



WAM RESEARCH LIMITED

ABN 15 100 504 541

APPENDIX 4E - PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2014

RESULTS FOR ANNOUNCEMENT TO THE MARKET *All comparisons to the year ended 30 June 2013*

	\$	up/down	% mvmt
Revenue from ordinary activities	24,346,337	down	5.2%
Profit from ordinary activities before tax attributable to members	21,333,687	down	4.0%
Profit from ordinary activities after tax attributable to members	15,816,590	down	5.2%
Net profit for the period attributable to members	15,816,590	down	5.2%

Dividend information	Cents per share	Franked amount per share	Tax rate for franking
2014 Interim dividend cents per share	3.75	3.75	30%
2014 Final dividend cents per share	3.75	3.75	30%

Final dividend dates

Ex dividend date	13 October 2014
Record date	15 October 2014
Last election date for the DRP	16 October 2014
Payment date	24 October 2014

Dividend Reinvestment Plan

The Dividend Reinvestment Plan ('DRP') is in operation and the recommended fully franked final dividend of 3.75 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).

	30 June 14	30 June 13
Net tangible asset backing (after tax) per share	\$1.06	\$0.99

This report is based on the Annual Report which is in the process of being audited. All the documents comprise the information required by Listing Rule 4.3A.

WAM RESEARCH LIMITED**A.B.N. 15 100 504 541****INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014**

	Note	2014 \$	2013 \$
Net realised and unrealised gains on financial assets		19,007,677	19,383,344
Investment revenue	2	5,338,660	6,295,393
Management fees		(1,504,491)	(1,201,415)
Performance fees		(694,282)	(1,586,131)
Directors fees		(92,500)	(92,500)
Brokerage expense on share purchases		(317,313)	(285,200)
Custody fees		(41,455)	(32,780)
ASX listing and chess fees		(98,463)	(57,009)
Share registry fees		(87,984)	(72,292)
Other expenses from ordinary activities		(176,162)	(133,234)
Profit before income tax		21,333,687	22,218,176
Income tax expense	3(a)	(5,517,097)	(5,533,863)
Profit attributable to members of the Company		15,816,590	16,684,313
Basic earnings per share	14	11.9 cents	13.7 cents
Diluted earnings per share	14	11.9 cents	13.7 cents

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**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014**

	2014 \$			2013 \$		
	Revenue	Capital	Total	Revenue	Capital	Total
Net profit for the year	15,816,590	-	15,816,590	16,684,313	-	16,684,313
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Revaluation of investment portfolio during the year	-	884,599	884,599	-	4,940,231	4,940,231
Provision for tax expense on above	-	(265,380)	(265,380)	-	(1,482,069)	(1,482,069)
Total other comprehensive income for the year	-	619,219	619,219	-	3,458,162	3,458,162
Total comprehensive income for the year	15,816,590	619,219	16,435,809	16,684,313	3,458,162	20,142,475

WAM RESEARCH LIMITED**A.B.N. 15 100 504 541****STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014**

	Note	2014 \$	2013 \$
Assets			
Cash and cash equivalents	12	45,857,890	52,689,125
Trade and other receivables	6	906,196	3,967,136
Equity investments at fair value through Income Statement	7	108,086,052	63,875,542
Equity investments held for sale	7	2,619,165	4,188,944
Deferred tax assets	3(b)	73,582	356,830
Total assets		157,542,885	125,077,577
Liabilities			
Trade and other payables	8	7,037,869	2,861,203
Current tax liabilities	3(c)	1,597,006	-
Deferred tax liabilities	3(d)	352,314	465,407
Total liabilities		8,987,189	3,326,610
Net assets		148,555,696	121,750,967
Equity			
Issued capital	9(a)	141,990,462	122,135,184
Reserves	10	11,468,519	3,674,489
Accumulated losses	11	(4,903,285)	(4,058,706)
Total equity		148,555,696	121,750,967

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Note	Issued capital	Accumulated losses	Capital profits reserve – capital account	Capital profits reserve – revenue account	Profits reserve	Asset revaluation reserve	Total equity
		\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2012		120,557,134	(1,647,556)	518,049	(19,847,541)	5,574,026	3,061,298	108,215,410
Profit for the year		-	16,684,313	-	-	-	-	16,684,313
Transfer to profits reserves	10	-	(19,095,463)	-	-	19,095,463	-	-
Transfer from asset revaluation reserve	10	-	-	3,560,517	-	1,872,992	(5,433,509)	-
Other comprehensive income for the year	10	-	-	-	-	-	3,458,162	3,458,162
Shares issued via dividend reinvestment plan	9(b)	1,578,050	-	-	-	-	-	1,578,050
Dividends paid	4(a)	-	-	(1,821,394)	-	(6,363,574)	-	(8,184,968)
Balance at 30 June 2013		122,135,184	(4,058,706)	2,257,172	(19,847,541)	20,178,907	1,085,951	121,750,967
Profit for the year		-	15,816,590	-	-	-	-	15,816,590
Transfer to profits reserves	10	-	(16,661,169)	-	-	16,661,169	-	-
Transfer from asset revaluation reserve	10	-	-	-	-	883,103	(883,103)	-
Other comprehensive income for the year	10	-	-	-	-	-	619,219	619,219
Shares issued via dividend reinvestment plan	9(b)	2,353,117	-	-	-	-	-	2,353,117
Shares issued via placement	9(b)	16,543,769	-	-	-	-	-	16,543,769
Shares issued via exercise of options	9(b)	1,150,395	-	-	-	-	-	1,150,395
Unallotted option monies received	9(b)	108	-	-	-	-	-	108
Capitalised share issue costs	9(b)	(192,111)	-	-	-	-	-	(192,111)
Dividends paid	4(a)	-	-	(2,255,826)	-	(7,230,532)	-	(9,486,358)
Balance at 30 June 2014		141,990,462	(4,903,285)	1,346	(19,847,541)	30,492,647	822,067	148,555,696

