

WAM RESEARCH LIMITED

ABN 15 100 504 541

Appendix 4D Half Year Report

for the half year ended 31 December 2017

Results for Announcement to the Market

All comparisons to the half year ended 31 December 2016

	\$	up/down	% mvmt
Revenue from ordinary activities	22,226,015	down	(9.4%)
Profit from ordinary activities before income tax expense	20,435,957	down	(8.2%)
Net profit from ordinary activities after income tax expense	15,065,047	down	(8.0%)

Dividend information	Cents per share	Franked amount per share	Tax rate for franking
2018 Interim dividend cents per share	4.75c	4.75c	30%
2017 Final dividend cents per share	4.50c	4.50c	30%

Interim dividend dates

Ex dividend date	12 April 2018
Record date	13 April 2018
Last election date for the DRP	17 April 2018
Payment date	27 April 2018

Dividend Reinvestment Plan

The Dividend Reinvestment Plan ('DRP') is in operation and the recommended fully franked interim dividend of 4.75 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 on the ex date for the relevant dividend and the 3 trading days following that date.

	31 Dec 17	31 Dec 16
Net tangible asset backing (after tax) per share	\$1.26	\$1.26

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 2017 Annual Financial Report.



Financial Report

For the half year ended 31 December 2017

WAM Research Limited

WAM Research Limited (WAM Research 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)
Matthew Kidman
John Abernethy
Julian Gosse
Kate Thorley
Chris Stott

Company Secretary

Linda Vo

Investment Manager

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

Auditor

Pitcher Partners

Country of Incorporation

Australia

Registered Office

Level 11, 139 Macquarie Street
Sydney NSW 2000

Contact Details

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Share Registry

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000
T: (02) 9290 9600
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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 Research Limited
Ordinary Shares (WAX)

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Directors' Report to shareholders for the half year ended 31 December 2017

The Directors present their report together with the financial report of WAM Research Limited for the half year ended 31 December 2017.

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)

Matthew Kidman (Director – Independent)

John Abernethy (Director – Independent)

Julian Gosse (Director – Independent)

Kate Thorley (Director – Non-independent)

Chris Stott (Director – Non-independent)

Principal activity

The principal activity of the Company is investing in listed companies. The Company's investment objectives are to deliver a rising stream of fully franked dividends and to achieve a high real rate of return, comprising both income and capital growth, within the risk parameters acceptable to the Directors. No change in this activity took place during the period or is likely in the future.

Operating and financial review

Investment operations during the half year resulted in an operating profit before tax of \$20,435,957 (2016: \$22,256,155) and an operating profit after tax of \$15,065,047 (2016: \$16,366,330). The profit for the period is a reflective of the sound performance of the investment portfolio over the six months to 31 December 2017. The investment portfolio increased 9.8% over the period, while being on average 71.8% invested, outperforming the S&P/ASX All Ordinaries Accumulation Index which rose 9.3%.

Under Australian Accounting Standards, realised gains and losses on the investment portfolio 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 Assets (NTA) per share and the fully franked dividends paid. This performance measure shows the change in the value of the assets that belong to the shareholders over the six month period.

WAM Research's before tax NTA, after adjusting for dividends, increased 7.8% for the six months to 31 December 2017. This increase is after tax paid of 1.9 cents per share or 1.5%, with 4.5 cents of fully franked dividends being paid during the period. Corporate tax payments made throughout the period was the major item of difference between the investment portfolio performance of 9.8% 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%, other company related and capital raising expenses of 0.2%, being offset by capital raising accretion of 0.2%.

The NTA before tax as at 31 December 2017 amounted to \$1.28 per share (June 2017: \$1.23). The NTA after tax was \$1.26 per share (June 2017: \$1.22). These figures are after 4.5 cents in fully franked dividends paid to shareholders during the period.

The total shareholder return for the Company for the period to 31 December 2017 was 4.6%. This was primarily driven by WAM Research's investment portfolio performance, being offset by the decrease in the share price's premium to NTA. This measure does not value the potential benefit of franking credits distributed to shareholders through fully franked dividends.

In November 2017, the Company completed a Dividend Reinvestment Plan Shortfall Placement ('Placement') which raised \$2.6 million (1.7 million ordinary shares).

