

# WAM MICROCAP LIMITED

ABN 34 617 838 418

## Appendix 4D Half Year Report

for the half year ended 31 December 2018

### Results for Announcement to the Market

All comparisons are for the period 8 March (date of incorporation) to 31 December 2017

	\$	up/down	% mvmt
Revenue from ordinary activities	(11,508,546)	down	128.0%
Profit/(loss) from ordinary activities before income tax expense	(12,876,934)	down	134.6%
Net profit/(loss) from ordinary activities after income tax expense	(8,445,791)	down	131.9%

Dividend information	Cents per share	Franked amount per share	Tax rate for franking
2019 Interim dividend cents per share	2.25c	2.25c	30%
2018 Final dividend cents per share	2.0c	2.0c	30%
2018 Special dividend cents per share	2.0c	2.0c	30%

### Interim dividend dates

Ex dividend date	10 April 2019
Record date	11 April 2019
Last election date for the DRP	15 April 2019
Payment date	26 April 2019

### Dividend Reinvestment Plan

The Dividend Reinvestment Plan ("DRP") is in operation and the recommended fully franked interim dividend of 2.25 cents per share qualifies. Participating shareholders will be entitled to be allotted the number of shares (rounded to the nearest whole number) which the cash dividend would purchase at the relevant issue price. The relevant issue price will be at a 2.5% discount to the price, calculated as the VWAP (volume weighted average market price) of shares sold on the ASX over the four trading days commencing on the ex-dividend date for the relevant dividend.

	31 Dec 18	31 Dec 17
Net tangible asset backing (after tax) per share	\$1.19	\$1.27

This report is based on the Half Year Financial Report which has been subject to independent review by the Auditors, Pitcher Partners. All the documents comprise the information required by Listing Rule 4.2A. This information should be read in conjunction with the 30 June 2018 Financial Report.



W | A | M *Microcap*

# Financial Report

For the half year ended 31 December 2018

# WAM Microcap Limited

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

## Directors

Geoff Wilson AO (Chairman)  
Jacqueline Sullivan  
Kate Thorley  
Chris Stott

## Company Secretary

Linda Vo

## Investment Manager

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

## Auditor

Pitcher Partners

## Country of Incorporation

Australia

## Registered Office

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

## Contact Details

Postal Address: GPO Box 4658  
Sydney NSW 2001  
T: (02) 9247 6755  
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E: [info@wilsonassetmanagement.com.au](mailto:info@wilsonassetmanagement.com.au)  
W: [wilsonassetmanagement.com.au](http://wilsonassetmanagement.com.au)

## Share Registry

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

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

## Australian Securities Exchange

WAM Microcap Limited  
Ordinary Shares (WMI)

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## Directors' Report to shareholders for the half year ended 31 December 2018

The Directors present their report together with the financial report of WAM Microcap Limited for the half year ended 31 December 2018.

### Directors

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

Geoff Wilson AO (Chairman – Non-independent )

Jacqueline Sullivan (Director – Independent)

Kate Thorley (Director – Non-independent)

Chris Stott (Director – Non-independent )

### Principal activity

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

### Operating and financial review

Investment operations during the half year resulted in an operating loss before tax of \$12,876,934 (2017: operating profit before tax of \$37,214,910) and an operating loss after tax of \$8,445,791 (2017: operating profit after tax of \$26,475,010). The loss for the period is reflective of the heightened volatility in the Australian equity market and the performance of the investment portfolio over the six months to 31 December 2018. The investment portfolio decreased 6.2% in the six months to 31 December 2018, outperforming the S&P/ASX Small Ordinaries Accumulation Index by 6.5%. The investment portfolio held an average cash weighting of 26.7% during the period and as at 31 December 2018, the cash weighting was 39.3%. Given the cautious outlook at the end of the period, we held high levels of cash in WAM Microcap to manage risk and ensure liquidity as we entered 2019.

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

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

WAM Microcap's before tax NTA decreased 9.4% for the six months to 31 December 2018, including the 4.0 cents per share of fully franked dividends paid to shareholders during the period. This decrease is after corporate tax of 3.4 cents per share or 2.6% during the period, including the FY2018 income tax liability. Corporate tax is the major item of difference between the investment portfolio decrease of 6.2%

and the net tangible asset performance. The franking credits attached to corporate tax payments are available for distribution to shareholders through fully franked dividends. Other items contributing to the change in the value of the assets during the period were management fees of 0.5% and other company related expenses of 0.1%.

The NTA before tax as at 31 December 2018 amounted to \$1.19 per share (June 2018: \$1.35). The NTA after tax was \$1.19 per share (June 2018: \$1.28). These figures are after 4.0 cents per share in fully franked dividends paid to shareholders during the period.

