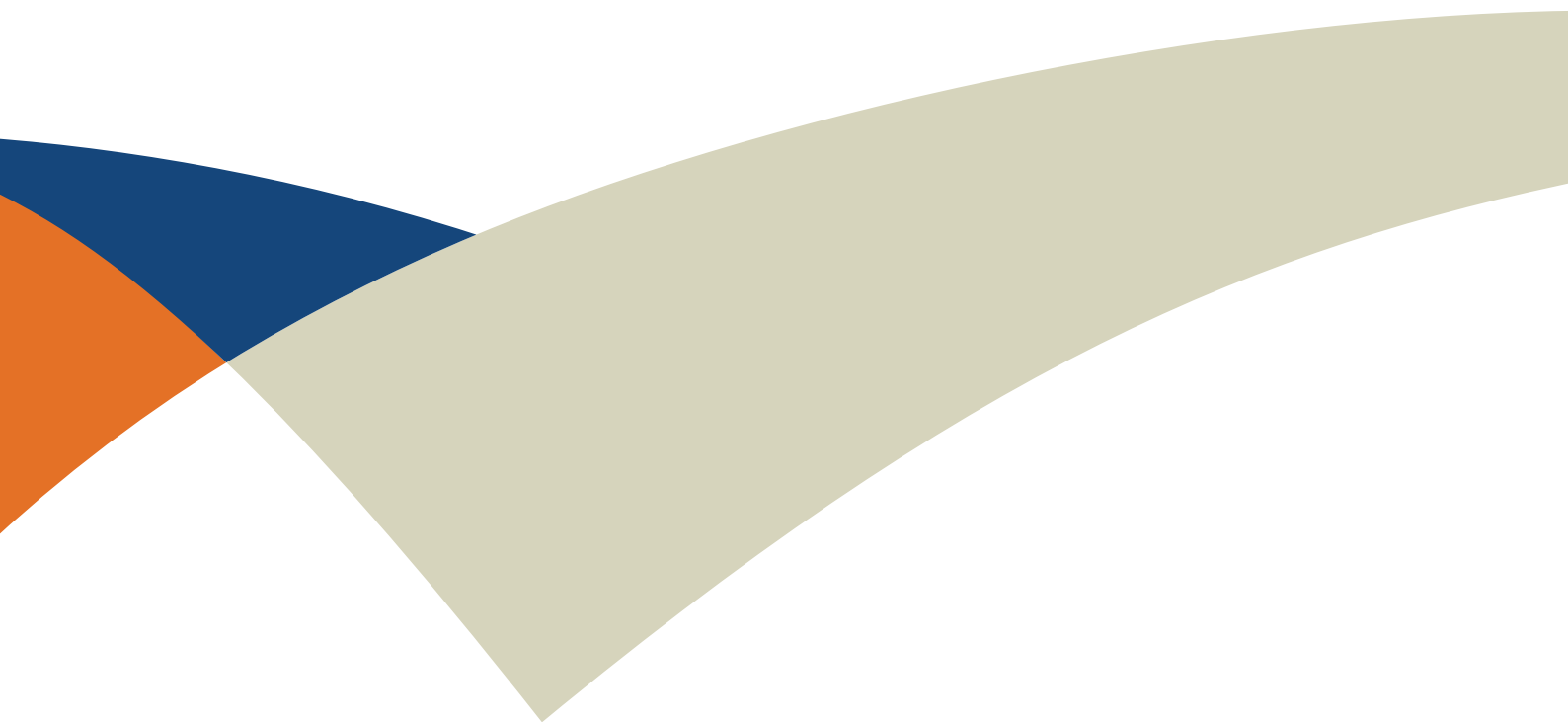




WAM Capital Limited (WAM)
ABN 34 086 587 395

Annual Report

for the year ending 30 June 2011



COMPANY PARTICULARS

WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

WAM Capital Limited is a Listed Investment Company and is a reporting entity. It is primarily an investor in equities listed on the Australian stock market.

DIRECTORS:

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

SECRETARY:

K. Thorley

INVESTMENT MANAGER:

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

AUDITORS:

Moore Stephens Sydney

COUNTRY OF INCORPORATION:

Australia

REGISTERED OFFICE:

Level 11, 139 Macquarie Street
Sydney NSW 2000

CONTACT DETAILS:

Postal Address: GPO Box 4658
Sydney NSW 2001

Telephone: (02) 9247 6755
Fax: (02) 9247 6855
Email: info@wamfunds.com.au
Website: www.wamfunds.com.au

SHARE REGISTRAR:

Boardroom Pty Limited
(Formerly known as: Registries Limited)
Level 7, 207 Kent Street
Sydney NSW 2000

Telephone: (02) 9290 9600
Fax: (02) 9279 0664

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

AUSTRALIAN STOCK EXCHANGE:

Ordinary Shares (WAM)

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WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

CHAIRMAN'S LETTER

Dear Fellow Shareholders,

Firstly I would like to thank you for your support during another volatile year for Australian and global equities.

WAM Capital Limited (WAM) was established in 1999. Since that time we have consistently applied our investment philosophy which has delivered a gross return of 18.7% p.a. which is 10.5% greater than the S&P/ASX All Ordinary Accumulation Index. This return has enabled us to pay an annualised fully franked dividend yield on the initial public offering price of 10.7% p.a. over the last 12 years.

It is pleasing that over the last four years since the Global Financial Crisis, the investment portfolio has increased 3.3% p.a. while the S&P/ASX All Ordinaries Accumulation Index fell 3.3%, an outperformance of 6.6% p.a.

Investment Objectives and Process

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

Our investment process focuses on:

- a) Research Driven investing: we undertake extensive research, focusing on free cashflow, then rating the company with respect to management, earnings growth potential, valuation and industry position. Once the company rates a buy, we will only buy when we can identify a catalyst or an event that will change the valuation the market gives to that company.
- b) Market Driven investing: we scour the market for trading opportunities. These include participating in initial public offerings, placements, block trades, rights issues, corporate transactions (such as takeovers, mergers, schemes of arrangements, corporate spin-offs, restructurings), arbitrage opportunities, LIC discount arbitrages, relative value arbitrages and trading market themes and trends. This part of the portfolio is traded actively.

Our focus is to invest in growth companies that have strong earnings growth, trade on a low price to earnings multiples, have an experienced management team and are well positioned in their industry. We are constantly looking for companies with these characteristics. The number of companies in our portfolio and our cash holding varies as opportunities are taken and realised. If we cannot find acceptable investment opportunities within these two strategies, we will hold cash until the right opportunities present themselves.

Our disciplined approach is to provide the maximum return possible while taking the minimum amount of risk. WAM Capital has a relatively low risk profile for a number of reasons. If the manager does not identify a catalyst under the Research Driven approach or a trading opportunity under the Market Driven approach, we revert to cash. The average net cash position held over the last 12 years has been 32.1%. The Company also has a low exposure to the resources sector because the Manager considers this sector is subject to extreme volatility and is difficult to value according to conservative accounting and investment principles.

Our investment team has continued to develop and comprises Chris Stott and myself as Portfolio Managers. Matthew Haupt joined the team as an Equity Analyst in January 2011 and focuses on the Research Driven part of the portfolio, while Martin Hickson our Analyst/Dealer focuses on the Market Driven part of the portfolio. We all spend as much time as possible meeting with the management of investee companies and during the year had over 700 meetings.

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CHAIRMAN'S LETTER

Performance

There are three key performance measures. The first performance level is used to show how the investment manager has performed. This is before all costs and is compared to the Index which is also before tax and costs. WAM's gross portfolio increased 17.9% for the 12 months to 30 June 2011, while the S&P/ASX All Ordinaries Accumulation Index increased by 12.2%, the S&P/ASX Small Ordinaries Accumulation Index increased 16.4% and the S&P/ASX Small Industrials Accumulation Index increased 15.7%.

The second level of performance is the movement in underlying assets (NTA) after taxes, management fees and all other costs. This performance shows the change in the value of the assets which belong to the shareholders over the 12 month period. Corporate tax, being 30%, is the most significant item of difference between the gross and the net asset performance. The franking credits attached to this corporate tax paid are available to be distributed to shareholders through fully franked dividends. WAM's after tax NTA, adjusted for dividends, increased 12.6% for the previous 12 months to 30 June 2011.

The third level of performance is the share price return. The share price, adjusted for dividends rose 41.9% for the 12 months to 30 June 2011. This significantly outperformed the NTA performance due to the closing of the discount to NTA over the previous 12 months.

All the above performance numbers were achieved while holding an average of 42.9% in cash during the year. The return on our cash was 5.6% and the return on our equity portion of the portfolio was 27.1%. The performance was achieved by utilising our two investment processes, Research Driven and Market Driven.

The Research Driven portion of the portfolio performed strongly for the year. The best performing research stocks for FY2011 were McMillan Shakespeare (MMS), Macquarie Telecom Group (MAQ) and Reckon Limited (RKN). While there are many companies trading on low multiples, we believe once again (as was the case this time last year) the earnings expectations for FY2012 are overstated by analysts. We have taken advantage of select stock opportunities in the last six months establishing new positions, whilst taking profits and rotating out of existing positions which have reached our valuation targets.