A final dividend of 4.5 cents per share fully franked was paid in the period to 31 December 2017 and an interim dividend of 4.75 cents per share fully franked has been declared by the Board and will be paid on 27 April 2018.

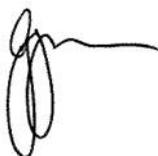
Rounding of amounts to nearest dollar

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

Auditor's Independence Declaration

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

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



Geoff Wilson AO
Chairman

Dated in Sydney this 22nd day of February 2018

**Auditor's Independence Declaration
To the Directors of WAM Research Limited
ABN 15 100 504 541**

In relation to the independent auditor's review for the half-year ended 31 December 2017, 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 Research Limited during the period.



Chris Chandran
Partner

Pitcher Partners
Sydney

22 February 2018

Statement of comprehensive income for the half year ended 31 December 2017

	Note	December 2017 \$	December 2016 \$
Net realised and unrealised gains on financial assets		18,789,867	20,576,840
Investment revenue	2	3,436,148	3,963,798
Management fees		(1,202,943)	(1,233,879)
Performance fees		-	(460,212)
Directors fees		(60,000)	(60,000)
Brokerage expense on share purchases		(270,670)	(236,595)
Custody fees		(8,499)	(8,497)
ASX listing and chess fees		(89,552)	(93,074)
Share registry fees		(36,017)	(44,278)
Other expenses from ordinary activities		(122,377)	(147,948)
Profit before income tax		20,435,957	22,256,155
Income tax expense		(5,370,910)	(5,889,825)
Profit after income tax attributable to members of the Company	6	15,065,047	16,366,330
Other comprehensive income/(loss)			
Net unrealised gains/(losses) on investments taken to equity, net of tax		18,168	(270,980)
Total comprehensive income for the period		15,083,215	16,095,350
Basic and diluted earnings per share		8.83 cents	9.23 cents

The accompanying notes form part of these financial statements.

Statement of financial position as at 31 December 2017

	Note	December 2017 \$	June 2017 \$
Current assets			
Cash and cash equivalents		68,497,160	101,068,937
Trade and other receivables		255,790	2,587,734
Financial assets at fair value through income statement	7	172,280,961	122,977,546
Total current assets		241,033,911	226,634,217
Non-current assets			
Financial assets at fair value through other comprehensive income	7	1,809,118	1,829,907
Deferred tax assets		66,060	72,060
Total non-current assets		1,875,178	1,901,967
Total assets		242,909,089	228,536,184
Current liabilities			
Trade and other payables		1,994,069	568,628
Current tax liabilities		373,363	3,210,611
Total current liabilities		2,367,432	3,779,239
Non-current liabilities			
Deferred tax liabilities		4,818,928	134,425
Total non-current liabilities		4,818,928	134,425
Total liabilities		7,186,360	3,913,664
Net assets		235,722,729	224,622,520
Equity			
Issued capital	4	203,004,939	198,689,753
Reserves	5	47,051,275	40,266,252
Accumulated losses	6	(14,333,485)	(14,333,485)
Total equity		235,722,729	224,622,520

The accompanying notes form part of these financial statements.

Statement of changes in equity for the half year ended 31 December 2017

	Note	Issued Capital \$	Accumulated Losses \$	Profits reserve \$	Asset revaluation reserve \$	Other reserves \$	Total equity \$
Balance at 1 July 2016		182,724,945	(8,407,483)	53,907,772	389,167 (19,846,195)		208,768,206
Profit for the half year		-	16,366,330	-	-	-	16,366,330
Transfer to profits reserve		-	(21,516,754)	21,516,754	-	-	-
Transfer to asset revaluation reserve		-	-	40,388	(40,388)	-	-
Other comprehensive income for the half year		-	-	-	(270,980)	-	(270,980)
Transactions with owners:							
Shares issued via dividend reinvestment plan	4(b)	1,783,099	-	-	-	-	1,783,099
Shares issued via placement	4(b)	12,501,877	-	-	-	-	12,501,877
Share issue costs (net of tax)	4(b)	(95,050)	-	-	-	-	(95,050)
Dividends paid	3(a)	-	-	(7,402,384)	-	-	(7,402,384)
Balance at 31 December 2016		196,914,871	(13,557,907)	68,062,530	77,799 (19,846,195)		231,651,098
Balance at 1 July 2017		198,689,753	(14,333,485)	59,817,175	295,272 (19,846,195)		224,622,520
Profit for the half year		-	15,065,047	-	-	-	15,065,047
Transfer to profits reserve	5	-	(15,065,047)	15,065,047	-	-	-
Transfer to asset revaluation reserve	5	-	-	-	(9,917)	9,917	-
Other comprehensive income for the half year		-	-	-	18,168	-	18,168
Transactions with owners:							
Shares issued via dividend reinvestment plan	4(b)	1,696,996	-	-	-	-	1,696,996
Shares issued via placement	4(b)	2,642,640	-	-	-	-	2,642,640
Share issue costs (net of tax)	4(b)	(24,450)	-	-	-	-	(24,450)
Dividends paid	3(a)	-	-	(8,298,192)	-	-	(8,298,192)
Balance at 31 December 2017		203,004,939	(14,333,485)	66,584,030	303,523 (19,836,278)		235,722,729