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$	2013 \$
Cash flows from operating activities			
Dividends received		2,867,952	3,766,369
Interest received		2,119,815	2,279,860
Other investment income		351,436	551,697
Investment management fees (inclusive of GST)		(1,538,254)	(1,231,968)
Investment performance fee (inclusive of GST)		(1,702,190)	(727,053)
Payments for administration expenses (inclusive of GST)		(512,224)	(383,256)
Brokerage on share purchases (inclusive of GST)		(340,426)	(307,213)
GST on brokerage on share sales		(24,649)	(21,555)
Net GST received from ATO		293,992	181,028
Net income tax paid		(2,632,966)	(1,300,017)
Net cash (used in)/provided by operating activities	13	(1,117,514)	2,807,892
Cash flows from investing activities			
Proceeds from sale of investments		127,563,489	108,423,819
Payments for purchase of investments		(143,563,797)	(98,630,389)
Net cash (used in)/provided by investing activities		(16,000,308)	9,793,430
Cash flows from financing activities			
Proceeds from issue of shares		17,694,272	-
Payments for issue of shares		(274,444)	-
Dividends paid – net of reinvestment		(7,133,241)	(6,606,918)
Net cash provided by/(used in) financing activities		10,286,587	(6,606,918)
Net (decrease)/increase in cash and cash equivalents held		(6,831,235)	5,994,404
Cash and cash equivalents at beginning of financial year		52,689,125	46,694,721
Cash and cash equivalents at end of financial year	12	45,857,890	52,689,125

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. Summary 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 Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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

Australian Accounting Standards set out 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 also comply with International Financial Reporting Standards (IFRS) as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

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

a) Financial assets

Initial recognition

Financial assets are recognised when the Company becomes party to the contractual provisions to the asset. This is equivalent to the date that the Company commits itself to purchase or sell the asset (i.e. trade date accounting is adopted).

Classification and subsequent measurement

Financial assets are subsequently measured at fair value. Current market prices for all quoted investments are used to determine fair value. For all unlisted securities that are not traded in an active market, valuation techniques are applied to determine fair value, including recent arm's length transactions and reference to similar instruments.

The Company classifies its financial assets into the following categories:

i) Equity investments at fair value through income statement

Equity investments are classified 'at fair value through income statement' 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 the Income Statement in the period in which they arise.

ii) Equity investments held for sale

Equity Investments held for sale are recognised initially at cost and the Company has elected to present subsequent changes in the fair value of equity investments in the Statement of Comprehensive Income through the asset revaluation reserve after deducting a provision for the potential deferred capital gains tax liability. When an investment is disposed, the cumulative gain or loss, net of tax thereon, is transferred from the asset revaluation reserve to the profits reserve.

b) Income tax

The charge for 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 balance sheet 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. Summary of significant accounting policies (cont'd)

b) Income tax (cont'd)

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.

Deferred income 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 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 term deposits 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. 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 stated at their amortised cost.

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 non-financial 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 asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Income Statement.

h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of GST, except where the amount of 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 the expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of Financial Position.

Cash flows are 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.

i) Comparative figures

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. Summary of significant accounting policies (cont'd)

j) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and 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 that have a material impact on the financial results of the Company for the year ended 30 June 2014. All material financial assets are valued by reference to quoted prices and therefore no significant estimates or judgements are required in respect to their valuation.

k) Profits reserve

The profits reserve is made up of amounts transferred from current and retained earnings that are preserved for future dividend payments.

l) New and amended accounting policies adopted

The Company has adopted AASB 13: Fair Value Measurement and associated Amending Standards. AASB 13 defines fair value, addresses how to measure fair value and requires disclosures about fair value measurement. The amounts reported in the Company's financial statements were not affected as a consequence of applying AASB 13. However the Company has included new disclosures regarding assets that are measured at fair value in the Company's financial statements.

Fair value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly transaction between independent, knowledgeable and willing market participants at the measurement date or, in the absence of such a market, the most advantageous market to which the Company has access to at that date.