The total shareholder return for the Company was reflective of the heightened volatility in the Australian equity market and the underlying performance of the investment portfolio, decreasing 8.1% for the half year to 31 December 2018. This measure does not value the potential benefit of franking credits distributed to shareholders through fully franked dividends.

A final dividend of 2.0 cents per share fully franked and a special dividend of 2.0 cents per share fully franked were paid during the period. An interim dividend of 2.25 cents per share fully franked has been declared by the Board and will be paid on 26 April 2019.

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

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

#### **Auditor's independence declaration**

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

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



**Geoff Wilson AO**  
**Chairman**

Dated in Sydney this 25<sup>th</sup> day of February 2019

**Auditor's Independence Declaration  
To the Directors of WAM Microcap Limited  
ABN 34 617 838 418**

In relation to the independent auditor's review for the half year ended 31 December 2018, to the best of my knowledge and belief there have been:

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

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



Scott Whiddett  
Partner

Pitcher Partners  
Sydney

25 February 2019

## Statement of comprehensive income for the half year ended 31 December 2018

	Note	December 2018 \$	For the period March 2017 to December 2017 \$
Net realised and unrealised (losses)/gains on financial assets		(14,201,910)	38,925,212
Other revenue from operating activities	2	2,693,364	2,245,961
Management fees		(964,796)	(935,274)
Performance fees		-	(2,467,975)
Directors fees		(27,500)	(28,178)
Brokerage expense on share purchases		(130,234)	(308,784)
Custody fees		(8,463)	(6,959)
ASX listing and chess fees		(69,966)	(79,842)
Share registry fees		(36,439)	(36,620)
Disbursements, mailing and printing		(34,085)	(7,072)
Other expenses from ordinary activities		(96,905)	(85,559)
<b>(Loss)/profit before income tax</b>		<b>(12,876,934)</b>	<b>37,214,910</b>
Income tax benefit/(expense)		4,431,143	(10,739,900)
<b>(Loss)/profit after income tax attributable to members of the Company</b>	6	<b>(8,445,791)</b>	<b>26,475,010</b>
<b>Other comprehensive income</b>			
Other comprehensive income for the period, net of tax		-	-
<b>Total comprehensive (loss)/income for the period</b>		<b>(8,445,791)</b>	<b>26,475,010</b>
<b>Basic and diluted (loss)/earnings per share</b>		<b>(6.02) cents</b>	<b>29.60 cents</b>

The accompanying notes form part of these financial statements.

## Statement of financial position as at 31 December 2018

	Note	December 2018 \$	June 2018 \$
<b>Current assets</b>			
Cash and cash equivalents		67,062,221	35,919,035
Trade and other receivables		545,443	2,326,483
Financial assets		104,986,738	156,979,404
<b>Total current assets</b>		<b>172,594,402</b>	<b>195,224,922</b>
<b>Non-current assets</b>			
Deferred tax assets		398,192	477,335
<b>Total non-current assets</b>		<b>398,192</b>	<b>477,335</b>
<b>Total assets</b>		<b>172,992,594</b>	<b>195,702,257</b>
<b>Current liabilities</b>			
Trade and other payables		260,242	5,060,981
Financial liabilities		495,000	-
Current tax liabilities		4,798,899	4,789,194
<b>Total current liabilities</b>		<b>5,554,141</b>	<b>9,850,175</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		696,035	5,588,393
<b>Total non-current liabilities</b>		<b>696,035</b>	<b>5,588,393</b>
<b>Total liabilities</b>		<b>6,250,176</b>	<b>15,438,568</b>
<b>Net assets</b>		<b>166,742,418</b>	<b>180,263,689</b>
<b>Equity</b>			
Issued capital	4	152,912,207	152,381,635
Profits reserve	5	29,803,671	27,882,054
Accumulated losses	6	(15,973,460)	-
<b>Total equity</b>		<b>166,742,418</b>	<b>180,263,689</b>

The accompanying notes form part of these financial statements.