Over the course of the year the equity component of the Market Driven portfolio turned over 6.9 times. The best performing Market Driven strategies employed were trades based on valuation (low price to earnings multiple (PE) or discount to NTA) followed by takeovers and then capital raisings.

In the first six months of the year participating in discounted capital raisings was a very profitable strategy. In the second half, as the market began to struggle, the amount of capital raisings on offer declined. The second half trading strategy primarily utilised trading oversold positions, earning momentum/surprise, market themes and trends, short-selling and takeover arbitrages.

Top contributors based on the Market Driven strategy were RHG Limited (RHG), Tower Limited (TWR), Ludowici Limited (LDW), Village Roadshow Limited (VRL) and Healthscope Limited (HLN).

We maintain our cautious view over the next 12 months with our high cash weighting at approximately 67%. Further clarity around the overseas debt situation in Europe, the US economic recovery and the direction of interest rates in Australia are key events we are watching over the coming months.

Dividends

On the 15 September 2011, WAM paid a fully franked final dividend of 5.0 cents per share. This brings the FY2011 full year fully franked dividend to 10.0 cents per share, an increase of 25% on the previous year. The dividend re-investment plan was operating at a 2.5% discount.

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CHAIRMAN'S LETTER

The Board is committed to paying an increasing stream of fully franked dividends to shareholders provided the Company has sufficient franking credits, and it is within prudent business practices. Dividends are paid on a six-monthly basis.

Government legislation introduced in June 2010 now enables companies to pay dividends if the company is deemed solvent. Dividend payments will be paid with consideration to cash flow, cash holdings and available franking credits. Essentially, providing it is deemed solvent by the Board, WAM Capital should always be in a position to pay dividends.

Outlook

The Australian share market followed a similar path to the previous financial year posting a 12.2% gain. The market declined in the fourth quarter FY2011 driven by macroeconomic concerns globally. Debt concerns in Europe and soft economic data in the US continued to worry investors. These themes have continued into the year and will continue to remain the focus for investors rather than individual company fundamentals. We expect global equity markets to trade sideways to down over the next 12 months with macroeconomic concerns lingering globally along with our local economy slowing under the weight of high interest rates.

In regards to the Australian sharemarket, we believe analyst's earnings forecasts are too high for FY2012. Costs are growing at a fast pace while revenue is only growing modestly on the back high interest rates and sluggish domestic demand. While equities are not expensive on an historic price to earnings basis, the low growth outlook will require a downward adjustment to future price to earnings multiple expectations. This together with the European debt concerns will hold the market back in the current year. We remain cautious over the next 12 months and will continue to research actively for individual stock opportunities.

Shareholder Communication

We take an active approach to keeping shareholders informed about the Company's activities and performance including monthly investment updates and NTA announcements, yearly and half yearly profit announcements, semi-annual shareholder briefings and access to all relevant information on our website. Also included on our website are regular audios to discuss important market issues and address common questions. These audios are posted under the Newsroom section on our website: www.wamfunds.com.au

During the year we continued the successful and well attended shareholder briefings, with seminars held in Sydney, Melbourne, Adelaide, Brisbane, Perth and Canberra. The team at Wilson Asset Management enjoys the opportunity to meet with you and are committed that shareholder briefings remain a semi-annual event.

In early September, shareholders were sent the latest edition of the bi-annual Investor Newsletter. We hope you enjoyed the content and would encourage feedback on how we can improve this newsletter and our overall communication with our shareholders.

On behalf of the shareholders, Board and the staff at Wilson Asset Management we would like to take this opportunity to thank Matthew Kidman for his invaluable contribution as a Portfolio Manager at Wilson Asset Management over the last 13 years. We wish him every success in his future endeavours and look forward to continuing to work with him in his capacity as Director.

Thank you for your continuing support.



Geoff Wilson
Chairman

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CORPORATE GOVERNANCE STATEMENT

To ensure the Company operates effectively and in the best interests of shareholders, the Board has followed the principles and best practice recommendations established by the ASX Corporate Governance Council having regard to the nature of the Company's activities and its size. The Company has adopted the ASX Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition) for the 2011 financial year, subject to the exceptions noted below.

Role of the Board (Recommendations: 1.1 to 1.3)

The Company has a Board but no full time employees. Subject at all times to any written guidelines issued by the Board of Directors of WAM Capital Limited, the day-to-day management and investment of funds is carried out by Wilson Asset Management (International) Pty Limited (the Manager) pursuant to a management agreement. Consequently, there is no need for a process to evaluate the performance of senior executives under recommendations 1.2 and 1.3.

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

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

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

Composition & Operation of the Board (Recommendations: 2.1 to 2.6)

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the annual report and their term in office are detailed in the Directors' Report.

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

- James Chirnside
- Paul Jensen

These Directors are considered independent as per the criteria outlined in the Board of Directors Charter which includes the Company's criteria for independence of Directors, and can be found in the Corporate Governance section of the Company's website at www.wamfunds.com.au. The criteria is in accordance with ASX Corporate Governance Council's Principles.

Whilst the Company agrees with the benefits of a majority of independent Directors, under Recommendation 2.1, it believes that it can better achieve the results of the Company with the current Boards' level of expertise and without burdening shareholders with the additional costs associated with adding further independent Directors.

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The Chairman is not an independent Director. The Company believes that an independent Chairman, under Recommendations 2.2, does not necessarily improve the function of the Board. The Company believes that when the Chairman is a significant driver behind the business and is a sizeable shareholder, as is the case with this Company, it adds value to the Company for all shareholders. The Company does not employ a Chief Executive Officer, consequently recommendation 2.3 is not applicable.

Given the size of the Board, a nomination committee has not been formed under recommendation 2.4. The Board as a whole considers the composition of the Board and appointment of new Directors. The Board identifies suitable candidates to fill vacancies as they arise.

Under the Board of Directors Charter, the performance of each Director was reviewed by the Chairman during the year and the Board undertook the annual review of the performance of the Chairman to ensure the Board's activities continue to be efficiently organised and conducted. 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.

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.

Code of Conduct (Recommendations: 3.1 and 3.5)

The Company has established a Directors Code of Conduct which sets out the Company's key values and how they should be applied within the workplace and in dealings with those outside of the Company. The Directors Code of Conduct can be found in the Corporate Governance section of the Company's website at www.wamfunds.com.au.

Diversity Policy (Recommendations: 3.2 to 3.5)

As the Company has no full time employees and given the size of the Board, a diversity policy has not been established under Recommendations 3.2 to 3.5. The Board's composition is reviewed on an annual basis. In the event a vacancy exists, the Board will include diversity in its nomination process.

Audit & Risk Committee (Recommendations: 4.1 to 4.4)

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

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

The Committee's responsibilities are to:

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

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The Audit & Risk Committee Charter can be found in the Corporate Governance section of the Company's website at www.wamfunds.com.au.

The Committee formally reports to the Board after each of its meetings. Details of the number of meetings of the Audit & Risk Committee during the 2011 year are set out in the Directors' Report.

The external audit firm partner responsible for the Company audit attends meetings of the Board and Audit & Risk Committee by invitation.

The Company's external audit is undertaken by Moore Stephens Sydney and the audit engagement partner is required to be changed at regular intervals. Jenelle Webster, a partner of Moore Stephens Sydney, is the partner responsible for the external audit of the Company for the 2011 financial year.

ASX Listing Rule Compliance (Recommendations: 5.1 and 5.2)

The Company has established a continuous disclosure policy to ensure compliance with the continuous disclosure obligations under the ASX Listing Rules and the *Corporations Act 2001*. The policy aims to ensure all investors have equal and timely access to material information concerning the Company and that Company announcements are factual and presented in a clear and balanced way. The Continuous Disclosure Policy can be found in the Corporate Governance section of the Company's website at www.wamfunds.com.au.

Due to changes to the ASX Listing Rules on 1 January 2011, the Company revised its Securities Dealing Policy. The Securities Dealing Policy can be found in the Corporate Governance section of the Company's website at www.wamfunds.com.au. Under this policy, Directors are not required to hold a minimum number of shares pursuant to the Company's Constitution. However, their current relevant interests in the Company's shares are shown in the Directors' Report. Directors must not deal in shares of the Company if they are in possession of price sensitive or inside information. The Board has also nominated they may not deal in shares of the Company the 5 business days before the announcement of a dividend or any other capital management initiative that might have a material impact on the share price.

In addition, the Company has established a Conflict of Interest Policy, in accordance with the *Corporations Act 2001*. Under this policy, 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.

Shareholder Rights & Communication (Recommendations: 6.1 and 6.2)

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

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

Information is communicated to shareholders through the:

- Website;
- ASX Company Announcements platform;
- Annual Report;
- Investor newsletters;
- Investor presentations;
- Monthly Investment Updates and NTA releases; and
- Other correspondence regarding matters impacting on shareholders as required.

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CORPORATE GOVERNANCE STATEMENT

Monthly NTA releases and bi-annual investor newsletters contain additional information concerning the underlying investment portfolio of the Company in an effort to give investors a better understanding of the Company.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Shareholder information sessions are also held twice a year in May/June and November following the AGM. These provide an informal forum where shareholders are given the opportunity to raise questions and participate in general discussion about the Company.

The Communications Policy can be found in the Corporate Governance section of the Company's website at www.wamfunds.com.au.