The accompanying notes form part of these financial statements.

Statement of cash flows for the half year ended 31 December 2017

	December 2017 \$	December 2016 \$
Cash flows from operating activities		
Proceeds from sale of investments	163,383,448	170,676,588
Payments for purchase of investments	(190,322,846)	(111,742,274)
Dividends received	2,708,702	2,868,304
Interest received	848,301	1,081,905
Other investment income	78,460	212,089
Management fee (GST inclusive)	(1,279,062)	(1,312,090)
Performance fee (GST inclusive)	-	(9,063,588)
Payments for administration expenses (GST inclusive)	(293,958)	(381,125)
Brokerage on share purchases (GST inclusive)	(290,433)	(253,469)
GST on brokerage expense on share sales	(19,072)	(24,739)
Net GST received from the ATO	123,132	756,183
Income tax paid	(3,514,963)	(7,456,919)
Net cash (used in)/provided by operating activities	(28,578,291)	45,360,865
Cash flows from financing activities		
Proceeds from issue of shares	2,642,640	12,501,877
Dividends paid – net of reinvestment	(6,601,196)	(5,619,285)
Share issue costs	(34,930)	(135,786)
Net cash (used in)/provided by financing activities	(3,993,486)	6,746,806
Net (decrease)/increase in cash and cash equivalents held	(32,571,777)	52,107,671
Cash and cash equivalents at the beginning of the half year	101,068,937	56,336,153
Cash and cash equivalents at the end of the half year	68,497,160	108,443,824
Non-cash transactions:		
Shares issued via dividend reinvestment plan	1,696,996	1,783,099

The accompanying notes form part of these financial statements.

Notes to the financial statements for the half year ended 31 December 2017

1. Summary of significant accounting policies

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

The half year financial report was authorised for issue on 22 February 2018 by the Board of Directors.

Basis of preparation

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

The half year report does not include full disclosures of the type normally included in an annual financial report. It is recommended that the half year financial report be read in conjunction with the Annual Financial Report for the year ended 30 June 2017 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.

There are no new and revised accounting requirements significantly affecting the half year financial statements. The accounting policies have been consistently applied by the Company throughout the period and are consistent with those applied in the 30 June 2017 Annual Financial Report.

2. Investment revenue

	December 2017 \$	December 2016 \$
Dividends	2,578,680	2,877,478
Interest	779,008	883,223
Underwriting and other fees	70,024	25,305
Trust distributions	8,436	177,792
	3,436,148	3,963,798

3. Dividends

a) Ordinary dividends paid during the period

	December 2017 \$	December 2016 \$
Final dividend FY2017: 4.5 cents per share fully franked at 30% tax rate paid 27 October 2017 (Final dividend FY2016: 4.25 cents per share fully franked)	8,298,192	7,402,384

b) Dividends not recognised during the period

	December 2017 \$	December 2016 \$
Since the end of the period, the Directors have declared an interim fully franked dividend of 4.75 cents per share payable on 27 April 2018 (Interim dividend FY2017: 4.5 cents per share fully franked).	8,893,044	8,245,354