## Statement of changes in equity for the half year ended 31 December 2018

	Note	Issued capital \$	Accumulated losses \$	Profits reserve \$	Total equity \$
<b>Balance at 8 March 2017 (date of incorporation)</b>		-	-	-	-
Profit for the period		-	26,475,010	-	26,475,010
Transfer to profits reserve		-	(26,475,010)	26,475,010	-
Other comprehensive income for the period		-	-	-	-
<b>Transaction with owners:</b>					
Share issued on incorporation	4(b)	1	-	-	1
Shares issued via initial public offering	4(b)	154,000,000	-	-	154,000,000
Share issue costs (net of tax)	4(b)	(1,823,769)	-	-	(1,823,769)
<b>Balance at 31 December 2017</b>		<b>152,176,232</b>	<b>-</b>	<b>26,475,010</b>	<b>178,651,242</b>
<b>Balance at 1 July 2018</b>		<b>152,381,635</b>	<b>-</b>	<b>27,882,054</b>	<b>180,263,689</b>
Loss for the period		-	(8,445,791)	-	(8,445,791)
Transfer to profits reserve	5	-	(7,527,669)	7,527,669	-
Other comprehensive income for the period		-	-	-	-
<b>Transaction with owners:</b>					
Shares issued via dividend reinvestment plan	4(b)	530,572	-	-	530,572
Dividends paid	3(a)	-	-	(5,606,052)	(5,606,052)
<b>Balance at 31 December 2018</b>		<b>152,912,207</b>	<b>(15,973,460)</b>	<b>29,803,671</b>	<b>166,742,418</b>

The accompanying notes form part of these financial statements.

## Statement of cash flows for the half year ended 31 December 2018

	December 2018 \$	For the period March 2017 to December 2017 \$
<b>Cash flows from operating activities</b>		
Proceeds from sale of investments	130,556,102	117,998,975
Payments for purchase of investments	(93,531,411)	(241,776,379)
Dividends received	2,107,471	1,455,565
Interest received	398,320	392,147
Other investment income received	229,674	201,493
Management fees (GST inclusive)	(1,053,841)	(828,338)
Performance fees (GST inclusive)	(1,877,192)	-
Brokerage expense on share purchases (GST inclusive)	(139,763)	(331,263)
Payments for administration expenses (GST inclusive)	(317,266)	(317,654)
Income tax paid	(372,366)	-
GST on brokerage expense on share sales	(13,072)	(11,320)
Net GST received from the ATO	232,010	235,281
<b>Net cash provided by/(used in) operating activities</b>	<b>36,218,666</b>	<b>(122,981,493)</b>
<b>Cash flows from financing activities</b>		
Shares issued via initial public offering and on incorporation	-	154,000,001
Dividends paid – net of reinvestment	(5,075,480)	-
Share issue costs	-	(2,605,385)
<b>Net cash (used in)/provided by financing activities</b>	<b>(5,075,480)</b>	<b>151,394,616</b>
<b>Net increase in cash and cash equivalents held</b>	<b>31,143,186</b>	<b>28,413,123</b>
Cash and cash equivalents at the beginning of the half year	35,919,035	-
<b>Cash and cash equivalents at the end of the half year</b>	<b>67,062,221</b>	<b>28,413,123</b>
<b>Non-cash transactions:</b>		
Shares issued via dividend reinvestment plan	530,572	-

The accompanying notes form part of these financial statements

# Notes to the financial statements for the half year ended 31 December 2018

## 1. Summary of significant accounting policies

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

The half year financial report was authorised for issue on 25 February 2019 by the Board of Directors.

### **Basis of preparation**

The half year financial statements are general purpose financial statements that have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: *Interim Financial Reporting*.

The half year report does not include full disclosures of the type normally included in an annual financial report. It is recommended that the half year financial report be read in conjunction with the Financial Report for the period ended 30 June 2018 and any public announcements made by the Company during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

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

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

The accounting policies have been consistently applied by the Company throughout the period and are consistent with those applied in the 30 June 2018 Financial Report.

### **New or amended Accounting Standards and Interpretations adopted**

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The Company has applied AASB 9: *Financial Instruments* from 1 July 2018. All of the Company's investments in financial assets continued to be accounted for at fair value through profit or loss under AASB 9. Accordingly, first time application of AASB 9 had no impact on the Company's accounting for its investments in financial assets.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted and are not expected to have a significant impact on the Company's financial statements.

## 2. Other revenue

	December 2018 \$	December 2017 \$
Australian sourced dividends	2,024,615	1,455,565
Interest	414,937	529,338
Trust distributions	174,967	119,128
Foreign sourced dividends	46,845	30,288
Underwriting fees	32,000	111,642
	<b>2,693,364</b>	<b>2,245,961</b>

## 3. Dividends

### a) Ordinary dividends paid during the period

	December 2018 \$	December 2017 \$
Final dividends FY2018: 2.0 cents per share final fully franked dividend and 2.0 cents per share special fully franked dividend at 30% tax rate, paid 26 October 2018.	<b>5,606,052</b>	-