Risk Management (Recommendations: 7.1 to 7.4)

The Company has an established enterprise risk management program in accordance with the International Risk Standard AS/NZS ISO 31000:2009. It also has an established internal control program based upon the principles set out in the Australian Compliance Standard AS 3806:2006.

The Company's enterprise risk management program addresses its material business risks. Each identified risk is individually assessed in terms of the likelihood of the risk event occurring and the potential consequences in the event that the risk event was to occur. The CompliSpace Assurance software has been implemented through which material business risks are linked to mitigating controls. This software gives the Company and the Manager the ability to monitor the performance of its enterprise risk and compliance programs in real time. It also ensures transparency of data and ease of reporting to the Board.

The Manager has provided to the Board a report as to the overall effectiveness of the Company's management of its material business risks.

The Board has received assurance from the sole Director and CEO of the Manager that in their view:

- the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control; and
- the system of risk management and internal control is operating effectively in all material respects in relation to financial reporting risks.

The Board requires the Manager to report annually on the operation of internal controls to manage the Company's material business risk, reviews any external audit commentary in respect to internal controls and conducts any other investigations it requires in order to report on the effectiveness of the internal control system. In respect of the current financial year all necessary declarations have been submitted to the Board.

There are two main areas of risk that have been identified:

- Market risk
- Operational risk

Market Risk

The Manager is primarily responsible for recognising and managing market related risk as per the management agreement. The Manager provides periodic reports to the Board regarding this area of risk. By its nature, as a listed investment company, the Company will always be subject to market risk as it invests its capital in securities which are not risk free as the market price of these securities can fluctuate. However, the Company seeks to reduce and manage market risk by not being overly exposed to one investee company or one particular sector of the market. The Manager reviews the relative weightings of individual securities and

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CORPORATE GOVERNANCE STATEMENT

the relevant market sectors regularly. The Company does not have set parameters as to a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

Wilson Asset Management (International) Pty Limited, the Manager, is required to act in accordance with the management agreement and reports to the Board regularly on the Fund's performance and any material actions that have occurred in the period.

Operational Risk

The Manager is primarily responsible for recognising and managing operational risk issues such as legal and regulatory risk, systems and process risk and outsourcing risk. The Company outsource its administrative functions to service providers: Wilson Asset Management (International) Pty Limited (investment management, accounting and compliance), RBC Dexia Investor Services (custody) and Boardroom Pty Limited (share registry) and accordingly risk issues associated with these activities are handled in accordance with the service provider's policies and procedures.

Wilson Asset Management (International) Pty Limited, the Manager provides a declaration to the Board twice a year to certify that the Company's financial statements and notes present a true and fair view, in all material respects, of the Company's financial condition and operational results and that they have been prepared and maintained in accordance with relevant Accounting Standards and the *Corporations Act 2001*.

Remuneration of Directors (Recommendations: 8.1 to 8.3)

Given the size of the Board, a remuneration committee has not been formed under recommendation 8.1. The Board believes that such a committee would not serve to protect or enhance the interests of the shareholders. The Board as a whole considers the issue of remuneration.

The maximum total remuneration of the Directors of the Company has been set at \$80,000 per annum to be divided in such proportions as they agree. The scope of the Company's operations, and the frequency of Board meetings are principal determinants of the fee level. Further detail is provided in the Directors' Report.

The Board has made no distinction between the remuneration of non-executive directors from executive directors under recommendation 8.3. All directors of WAM Capital are non-executive directors.

The Chairman of WAM Capital Limited is the sole Director of Wilson Asset Management (International) Pty Limited and is further remunerated by that Company. Further detail is provided in the Directors' Report.

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2011

The Directors present their report together with the financial report of WAM Capital Limited ("the Company") for the financial year ended 30 June 2011.

Principal Activity

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

Operating and Financial Review

Investment operations over the year resulted in an operating profit before tax of \$24,758,644 (2010: operating profit before tax \$33,304,756) and an operating profit after tax of \$20,352,870 (2010: operating profit after tax \$24,383,192).

Under Accounting Standards, realised gains and losses and dividend income are added to or reduced by changes in the market value of the Company's investments. This can lead to large variations in reported profits. We believe a more appropriate measure of the results is the change in Net Tangible Asset (NTA), adjusted for dividends. The after tax NTA, adjusted for dividends, increased 12.6% for the 12 months to 30 June 2011. The share price, adjusted for dividends rose 41.9% for the 12 months to 30 June 2011.

Net Tangible Assets for each ordinary share as at 30 June 2011 (calculated on market value less realisation costs and all applicable taxes and before provision for dividend) amounted to \$1.63 per share (2010: \$1.52). Net Tangible Assets after tax on realised gains but before tax on unrealised gains was \$1.67 per share (2010: \$1.57).

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

Financial Position

The net asset value of the Company for the current financial year was \$171,346,450 (2010: \$158,746,626).

Significant Changes in State of Affairs

There was no significant change in the state of affairs of the Company during the year ended 30 June 2011.

Dividends Paid or Recommended

Dividends paid or declared are as follows:

	\$
Fully franked 2010 final dividend of 4.0 cents per share was paid on 17 September 2010	4,157,247
Fully franked 2011 interim dividend of 5.0 cents per share was paid on 11 March 2011	5,224,101

Since year end the Company has paid a final dividend of 5.0 cents per share fully franked on 15 September 2011.

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2011

Directors

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

G.J. Wilson
M.J. Kidman
P.D.K Jensen
J.M. Chirnside

Information on Directors

Geoffrey Wilson (Chairman – Non-independent)

Experience and expertise

Geoffrey Wilson has had 31 years experience in the Australian and international securities industry. He holds a Bachelor of Science Degree and a Graduate Management Qualification. He is also a Fellow of the Institute of Company Directors and a Fellow of the Securities Institute of Australia.

Geoffrey Wilson has been Chairman of the Company since March 1999.

Other current directorships

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

Former directorships in the last 3 years

Geoffrey Wilson has not held any other directorships of listed companies within the last three years.

Special responsibilities

Chairman of the Board.

Interests in shares and options of the Company

Details of Geoffrey Wilson's interests in shares and options of the Company are included later in this report.

Interests in contracts

Details of Geoffrey Wilson's interests in contracts of the Company are included later in this report.

Matthew Kidman (Non-Executive Director – Non-independent)

Experience and expertise

Matthew Kidman worked as a finance reporter for the Sydney Morning Herald between 1994 and 1998. In 1997 he was appointed Investment Editor of that newspaper and was charged with the responsibility of company coverage for the newspaper. He has degrees in Economics and Law and a Graduate Diploma in Applied Finance. For the past 12 years Matthew was a Portfolio Manager of Wilson Asset Management (International) Pty Limited.

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DIRECTORS' REPORT TO SHAREHOLDERS
FOR THE YEAR ENDED 30 JUNE 2011

Matthew Kidman (Non-Executive Director – Non-independent) (cont'd)

Matthew Kidman has been a Director of the Company since March 1999.

Other current directorships

Matthew Kidman is a Director of WAM Research Limited, (appointed May 2002), WAM Active Limited (appointed July 2007) and Incubator Capital Limited (appointed February 2000). He is also a Director of the investment management companies MAM Pty Limited and Boutique Asset Management Pty Limited.

Former directorships in the last 3 years

Matthew Kidman is a former Director of Australian Leaders Fund Limited (formerly known as Wilson Leaders Fund Limited) (October 2003 to January 2010).

Special responsibilities

Member of the Audit & Risk Committee.

Interests in shares and options of the Company

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

Interests in contracts

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

James Chirnside (Non-Executive Director – Independent)

Experience and expertise

James Chirnside has been exclusively focused in emerging markets and Australian investment management for twenty-three years in Melbourne, London, Hong Kong, and Sydney. James is Managing Director of Asia Pacific Asset Management, a specialist emerging market investment firm based in Sydney.

James previously worked for Challenger Financial Group in Sydney and prior to this he was Senior Fund Manager for Asia Equity specialist, Regent Fund Management, in Hong Kong. During this time he was country head for India, Indonesia and Australia. From 1989 to 1992 James worked for County NatWest in London as head of proprietary trading for Asia and specifically focused on country funds and equity derivatives arbitrage strategies.

As well as managing fund investments in Asia and Australia, James advises a number of Australian domestic investment groups on investment strategies for Asia and the Resources sectors James Chirnside has been a Director of the Company since February 2003.

Other current directorships

James Chirnside is a Director of Cadence Capital Limited (appointed February 2005) Indian Equities Limited (appointed November 2010).

Former directorships in the last 3 years

James Chirnside has not held any other directorships of listed companies within the last three years.

Special responsibilities

Chairman of the Audit & Risk Committee.

Interests in shares of the Company

Details of James Chirnside's interests in shares of the Company are included later in the report.

Interests in contracts

James Chirnside has no interests in contracts of the Company.

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2011

Paul Jensen (Non-Executive Director – Independent)

Experience and expertise

Paul Jensen has over 25 years of international experience in the funds management and institutional banking sectors. He holds a Bachelor of Commerce and Administration in accounting and commercial law from Victoria University, Wellington, NZ and is a Fellow of the Australian Institute of Company Directors.

Paul Jensen has been a Director of the Company since June 2004.

Other current directorships

Paul Jensen is a Director of RHG Limited.