4. Issued capital

a) Paid-up capital

	December 2017 \$	June 2017 \$
187,221,984 ordinary shares fully paid (June 2017: 184,404,085)	203,004,939	198,689,753

b) Ordinary shares

	December 2017 \$	June 2017 \$
Balance at the beginning of the period	198,689,753	182,724,945
1,101,899 ordinary shares issued on 27 October 2017 under a dividend reinvestment plan	1,696,996	-
1,716,000 ordinary shares issued on 2 November 2017 under a dividend reinvestment plan shortfall placement	2,642,640	-
Share issue costs (net of tax)	(24,450)	-
1,130,992 ordinary shares issued on 28 October 2016 under a dividend reinvestment plan	-	1,783,099
7,929,644 ordinary shares issued on 28 October 2016 under a dividend reinvestment plan shortfall placement	-	12,501,877
1,174,166 ordinary shares issued on 21 April 2017 under a dividend reinvestment plan	-	1,774,882
Share issue costs (net of tax)	-	(95,050)
At reporting date	203,004,939	198,689,753

5. Reserves

	December 2017 \$	June 2017 \$
Profits reserve	66,584,030	59,817,175
Asset revaluation reserve	303,523	295,272
Capital profits reserve – capital account	11,263	1,346
Capital profits reserve – revenue account	(19,847,541)	(19,847,541)
	47,051,275	40,266,252

The profits reserve is made up of amounts transferred from current period profits which are preserved for future dividend payments. The asset revaluation reserve is used to record increments and decrements on the revaluation of the equity investments at fair value through other comprehensive income, net of potential tax. The capital profits reserves record gains or losses arising from the disposal of equity investments at fair value through other comprehensive income, that are designated on revenue or capital account for taxation purposes respectively.

	December 2017 \$	June 2017 \$
Movement in profits reserve		
Balance at the beginning of the period	59,817,175	53,907,772
Transfer from retained earnings	15,065,047	21,516,753
Transfer from asset revaluation reserve	-	40,388
Final dividend paid (refer Note 3a)	(8,298,192)	(7,402,384)
Interim dividend paid (refer Note 3b)	-	(8,245,354)
At reporting date	66,584,030	59,817,175
Movement in asset revaluation reserve		
Balance at the beginning of the period	295,272	389,167
Transfer to profits reserve	-	(40,388)
Transfer to capital profits reserve – capital account	(9,917)	-
Other comprehensive income/(loss)	18,168	(53,507)
At reporting date	303,523	295,272
Movement in capital profits reserve – capital account		
Balance at the beginning of the period	1,346	1,346
Transfer from asset revaluation reserve	9,917	-
At reporting date	11,263	1,346

6. Accumulated losses

	December 2017 \$	June 2017 \$
Balance at the beginning of the period	(14,333,485)	(8,407,483)
Profit for the period attributable to members of the Company	15,065,047	15,590,751
Transfer to profits reserve	(15,065,047)	(21,516,753)
At reporting date	(14,333,485)	(14,333,485)

7. Financial instruments measured at fair value

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

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

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

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

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

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 value of these investments.

The following table presents the Company's financial assets measured and recognised at fair value at 31 December 2017:

31 December 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	173,772,301	317,778	-	174,090,079
Total	173,772,301	317,778	-	174,090,079
30 June 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	124,469,990	337,463	-	124,807,453
Total	124,469,990	337,463	-	124,807,453

8. Segment reporting

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

9. Capital commitments

There were no capital commitments entered into by the Company before period end which settle after period end (June 2017: nil).

10. Contingent liabilities

There were no contingent liabilities as at 31 December 2017 (June 2017: nil).

11. Events subsequent to reporting date

Since the end of the period, the Directors declared an interim dividend of 4.75 cents per share fully franked to be paid on 27 April 2018.

No other matters 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 Research Limited declare that:

- 1) The financial report as set out in 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 2017 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 22nd day of February 2018

**Independent Auditor’s Review Report
to the members of WAM Research Limited
ABN 15 100 504 541**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of WAM Research Limited (“the company”), which comprises the statement of financial position as at 31 December 2017, 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 *Corporations Act 2001* including giving a true and fair view of the company’s financial position as at 31 December 2017 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 Research 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 Research Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's financial position as at 31 December 2017 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*.



Chris Chandran
Partner

22 February 2018



Pitcher Partners
Sydney

Wilson

Asset Management

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