### b) Ordinary dividends not recognised during the period

	December 2018 \$	December 2017 \$
Since the end of the period, the Directors have declared an interim fully franked dividend of 2.25 cents per share, payable on 26 April 2019 (Interim dividend FY2018: 2.0 cents per share fully franked)	<b>3,161,941</b>	<b>2,800,000</b>

#### 4. Issued capital

##### a) Paid-up capital

	December 2018 \$	June 2018 \$
140,530,698 ordinary shares fully paid (June 2018: 140,151,337)	<b>152,912,207</b>	<b>152,381,635</b>

##### b) Movement in issued capital

	December 2018 \$	June 2018 \$
Balance at the beginning of the period	152,381,635	-
379,361 ordinary shares issued on 26 October 2018 under a dividend reinvestment plan	530,572	-
1 ordinary share issued on 8 March 2017 (incorporation date)	-	1
140,000,000 ordinary shares issued on 23 June 2017 under the initial public offering	-	154,000,000
151,336 ordinary shares issued on 27 April 2018 under a dividend reinvestment plan	-	205,403
Share issue costs (net of tax)	-	(1,823,769)
At reporting date	<b>152,912,207</b>	<b>152,381,635</b>

#### 5. Profits reserve

	December 2018 \$	June 2018 \$
Profits reserve	<b>29,803,671</b>	<b>27,882,054</b>

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

	December 2018 \$	June 2018 \$
<b>Movement in profits reserve</b>		
Balance at the beginning of the reporting period	27,882,054	-
Transfer of profits during the period	7,527,669	30,682,054
Final and special dividends paid (refer to note 3a)	(5,606,052)	-
Interim dividend paid (refer to note 3a)	-	(2,800,000)
At reporting date	<b>29,803,671</b>	<b>27,882,054</b>

## 6. Accumulated losses

	December 2018 \$	June 2018 \$
Balance at the beginning of the reporting period	-	-
(Loss)/profit for the period attributable to members of the Company	(8,445,791)	30,682,054
Transfer to profits reserve	(7,527,669)	(30,682,054)
At reporting date	<b>(15,973,460)</b>	-

## 7. Financial instruments measured at fair value

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

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

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

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

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

The following table presents the Company's financial assets and liabilities measured and recognised at fair value at 31 December 2018:

31 December 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	104,986,738	-	-	104,986,738
Financial liabilities	(495,000)	-	-	(495,000)
<b>Total</b>	<b>104,491,738</b>	<b>-</b>	<b>-</b>	<b>104,491,738</b>

30 June 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	155,129,404	1,850,000	-	156,979,404
<b>Total</b>	<b>155,129,404</b>	<b>1,850,000</b>	<b>-</b>	<b>156,979,404</b>

## **8. Segment reporting**

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

## **9. Capital commitments**

There were no capital commitments entered into by the Company before period end which settle after period end (June 2018: \$390,833).

## **10. Contingent liabilities**

There were no contingent liabilities for the Company as at 31 December 2018 (June 2018: nil).

## **11. Events subsequent to reporting date**

Since the end of the period, the Directors declared an interim dividend of 2.25 cents per share fully franked to be paid on 26 April 2019.

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

## Directors' Declaration

The Directors of WAM Microcap Limited declare that:

- 1) The financial statements and notes, as set out on pages 7 to 15, are in accordance with the *Corporations Act 2001*, including:
  - a) complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - b) giving a true and fair view of the financial position of the Company as at 31 December 2018 and of its performance for the half year ended on that date.
- 2) In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



**Geoff Wilson AO**  
**Chairman**

Dated in Sydney this 25<sup>th</sup> day of February 2019



**Independent Auditor's Review Report  
to the Members of WAM Microcap Limited  
ABN 34 617 838 418**

**Report on the Half Year Financial Report**

We have reviewed the accompanying half year financial report of WAM Microcap Limited ("the company"), which comprises the statement of financial position as at 31 December 2018, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, a summary of significant accounting policies, other selected explanatory notes and the directors' declaration of the company.

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

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

**Auditor's Responsibility**

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: "*Review of a Financial Report Performed by the Independent Auditor of the Entity*", in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporation Act 2001* including giving a true and fair view of the company's financial position as at 31 December 2018 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134: "*Interim Financial Reporting*" and the *Corporations Regulations 2001*. As the auditor of WAM Microcap Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## **Independence**

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

## **Conclusion**

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

- (i) Giving true and fair view of the company's financial position as at 31 December 2018 and of its performance for the half year ended on that date; and
- (ii) *complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.*



Scott Whiddett  
Partner



Pitcher Partners  
Sydney

25 February 2019

# Wilson

## Asset Management

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