Former directorships in the last 3 years

Paul Jensen is a former Director of Clime Investment Management Limited (August 2008 to May 2011)

Special responsibilities

Member of the Audit & Risk Committee.

Interests in shares of the Company

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

Interests in contracts

Paul Jensen has no interests in contracts of the Company.

Company Secretary

The following person held the position of Company Secretary at the end of the financial year:

Kate Thorley – Bachelor of Commerce, CPA and CSA Certificate in Governance Practice and Administration. Kate has worked in the funds management industry the past 6½ years with the Wilson Asset Management group initially as a Financial Accountant, CFO, and more recently CEO of Wilson Asset Management. Kate Thorley was appointed Company Secretary on 6 November 2007.

WAM CAPITAL LIMITED
A.B.N. 34 086 587 395

DIRECTORS' REPORT TO SHAREHOLDERS
FOR THE YEAR ENDED 30 JUNE 2011

Remuneration Report

This report details the nature and amount of remuneration for each Director of WAM Capital Limited.

a) Remuneration of Directors

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

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

Directors' base fees are presently \$80,000 per annum. Non-Executive Directors do not receive bonuses nor are they issued options on securities as part of their remuneration. Directors' fees cover all main Board activities and membership of committees.

Directors' remuneration received for the year ended 30 June 2011:

Director	Position	Directors' Fees	Post-employment Superannuation	Total
		\$	\$	\$
G.J. Wilson	Chairman	9,174	826	10,000
	Non-Executive			
M.J. Kidman	Director	9,174	826	10,000
	Non-Executive			
J.M. Chirnside	Director	27,523	2,477	30,000
	Non-Executive			
P.D.K. Jensen	Director	10,000	20,000	30,000
	Non-Executive			
		55,871	24,129	80,000

The following table compares the Company performance and Non-Executive Directors' remuneration over five years:

	2011	2010	2009	2008	2007
Operating profit/(loss) after tax (\$)	20,352,870	24,383,192	(4,083,239)	(31,619,033)	34,005,754
Dividends (cents per share)	10.0	8.0	4.0	8.0	16.0
Equal Access Share Buy-Back (\$1.38 per share x 5.8% holding)	-	-	8.0	-	-
Net tangible asset (\$ per share)	1.63	1.52	1.37	1.41	1.88
Total Directors' remuneration (\$)	80,000	80,000	80,000	80,000	70,000

WAM CAPITAL LIMITED
A.B.N. 34 086 587 395

DIRECTORS' REPORT TO SHAREHOLDERS
FOR THE YEAR ENDED 30 JUNE 2011

Remuneration Report (cont'd)

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 and manage the day-to-day operations of the Company. Matthew Kidman was an employee of Wilson Asset Management (International) Pty Limited during the year to 30 June 2011. The core duties of the Manager in addition to managing the investment portfolio include the provision of financial and administrative support to ensure the maintenance of the corporate and statutory records of the Company; liaison with the ASX with respect to compliance with the ASX Listing Rules; liaise with ASIC with respect to compliance with the Corporations Act; liaison with the share registrar of the Company; and the provision of information necessary for the maintenance of financial accounts of the Company to be completed. In its capacity as Manager, Wilson Asset Management (International) Pty Limited was paid a management fee of 1% p.a (plus GST) of gross assets amounting to \$1,977,110 inclusive of GST (2010: \$1,802,104). As at 30 June 2011 the balance payable to the Manager was \$163,708 (2010: \$151,509).

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 2011, a performance fee of \$1,546,328 inclusive of GST was payable to Wilson Asset Management (International) Pty Limited (2010: \$4,445,012).

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, remunerated Geoffrey Wilson, Matthew Kidman and Kate Thorley as employees and/or Directors of the Company during the financial year. The Manager also provides day-to-day management of the Company and is remunerated as outlined above.

d) Equity Instruments Disclosures of Directors and Related Parties

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

Directors	Ordinary Shares
G.J. Wilson	3,596,896
M.J. Kidman	210,084
P.D.K. Jensen	105,033
J.M. Chirnside	12,500

Directors and director related entities disposed of and acquired ordinary shares and options in the Company on the same terms and conditions available to other shareholders. The Directors have not, during or since the end financial year, been granted options over unissued shares or interests in shares of the Company as part of their remuneration.

WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2011

Directors' Meetings

Director	No. eligible to attend	Attended
G.J. Wilson	6	6
M.J. Kidman	6	6
P.D.K. Jensen	6	6
J.M. Chirside	6	5

Audit & Risk Committee Meetings

The main responsibilities of the Audit & Risk Committee are set out in the Corporate Governance Statement on pages 4 - 8 of the Annual Report.

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

After Balance Date Events

Since year end the Company paid a final dividend of 5.0 cents per share fully franked on 15 September 2011.

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

Future Developments

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

Environmental Issues

The Company's operations are not regulated by any environmental regulation under a law of the Commonwealth or of a State or Territory.

Indemnification and Insurance of Officers or Auditors

During the financial year the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and any related body corporate against liability incurred as such by a Director or Secretary to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any person who is or has been an auditor of the Company.

WAM CAPITAL LIMITED
A.B.N. 34 086 587 395

DIRECTORS' REPORT TO SHAREHOLDERS
FOR THE YEAR ENDED 30 JUNE 2011

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

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

Non-Audit Services

During the year Moore Stephens Sydney, the Company's auditor, did not perform any other services in addition to their statutory duties for the Company. Moore Stephens Sydney Pty Limited, a related party of the Company's auditor, performed taxation services for the Company. Details of the amounts paid to the auditors and their related parties are disclosed in Note 5 to the financial statements.

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

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

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 17 of this Annual Report.

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



G.J. Wilson
Chairman

Dated at Sydney this 29th day of September 2011

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Sydney NSW 2000

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**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF WAM CAPITAL LIMITED**

In accordance with the requirements of section 307C of the *Corporations Act 2001*, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been:

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

Moore Stephens Sydney

Moore Stephens Sydney
Chartered Accountants

J Webster

Jenelle Webster
Partner

Dated in Sydney, this 29th day of September 2011

WAM CAPITAL LIMITED
A.B.N. 34 086 587 395

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011**

		2011 \$	2010 \$
Proceeds from sale of investments		320,917,471	326,826,410
Cost of investments sold		<u>(306,334,170)</u>	<u>(305,518,178)</u>
Realised gains on financial assets		14,583,301	21,308,232
Unrealised gains on financial assets		95,577	11,519,881
Other revenue	2	14,819,200	7,634,210
Management fees		(1,842,307)	(1,679,233)
Performance fees		(1,440,896)	(4,141,943)
Directors fees		(80,000)	(80,000)
Brokerage expense on share purchases		(929,656)	(879,143)
Custody fees		(115,025)	(91,865)
ASX listing and chess fees		(61,828)	(60,163)
Share registry fees		(69,318)	(66,851)
Other expenses from ordinary activities		<u>(200,404)</u>	<u>(158,369)</u>
Profit before income tax		24,758,644	33,304,756
Income tax expense	3(a)	<u>(4,405,774)</u>	<u>(8,921,564)</u>
Profit attributable to members of the Company	12	<u>20,352,870</u>	<u>24,383,192</u>
Other comprehensive income			
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>20,352,870</u>	<u>24,383,192</u>
Basic earnings per share	15	<u>19.1 cents</u>	<u>23.3 cents</u>
Diluted earnings per share	15	<u>19.1 cents</u>	<u>23.3 cents</u>

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 2011

		2011 \$	2010 \$
Assets			
Cash and cash equivalents	13	81,676,377	80,666,402
Trade and other receivables	6	5,741,684	14,272,244
Financial assets	7	94,175,124	75,079,790
Deferred tax assets	3(b)	10,108	2,635,083
Total Assets		181,603,293	172,653,519
Liabilities			
Trade and other payables	9	3,791,935	5,685,989
Financial liabilities	8	799,710	2,860,907
Current tax liabilities	3(c)	816,172	-
Deferred tax liabilities	3(d)	4,849,026	5,359,997
Total Liabilities		10,256,843	13,906,893
Net Assets		171,346,450	158,746,626
Equity			
Issued capital	10	150,330,891	148,702,589
Reserves	11	20,111,111	4,526,169
Retained earnings	12	904,448	5,517,868
Total Equity		171,346,450	158,746,626

The accompanying notes form part of these financial statements.

WAM CAPITAL LIMITED
A.B.N. 34 086 587 395

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011**

		2011 \$	2010 \$
Total Equity as at 1 July		158,746,626	141,178,888
Profit for the year attributable to members of the Company	12	20,352,870	24,383,192
Total other comprehensive income for the year		-	-
Shares issued via DRP during the year	10(b)	1,628,302	1,430,644
		180,727,798	166,992,724
Dividends paid	4(a)	(9,381,348)	(8,246,098)
Total Equity as at 30 June attributable to members of the Company		171,346,450	158,746,626

The accompanying notes form part of these financial statements.

WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$	2010 \$
Cash Flows from Operating Activities		
Dividends received	10,018,601	4,582,545
Interest received	4,544,203	2,452,182
Other investment income received	339,042	260,321
Investment management fee (inclusive GST)	(1,964,911)	(1,774,199)
Investment performance fee (inclusive GST)	(4,445,012)	-
Brokerage expense on share purchases (inclusive GST)	(997,679)	(941,697)
Payments for administration expenses (inclusive GST)	(578,231)	(483,821)
Income tax paid	(972,394)	(189,980)
GST on brokerage expense on share sales	(73,930)	(77,926)
Net GST payments to ATO	595,371	271,591
Net cash provided by operating activities	14 6,465,060	4,099,016
Cash Flows from Investing Activities		
Proceeds from sale of investments	328,669,248	317,519,376
Payments for purchase of investments	(326,371,286)	(286,161,150)
Net cash provided by investing activities	2,297,962	31,358,226
Cash Flows from Financing Activities		
Dividends paid – net of reinvestment	(7,753,047)	(6,815,454)
Net cash used in financing activities	(7,753,047)	(6,815,454)
Net increase in cash and cash equivalents held	1,009,975	28,641,788
Cash and cash equivalents at beginning of financial year	80,666,402	52,024,614
Cash and cash equivalents at end of financial year	13 81,676,377	80,666,402

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 2011

1. Statement of Significant Accounting Policies

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report was authorised for issue on 29th September 2011 by the Board of Directors.

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

Australian Accounting Standards set out the accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures the financial statements and notes of the company also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of the financial statements are presented below. They have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs with the exception of financial assets and certain other financial assets and liabilities which have been measured at fair value.

a) Financial Instruments

i. Initial Recognition and Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by market convention. Trade date is the date on which the Company commits to purchase or sell the assets.

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

ii. Classification and Subsequent Measurement

Investments consist of shares in publicly listed and unlisted companies, exchange traded call and put options and investments in fixed interest securities.

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

The Company may short sell securities in anticipation of a decline in the market value of that security, or it may short sell securities for various arbitrage transactions. Short sales or borrowed stock are classified as a financial liability and are revalued to fair value through the Statement of Comprehensive Income.

WAM CAPITAL LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1. Statement of Significant Accounting Policies (cont'd)

a) Financial Instruments (cont'd)

iii. Financial Assets at Fair Value through Profit or Loss

Financial assets are classified "at fair value through the profit or loss" when they are held for trading for the purpose of short term profit taking. Realised and unrealised gains and losses arising from changes in fair value are included in Statement of Comprehensive Income in the period in which they arise. Unrealised gains and losses are then transferred to an asset revaluation reserve, net of the potential tax charges that may arise from the future sale of the investments, where they are above cost.

iv. Financial Liabilities

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

v. Fair Value

Fair value is determined based on current market prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions and reference to similar instruments.

vi. Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the Statement of Comprehensive Income.

b) Income Tax

The charge of current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the end of the current financial year. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is accounted for using the Statement of Financial Position liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Statement of Comprehensive Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

WAM CAPITAL LIMITED

A.B.N. 34 086 587 395

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. Statement of Significant Accounting Policies (cont'd)

b) Income Tax (cont'd)

Deferred tax assets relating to temporary differences and unused tax losses are recognised, to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset only where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are only offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, at call deposits with banks or financial institutions and other fixed interest securities maturing within three months or less.

d) Revenue and Other Income

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

e) Trade and Other Receivables

Trade and other receivables are non-derivative financial assets and are initially recognised at fair value. They are subsequently stated at their amortised cost less the provision for impairment losses [refer Note 1(g)].

f) Trade and Other Payables

Trade and other payables are non-derivative financial liabilities and are stated at their amortised cost.

g) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible assets to determine whether there is any indication that those assets may be impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets' carrying value. Any excess of the assets' carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of 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 part of receivables or payables in the Statement of Financial Position.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

WAM CAPITAL LIMITED
A.B.N. 34 086 587 395

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1. Statement of Significant Accounting Policies (cont'd)

i) Comparative Figures

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

j) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and the best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data.

There are no estimates or judgments that have a material impact on the financial results of the Company for the year ended 30 June 2011.

k) New Standards and Interpretations not yet Adopted

The Australian Accounting Standards Board has issued a new accounting standard AASB 9: Financial Instruments and AASB 2009 11: Amendments to Australian Accounting Standards arising from AASB 9 that has a mandatory application date for future reporting periods. The Company has decided against early adoption of this standard. This standard does not materially impact the Company

l) Realised Profits Reserve

A realised profits reserve has been created representing an amount allocated from retained earnings that is preserved for future dividend payments.

2. Other Revenue

	2011	2010
	\$	\$
Australian sourced dividends	9,900,434	4,160,974
Interest	4,476,031	2,812,241
Foreign sourced dividends	19,859	102,027
Underwriting fees	85,731	202,856
Trust distributions	407,587	345,782
(Losses)/gains from options trading	(70,442)	8,140
Other revenue	-	2,190
	<u>14,819,200</u>	<u>7,634,210</u>

WAM CAPITAL LIMITED
A.B.N. 34 086 587 395

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

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:

	2011	2010
	\$	\$
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2010: 30%)	7,427,594	9,991,427
Imputation credit gross up	1,239,439	516,588
Franking credit offset	(4,131,464)	(1,703,956)
Other non-assessable items	44,373	78,082
(Over)/Under provision in prior period	(174,168)	39,423
	4,405,774	8,921,564
Total income tax expense results in a:		
Current tax asset	5,103,373	7,039,641
Deferred tax liability	(522,848)	1,843,898
Deferred tax asset	(583)	(1,398)
(Over)/Under provision in prior period	(174,168)	39,423
	4,405,774	8,921,564
b) Deferred Tax Assets		
Tax losses	-	2,625,558
Provisions	10,108	9,525
	10,108	2,635,083
Movement in deferred tax assets		
Balance at the beginning of the period	2,635,083	9,721,346
Transfer tax losses from current tax liability	(2,625,558)	(7,087,661)
Credited to the Statement of Comprehensive Income	583	1,398
At reporting date	10,108	2,635,083
c) Current Tax liabilities		
Balance at the beginning of the year	-	-
Current year income tax expense on operating profit	5,103,373	-
(Over) provision in prior period	(186,045)	-
Transfer tax losses from deferred tax asset	(2,625,558)	-
Income tax paid	(1,475,598)	-
At reporting date	816,172	-

WAM CAPITAL LIMITED
A.B.N. 34 086 587 395

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

3. Taxation (cont'd)

d) Deferred Tax Liabilities

	2011	2010
	\$	\$
Fair value adjustments	4,846,945	5,112,873
Income provisions	2,081	247,124
	4,849,026	5,359,997

Movement in deferred tax liabilities

Balance at the beginning of the year	5,359,997	3,524,696
Charged to the Statement of Comprehensive Income	(522,848)	1,843,898
Under/(over) provision in prior year	11,877	(8,597)
At reporting date	4,849,026	5,359,997

4. Dividends

a) Ordinary Dividends Paid During the Year

	2011	2010
	\$	\$
Final dividend FY2010: 4.0 cents per share fully franked at 30% tax rate paid 17 September 2010 (Dividend 2010: 4.0 cents per share fully franked)	4,157,247	4,111,415
Interim dividend FY2011: 5.0 cents per share fully franked at 30% tax rate paid 11 March 2011 (Interim dividend FY2010: 4.0 cents per share fully franked)	5,224,101	4,134,683
Dividends paid by the Company	9,381,348	8,246,098

b) Dividends not Recognised at Year End

In addition to the above dividends, since the end of the year, the Directors have declared a 5.0 cent per share fully franked dividend which has not been recognised as a liability at the end of the financial year:

	5,253,158	4,157,247
--	------------------	------------------

c) Dividend Franking Account

Balance of franking account at year end adjusted for franking credits, arising from payment of provision for income tax and dividends recognised as receivables and franking credits that may be prevented from distribution in subsequent financial years.

	4,510,318	2,111,305
--	-----------	-----------

Subsequent to the reporting period, the franking account would be reduced by the proposed dividend disclosed in b) above as follows:

	(2,251,353)	(1,781,678)
--	-------------	-------------

	2,258,965	329,627
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WAM CAPITAL LIMITED
A.B.N. 34 086 587 395

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

4. Dividends (cont'd)

c) Dividend Franking Account (cont'd)

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

The balance of the franking account does not include the tax to be paid on unrealised investment gains and accrued income currently recognised as a deferred tax liability of \$4,849,026 (2010: \$5,359,997).

5. Auditor's Remuneration

Remuneration of the auditor of the Company for:

	2011	2010
	\$	\$
Auditing or reviewing the financial report	30,971	27,291
Non-audit services	-	-
Other services provided by a related practice of the auditor:		
Taxation Services	10,450	8,800
	41,421	36,091

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

6. Trade and Other Receivables

	2011	2010
	\$	\$
Outstanding settlements	4,510,843	12,262,620
Income receivable	1,040,669	1,123,316
Tax refund	-	503,204
GST receivable	190,172	383,104
	5,741,684	14,272,244

Outstanding settlements are on the terms of operating in the securities industry. These are non-interest bearing and require the settlement within three days of the date of a transaction. Income receivable relates to interest, sub-underwriting fees, dividend, and trust distributions receivable at the end of the reporting period.

7. Financial Assets

	2011	2010
	\$	\$
Listed investments at fair value	93,592,087	74,686,495
Unlisted investments at cost	583,037	393,295
	94,175,124	75,079,790

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FOR THE YEAR ENDED 30 JUNE 2011**

8. Financial Liabilities

	2011 \$	2010 \$
Borrowed stock	799,710	2,860,907

Borrowed stock is carried at fair value. The Company provides cash collateral backing of 105% of the fair value of the borrowed stock to the stock lender. The level of borrowed stock plus other borrowings cannot exceed 50% of the net asset value of the Company as outlined in the Company's Management Agreement.

9. Trade and Other Payables

	2011 \$	2010 \$
Outstanding settlements	2,012,497	988,659
Management fee payable	163,708	151,509
Performance fee payable	1,546,328	4,445,012
Sundry payables	69,402	100,809
	3,791,935	5,685,989

Outstanding settlements are on the terms operating in the securities industry. These do not incur interest and require settlement within three days of the date of the transaction. Sundry payables are settled within the terms of payment offered. No interest is applicable on these accounts.

10. Issued Capital

a) Paid-up Capital

	2011 \$	2010 \$
105,063,158 ordinary shares fully paid (2010: 103,931,192)	150,330,891	148,702,589

b) Ordinary Shares

Balance at the beginning of the year	148,702,589	147,271,945
550,833 ordinary shares issued on 17 September 2010 under a dividend reinvestment plan	705,508	-
581,133 ordinary shares issued on 11 March 2011 under a dividend reinvestment plan	922,794	-
564,129 ordinary shares issued on 25 February 2010 under a dividend reinvestment plan	-	717,557
581,680 ordinary shares issued on 17 August 2009 under a dividend reinvestment plan	-	713,087
At reporting date	150,330,891	148,702,589

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.

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**NOTES TO THE FINANCIAL STATEMENTS
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10. Issued Capital (cont'd)

c) Capital Management

The Board manages the Company's capital by regularly reviewing the most efficient manner by which the Company employs its capital. At the core of this management is the belief that shareholder value should be preserved. Shareholder value will be preserved through the management of the level of distributions to shareholders, share and options issues as well as the use of share buy-backs. These capital management initiatives will be used when deemed appropriate by the Board.

11. Reserves

	2011	2010
	\$	\$
Realised Profits Reserve	15,061,865	-
Asset Revaluation Reserve	5,049,246	4,526,169
Total Reserves	<u>20,111,111</u>	<u>4,526,169</u>

This asset revaluation reserve is used to record increments and decrements on the revaluation of the investments, net of potential tax as described in accounting policy Note 1a) iii). The realised profits reserve details an amount preserved for future dividend payments as outlined in accounting policy Note 1l.

	2011	2010
	\$	\$
Movement in Realised Profits Reserve		
Balance at the beginning of the year	-	-
Transfer from retained earnings	20,285,966	-
Interim dividend FY2011 paid (refer to note 4a)	(5,224,101)	-
At reporting date	<u>15,061,865</u>	<u>-</u>

	2011	2010
	\$	\$
Movement in Asset Revaluation Reserve		
Balance at the beginning of the year	4,526,169	-
Transfer from retained earnings	523,077	4,526,169
At reporting date	<u>5,049,246</u>	<u>4,526,169</u>

12. Retained Earnings

	2011	2010
	\$	\$
Balance at the beginning of the year	5,517,868	(6,093,057)
Profit for the year attributable to members of the Company	20,352,870	24,383,192
Transfer to realised profits reserve	(20,285,966)	-
Transfer to asset revaluation reserve	(523,077)	(4,526,169)
Final dividend FY2010 paid (refer to note 4a)	(4,157,247)	(8,246,098)
At reporting date	<u>904,448</u>	<u>5,517,868</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

13. Cash and Cash Equivalents

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

	2011	2010
	\$	\$
Cash at bank and on hand	1,527,417	2,596,034
Fixed interest securities	80,148,960	78,070,368
	<u>81,676,377</u>	<u>80,666,402</u>

The weighted average interest rate for cash and fixed interest securities as at 30 June 2011 is 6.03% (2010: 5.75%). The fixed interest securities have an average maturity of 101 days (2010: 80 days). The majority of fixed interest securities are invested with institutions that have Standard & Poor's AA rating. The fixed interest securities include the cash collateral for the borrowed stock (refer Note 8).

14. Cash Flow Information

	2011	2010
	\$	\$
Reconciliation of Operating Profit after Income Tax:		
Cash Flow from operations after income tax	20,352,870	24,383,192
(Less)/Add items classified as Investing/Financing Activities:		
Realised gains on sale of investments	(14,583,301)	(21,308,232)
Add non-cash items:		
Unrealised gain on investments	(95,577)	(11,519,881)
Changes in assets and liabilities:		
Decrease/(Increase) in receivables	275,579	(623,816)
Decrease in deferred tax assets	2,624,975	7,086,263
(Decrease)/Increase in payables	(2,917,892)	4,436,169
Increase/(Decrease) in current tax liabilities	1,319,376	(189,980)
(Decrease)/Increase in deferred tax liabilities	(510,971)	1,835,301
Cash flow from operations	<u>6,465,060</u>	<u>4,099,016</u>

15. Earnings Per Share

	2011	2010
	\$	\$
Profit after income tax used in the calculation of basic earnings per share	<u>20,352,870</u>	<u>24,383,192</u>
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	<u>106,584,246</u>	<u>104,827,921</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

16. Financial Risk Management

The Company's financial instruments consist of listed and unlisted investments, trade receivables, trade payables and borrowed stock.

The terms and conditions including interest rate risk of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at balance date, are included under the appropriate note for that instrument.

Under delegation from the Board, the Manager has the responsibility for assessing and monitoring the financial market risk of the Company. The Manager monitors these risks daily. On a formal basis the investment team meet on a weekly basis to monitor and manage the below four risks as appropriate.

a) Credit Risk

The standard defines this is a risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge a contracted obligation. The Manager monitors the credit worthiness of counterparties on an ongoing basis and evaluates the credit quality of all new counterparties before engaging them.

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 net of any provision for impairment of those assets.

The Manager is responsible for ensuring there is appropriate diversification across counterparties and that they are of a sufficient quality rating. The Manager is satisfied that the counterparties are of sufficient quality and diversity to minimise any individual counterparty credit risk. The majority of the Company's receivables arise from unsettled trades at year end which are settled three days after trade date. Engaging with counterparties via the Australian Securities Exchange facilitates the Company in both mitigating and managing its credit risk.

The Company is not materially exposed to credit risk on its fixed interest securities as the majority of cash and fixed interest securities are held with Australian banks who have a Standard and Poor's short rating of A-1+ and long term rating of AA. Also the majority of maturities are within four months.

None of the assets exposed to a credit risk are overdue or considered to be impaired.

b) Liquidity Risk

Liquidity risk represents the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company's major cash payments are the purchase of securities and dividends paid to shareholders, the levels of which are managed by the Board and the Manager.

The Company's cash receipts depend upon the level of sales of securities, dividends and interest received and the exercise of Company options that may be on issue from time to time.

The Manager monitors the Company's cash-flow requirements daily by reference to known sales and purchases of securities, dividends and interest to be paid or received. Should these decrease by a material amount the Company can alter its cash outflows as appropriate. The Company also holds a portion of its portfolio in cash and fixed interest securities sufficient to ensure that it has cash readily available to meet all payments. Furthermore the assets of the Company are largely in the form of tradeable securities which if liquidity is available, can be sold on market if necessary.

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FOR THE YEAR ENDED 30 JUNE 2011**

16. Financial Risk Management (cont'd)

b) Liquidity Risk (cont'd)

The table following analyses the Company's liabilities in relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date to the reporting date. The amounts in the following table are contractual undiscounted cash flows.

30 June 2011	>1 month	<1 months	Total
	\$	\$	\$
Trade and Other Payables	-	3,791,935	3,791,935
Financial Liabilities	-	799,710	799,710
Current Tax Liability	-	816,172	816,172
Deferred Tax Liability	4,849,026	-	4,849,026
Total Liabilities	4,849,026	5,407,817	10,256,843

30 June 2010	>1 month	<1 months	Total
	\$	\$	\$
Trade and Other Payables	-	5,685,989	5,685,989
Financial Liabilities	-	2,860,907	2,860,907
Deferred Tax Liability	5,359,997	-	5,359,997
Total Liabilities	5,359,997	8,546,896	13,906,893

c) Market Risk

Market risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

By its nature, as a listed investment company that invests in tradeable securities, the Company will always be subject to market risk as it invests its capital in securities which are not risk free as the market price of these securities can fluctuate.

The Manager seeks to manage and reduce the market risk of the Company by diversification of the investment portfolio across numerous stocks and multiple industry sectors. The relative weightings of the individual securities and market sectors are reviewed daily and the risk managed on a daily basis. The Company does not have set parameters as to a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

The Company's industry sector weighting of the gross assets as at 30 June 2011 is as below:

Industry Sector	2011	2010
	%	%
Financials	14.6%	14.1%
Consumer Discretionary	13.6%	12.7%
Industrials	8.9%	4.4%
Information Technology	5.2%	8.9%
Health Care	3.7%	1.9%
Telecommunication Services	3.6%	1.2%
Materials	1.7%	2.1%
Consumer Staples	1.1%	0.0%
Energy	0.2%	0.1%
Utilities	0.1%	0.0%
Total	52.7%	45.4%

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

16. Financial Risk Management (cont'd)

c) Market Risk (cont'd)

Securities representing over 5 per cent of the gross assets at 30 June 2011 were:

Company Name	2011 (%)
N/A	N/A%
Company Name	2010 (%)
Reckon Limited (RKN)	5.0%

d) Interest Rate Risk

The Company's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing level of market interest rates on its financial position and cash flows. The Company however is not materially exposed to interest rate risk as the majority of its fixed interest securities mature within four months.

As at 30 June 2011, the Company's exposure to interest rate risk and the effective weighted average interest rate is set out in the following table:

	Weighted average interest rate (% pa)	Interest bearing \$	Non-interest bearing \$	Total \$
30 June 2011				
Assets				
Cash and cash equivalents	6.03%	81,676,377	-	81,676,377
Trade and other receivables		-	5,741,684	5,741,684
Financial assets		-	94,175,124	95,175,124
Deferred tax assets		-	10,108	10,108
Total		81,676,377	99,926,916	181,603,293
Liabilities				
Trade and other payables		-	3,791,935	3,791,935
Financial liabilities		-	799,710	799,710
		-	816,172	816,172
Deferred tax liabilities		-	4,849,026	4,849,026
Total		-	10,256,843	10,256,843

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**NOTES TO THE FINANCIAL STATEMENTS
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16. Financial Risk Management (cont'd)

d) Interest Rate Risk (cont'd)

As at 30 June 2010, the company's exposure to interest rate risk and the effective weighted average interest rate is set out in the following table:

30 June 2010	Weighted average interest rate (% pa)	Interest bearing \$	Non-interest bearing \$	Total \$
Assets				
Cash and cash equivalents	5.75%	80,666,402	-	80,666,402
Trade and other receivables		-	14,272,244	14,272,244
Financial assets		-	75,079,790	75,079,790
Deferred tax assets		-	2,635,083	2,635,083
Total		80,666,402	91,987,117	172,653,519
Liabilities				
Trade and other payables		-	5,685,989	5,685,989
Financial liabilities		-	2,860,907	2,860,907
Deferred tax liabilities		-	5,359,997	5,359,997
Total		-	13,906,893	13,906,893

e) Sensitivity Analysis

Investments represent 52.5% (2010: 43.4%) of gross assets at year end. A 5% movement in the market value of each of the companies within the portfolio would result in a 2.6% (2010: 2.2%) movement in the net assets after tax. This would result in the net asset backing after tax moving by 0.04 cents per share using the 30 June 2011 numbers (2010: 0.03 cents per share).

f) Financial Instruments Measured at Fair Value

The financial assets and liabilities recognised at fair value in the Statement of Financial Position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs in making the measurements. The fair value hierarchy consists of the following levels:

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

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

16. Financial Risk Management (cont'd)

f) Financial Instruments Measured at Fair Value (cont'd)

30 June 2011	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets	93,592,087	583,037	-	94,175,124
Financial liabilities	(799,710)	-	-	(799,710)
Total	92,792,377	583,037	-	93,375,414

30 June 2010	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets	74,686,485	393,295	-	75,079,780
Financial liabilities	(2,860,907)	-	-	(2,860,907)
Total	71,825,578	393,295	-	72,218,873

17. Events Subsequent to Reporting Date

Since year end the Directors have declared a final dividend of 5.0 cents per share fully franked to be paid on 15 September 2011.

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 Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

18. Investment Transactions

The total number of contract notes that were issued for transactions in securities during the financial year was 4,288 (2010: 3,578). Each contract note could involve multiple transactions. The total brokerage paid on these contract notes was \$1,917,370 (\$2010: \$2,231,533).

19. Segment Reporting

The Company currently operates only in the investment industry within Australia. It has no reportable business or geographic segments.

20. Capital Commitments

There are no capital commitments for placements entered into before year end which settle after year end (2010: \$156,816).

21. Contingent Liabilities

There is an outstanding contingent liability for \$230,553 in relation to the underwriting of a placement for Thorn Group Limited as at 30 June 2011 (2010: nil).

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**NOTES TO THE FINANCIAL STATEMENTS
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22. Key Management Personnel Compensation

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

G.J. Wilson	Chairman
M.J. Kidman	Non-Executive Director
P.D.K. Jensen	Non-Executive Director
J.M. Chirside	Non-Executive Director

a) Remuneration

There are no executives that are paid by the Company. Wilson Asset Management (International) Pty Limited, the Manager of the Company, remunerated Geoffrey Wilson and Matthew Kidman as employees and/or Directors of the Company during the financial year to 30 June 2011.

Individual Directors' remuneration disclosures are provided in the Remuneration Report of the Directors' Report on pages 13 and 14, as permitted by Corporations Regulations 2M.3.03 and 2M.6.04.

	Directors' Fees	Post-employment Superannuation	Total
	\$	\$	\$
Total Directors remuneration paid by the Company for the year ended 30 June 2011	55,872	24,128	80,000
Total Directors remuneration paid by the Company for the year ended 30 June 2010	67,132	12,868	80,000

b) Share and Option holdings

As at 30 June 2011 the Company's key management personnel and their related parties held the following interests in the Company:

<i>Ordinary Shares held</i>	Balance at 30 June 2010	Acquisitions	Disposals	Balance at 30 June 2011
Directors				
G.J. Wilson	3,556,896	40,000	-	3,596,896
M.J. Kidman	190,590	12,141	-	202,731
P.D.K. Jensen	69,232	32,126	-	101,358
J.M. Chirside	-	12,500	-	12,500
	3,816,718	96,767	-	3,913,485

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

22. Key Management Personnel Compensation (cont'd)

b) Share and Option holdings (cont'd)

As at 30 June 2010 the Company's key management personnel and their related parties held the following interests in the Company:

Ordinary Shares held

	Balance at 30 June 2009	Acquisitions	Disposals	Balance at 30 June 2010
Directors				
G.J. Wilson	3,556,896	-	-	3,556,896
M.J. Kidman	184,779	5,811	-	190,590
P.D,K. Jensen	83,473	4,821	(19,062)	69,232
J.M. Chirnside	-	-	-	-
	3,825,148	10,632	(19,062)	3,816,718

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

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

23. Related Party Transactions

All transactions with related entities were made on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Geoffrey Wilson is the sole Director and beneficial owner of Wilson Asset Management (International) Pty Limited, the entity appointed to manage the investment portfolio of WAM Capital Limited and manage the day-to-day operations of the Company. Matthew Kidman was an employee of Wilson Asset Management (International) Pty Limited during the year to 30 June 2011. The core duties of the Manager include managing the investment portfolio; the provision of financial and administrative support to ensure the maintenance of the corporate and statutory records of the Company; liaison with the ASX with respect to compliance with the ASX Listing Rules; liaise with ASIC with respect to compliance with the Corporations Act; liaison with the share registrar of the Company; and the provision of information necessary for the maintenance of financial accounts of the Company to be completed. In its capacity as Manager, Wilson Asset Management (International) Pty Limited was paid a management fee of 1% p.a (plus GST) of gross assets amounting to \$1,977,110 inclusive of GST (2010: \$1,802,104). As at 30 June 2011 the balance payable to the Manager was \$163,708 (2010: \$151,509).

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 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 2011, a performance fee of \$1,546,328 inclusive of GST was payable to Wilson Asset Management (International) Pty Limited (2010: \$4,445,012).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

23. Related Party Transactions (cont'd)

Wilson Asset Management (International) Pty Limited employs accounting personnel to provide accounting services to WAM Capital Limited. These services are provided on commercial terms and include a standard charge of \$2,750 inclusive of GST per month and an additional charge of \$5,500 inclusive of GST is charged for preparing the half year and full year financial statements. These accounting services total \$38,500 inclusive of GST for the financial year 2011 (2010: \$35,000).

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.

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DIRECTORS' DECLARATION

The Directors of WAM Capital Limited declare that:

- 1) The financial report as set out in pages 18 to 39 and the additional disclosures included in the Directors' Report designated as "Remuneration Report", as set out on pages 13 and 14, 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 2011 and of its performance, as represented by the results of the operations and the cash flows, for the year ended on that date; and
- 2) The sole 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 the Section 286 of the *Corporations Act 2001*;
 - b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c) the financial statements and notes for the financial year give a true and fair view.
- 3) At the date of this declaration, in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



G.J. Wilson, Chairman

Dated at Sydney this 29th day of September 2011.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF WAM CAPITAL LIMITED
ABN 34 086 587 395**

We have audited the accompanying financial report of WAM Capital Limited ("the Company"), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

The Directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Accounting Standard AASB101: Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

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

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

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

Independence

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

Auditor's Opinion

In our opinion:

- (a) the financial report of WAM Capital Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 15 of the Directors' Report for the year ended 30 June 2011. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of WAM Capital Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

Moore Stephens Sydney

Moore Stephens Sydney
Chartered Accountants

J Webster

Jenelle Webster
Partner

Dated in Sydney this 29th day of September 2011

WAM CAPITAL LIMITED

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ASX ADDITIONAL INFORMATION

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

Shareholdings

Substantial shareholders (as at 31 August 2011)

Mr Victor John Plummer 5.4% of the issued share capital.

On-market buy back (as at 31 August 2011)

There is no current on-market buy back.

Distribution of shareholders (as at 31 August 2011)

Category	No. of shareholders	
	Ordinary Shares	Options
1 – 1,000	302	-
1,001 – 5,000	1,046	-
5,001 – 10,000	901	-
10,001 – 100,000	1,842	-
100,001 and over	128	-
	4,219	-

The number of shareholdings held in less than marketable parcels is 116.

Twenty largest shareholders – Ordinary shares (as at 31 August 2011)

Name	Number of ordinary shares held	Percentage of issued capital held
Mr Victor John Plummer	5,708,435	5.4
Entities Associated with Mr Geoffrey Wilson	3,596,896	3.4
Mrs Fay Cleo Martin-Weber	1,463,068	1.4
Marbear Holdings Pty Limited	1,440,300	1.4
VBS Investments Pty Limited	1,386,437	1.3
Vilo Finance Pty Limited	1,318,800	1.3
Pineross Pty Limited	904,987	0.9
HSBC Custody Nominees (Australia) Limited	894,939	0.8
Eneber Investment Company Limited	881,000	0.8
VBS Investments Pty Limited	744,180	0.7
Dr and Mrs English (N English SF No 1 A/C)	626,816	0.6
Trophy Components Distributors Pty Limited	554,798	0.5
Mr Thomas Storey	550,000	0.5
Lonceta Pty Limited (Hancock Super Fund A/C)	460,236	0.4
Sanolu Pty Limited	458,928	0.4
Solana Pty Limited	405,000	0.4
Mr & Mrs Heathers (Heathers Family Super A/C)	395,785	0.4
M & H Nominees P/L	387,600	0.4
Edington Pty Limited	385,851	0.4
Mr A Nions and Dr P Percival (AN & PP Super Fund)	378,806	0.4
	22,942,862	21.8

WAM CAPITAL LIMITED

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ASX ADDITIONAL INFORMATION

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

Stock Exchange Listing

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

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INVESTMENTS AT MARKET VALUE AS AT 30 JUNE 2011

Company Name	Code	Quantity	Market Value \$	% of Gross Portfolio
Financials				
Ariadne Australia Limited	ARA	371,062	113,174	0.1%
Ask Funding Limited	AKF	2,383,860	345,660	0.2%
Cadence Capital Limited	CDM	100,000	126,000	0.1%
Cedar Woods Properties Limited	CWP	190,764	763,056	0.4%
Centrepont Alliance Limited	CAF	1,661,792	1,495,613	0.8%
Clime Investment Limited	CIW	3,846,346	1,653,929	0.9%
Contango Capital Partners Limited	CCQ	2,398,896	1,811,166	1.0%
Emerging Leaders Investments Limited	ELI	5,429,774	4,723,903	2.6%
Everest Financial Group Limited	EFG	2,484,524	298,143	0.2%
Folkestone Limited	FLK	1,833,333	192,500	0.1%
Homeloans Limited	HOM	1,228,343	761,573	0.4%
IMF (Australia) Limited 10.25% Conv Note	IMFG	848,636	1,489,356	0.8%
ING Real Estate Community Living Group	ILF	5,573,157	640,913	0.4%
Investorfirst Limited	INQ	4,524,253	398,134	0.2%
Ironbark Capital Limited	IBC	450,000	213,750	0.1%
Merricks Capital Special Opportunity Fund Limited	MEF	365,996	300,117	0.2%
Mystate Limited	MYS	818,656	2,873,483	1.6%
RHG Limited	RHG	1,704,054	826,466	0.5%
Rock Building Society Limited (The)	ROK	246,986	543,369	0.3%
Signature Capital Investments Limited	SGI	18,972,282	5,122,516	2.9%
Thakral Holdings Group	THG	775,233	418,626	0.2%
Tidewater Investments Limited	TDI	925,322	157,305	0.1%
Trafalgar Corporate Group	TGP	719,743	633,374	0.4%
Wentworth Mutual Limited	WWM	5,501,744	247,578	0.1%
			26,149,704	14.6%
Industrials				
Alesco Corporation Limited	ALS	405,144	1,106,043	0.6%
Coffey International Limited	COF	210,000	124,950	0.1%
Coventry Group Limited	CYG	310,375	713,863	0.4%
Credit Corp Group Limited	CCP	303,272	1,440,542	0.8%
Ludowici Limited	LDW	245,760	1,044,480	0.6%
McMillan Shakespeare Limited	MMS	454,759	4,356,582	2.4%
RCR Tomlinson Limited	RCR	708,321	1,154,563	0.6%
Resource Equipment Limited	RQL	1,126,858	816,972	0.5%
SAI Global Limited	SAI	353,522	1,679,230	0.9%
Service Stream Limited	SSM	2,116,040	1,036,860	0.6%
Skilled Group Limited	SKE	809,418	1,813,096	1.0%
Spotless Group Limited	SPT	296,000	689,680	0.4%
			15,976,860	8.9%
Consumer Discretionary				
Ainsworth Game Technology Limited	AGI	1,155,767	416,076	0.2%
ARB Corporation Limited	ARP	249,812	1,891,077	1.1%
Ardent Leisure Group	AAD	1,266,741	1,615,095	0.9%
Austar United Communications Limited	AUN	2,804,600	3,772,187	2.1%
Breville Group Limited	BRG	752,878	2,484,497	1.4%
Centrebet International Limited	CIL	336,223	669,084	0.4%
Corporate Travel Management Limited	CTD	529,593	1,032,706	0.6%
Fantastic Holdings Limited	FAN	425,444	846,634	0.5%

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INVESTMENTS AT MARKET VALUE AS AT 30 JUNE 2011

Company Name	Code	Quantity	Market Value \$	% of Gross Portfolio
Flight Centre Limited	FLT	44,400	959,928	0.5%
Integrated Legal Holdings Limited	IAW	2,200,000	242,000	0.1%
IPGA Limited	IPP	1,327,843	1,268,090	0.7%
Macquarie Radio Limited	MRN	539,636	674,545	0.4%
Navitas Limited	NVT	437,426	1,762,827	1.0%
Onthehouse Holdings Limited	OTH	518,001	349,651	0.2%
Prime Media Group Limited	PRT	1,163,152	796,759	0.4%
RCG Corporation Limited	RCG	1,759,913	1,091,146	0.6%
STW Communications Group Limited	SGN	2,429,514	2,490,252	1.4%
Thorn Group Limited	TGA	674,763	1,282,050	0.7%
Thorn Group Limited Rights	TGAN	90,788	172,497	0.1%
Village Roadshow Limited	VRL	110,160	450,554	0.3%
Convertible Note Concept Sport			14,700	0.0%
			24,282,355	13.6%
Health Care				
Blackmores Limited	BKL	56,571	1,510,446	0.8%
Isoft Group Limited	ISF	17,594,547	2,815,128	1.6%
Reva Medical Inc	RVA	816,633	816,633	0.5%
Starpharma Holdings Limited	SPL	962,000	1,443,000	0.8%
			6,585,207	3.7%
Materials				
Colorpak Limited	CKL	907,284	635,099	0.4%
Drill Torque Limited	DTQ	1,572,500	314,500	0.2%
Exterra Resources Limited	EXC	1,850,000	177,600	0.1%
Red Mountain Mining Limited	RMX	1,268,750	203,000	0.1%
Red Mountain Mining Limited - Unlisted Options		761,250	7,613	0.0%
Symex Holdings Limited	SYM	4,071,357	1,628,543	0.9%
			2,966,355	1.7%
Information Technology				
Eservglobal Limited	ESV	354,491	257,006	0.1%
MatrixView Limited	MVU	3,620,255	57,924	0.0%
Melbourne IT Limited	MLB	517,992	890,946	0.5%
Reckon Limited	RKN	2,942,750	6,709,470	3.8%
UXC Limited	UXC	1,535,457	882,888	0.5%
Webfirm Group Limited	WFM	5,615,384	505,385	0.3%
			9,303,619	5.2%
Telecommunication Services				
Amcom Telecommunications Limited	AMM	4,034,125	1,492,626	0.8%
Macquarie Telecom Group Limited	MAQ	225,547	2,300,579	1.3%
Telstra Corporation Limited	TLS	902,800	2,609,091	1.5%
			6,402,296	3.6%
Consumer Staples				
Maryborough Sugar Factory Limited (The)	MSF	540,472	1,886,247	1.1%
			1,886,247	1.1%

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INVESTMENTS AT MARKET VALUE AS AT 30 JUNE 2011

Company Name	Code	Quantity	Market Value \$	% of Gross Portfolio
Utilities				
Australian Power and Gas Company Limited	APK	470,105	258,558	0.1%
			258,558	0.1%
Energy				
Australian Renewable Fuels Limited	ARW	16,230,213	357,065	0.2%
Oil Basins Limited 4c Options exp 30/6/2014	OBLOB	457,263	6,859	0.0%
			363,924	0.2%
Total Long Portfolio			94,175,124	52.7%
Total Cash and Cash Equivalents, income receivable and net outstanding settlements			85,215,393	47.3%
Total Short Portfolio			(799,710)	
Gross Assets			<u>178,590,207</u>	



WILSON
ASSET MANAGEMENT

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