As fair value is a market-based measure, the Company uses closing quoted last prices as a basis of measuring the fair value of assets that are listed. The fair values of assets that are not traded in an active market are determined using valuation techniques that maximise the use of observable market data.

m) New standards and interpretations not yet adopted

The Australian Accounting Standards Board has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The Company has decided not to early adopt any of the new and amended pronouncements. The following new and amended pronouncement is relevant to the Company, but applicable in future reporting periods:

- i) AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014). This Standard adds application guidance to AASB 132: Financial Instruments: Presentation to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132. This Standard is not expected to significantly impact the Company as no financial assets and liabilities are offset in the financial statements.

2. Investment revenue

	2014	2013
	\$	\$
Dividends	2,845,318	3,582,003
Interest	2,060,169	2,161,693
Trust distributions	404,755	461,843
Underwriting and other fees	28,418	89,854
	<u>5,338,660</u>	<u>6,295,393</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

3. Income tax

a) Income tax expense

The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:

	2014 \$	2013 \$
Prima facie tax on profit before income tax at 30% (2013: 30%)	6,400,106	6,665,453
Imputation credit gross up	381,343	508,483
Franking credit offset	(1,271,142)	(1,694,943)
Other non-assessable items	6,790	55,310
Over provision in prior year	-	(440)
	5,517,097	5,533,863

Total income tax expense results in a:

Current tax liability	5,499,689	5,531,693
Deferred tax asset	17,408	2,610
Over provision in prior period	-	(440)
	5,517,097	5,533,863

b) Deferred tax assets

	2014 \$	2013 \$
Tax losses	-	348,173
Provisions	6,732	6,584
Capitalised costs	66,850	2,073
	73,582	356,830

Movement in deferred tax assets

Balance at the beginning of the period	356,830	8,355,683
Losses recouped	(348,173)	(7,996,243)
Charged to the Income Statement	(17,408)	(2,610)
Capitalised share issue costs	82,333	-
At reporting date	73,582	356,830

c) Current tax liabilities

	2014 \$	2013 \$
Movement in current tax liabilities		
Balance at the beginning of the year	-	-
Current year income tax expense on operating profit	5,499,689	5,531,693
Income tax expense on realised gains on investments	378,473	2,328,647
Income tax paid	(3,932,983)	(1,300,017)
Income tax refund due	-	1,300,017
Losses recouped	(348,173)	(7,996,243)
Under provision in prior year	-	135,903
At reporting date	1,597,006	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

3. Income tax (cont'd)

	2014 \$	2013 \$
d) Deferred tax liabilities		
Fair value adjustments	352,314	465,407
	352,314	465,407

Movement in deferred tax liabilities

Balance at the beginning of the year	465,407	1,448,328
Charged to the Statement of Comprehensive Income	(113,093)	(846,578)
Over provision in prior year	-	(136,343)
At reporting date	352,314	465,407

4. Dividends

a) Ordinary dividends paid during the year

	2014 \$	2013 \$
Final dividend FY2013: 3.5 cents per share fully franked at 30% tax rate paid 31 October 2013 (Final dividend FY2012: 3.25 cents per share fully franked)	4,290,977	3,927,765
Interim dividend FY2014: 3.75 cents per share fully franked at 30% tax rate paid 30 April 2014 (Interim dividend FY2013: 3.5 cents per share fully franked)	5,195,381	4,257,203
	9,486,358	8,184,968

The final fully franked dividend of 3.5 cents per share paid 31 October 2013 includes 1.84 cents in Listed Investment Company ('LIC') capital gain dividends paid out of the capital profits reserve.

b) Dividends not recognised at year end

	2014 \$	2013 \$
In addition to the above dividends, since the end of the year, the Directors have declared a 3.75 cent per share fully franked dividend which has not been recognised as a liability at the end of the financial year:	5,251,000	4,290,973

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4. Dividends (cont'd)

c) Dividend franking account	2014 \$	2013 \$
Balance of franking account at year end	106,247	267,721
Adjusted for franking credits arising from:		
- Estimated income tax payable/(refundable)	1,597,006	(1,300,017)
- Franking credits on dividends receivable	-	9,700
Subsequent to year end, the franking account would be reduced by the proposed dividend disclosed in b) above as follows:	<u>(2,250,429)</u>	<u>(1,838,989)</u>
	<u>(547,176)</u>	<u>(2,861,585)</u>

The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from investments and the payment of 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 \$352,314 (2013: \$465,407).

5. Auditor's remuneration

	2014 \$	2013 \$
Remuneration of the auditor for:		
Auditing or reviewing the financial report	36,379	31,735
Other services provided by a related practice of the auditor:		
Taxation services	<u>10,148</u>	<u>7,810</u>
	<u>46,527</u>	<u>39,545</u>

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 tax compliance services provided by a related entity of the audit firm, to ensure that they do not compromise independence.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

6. Trade and other receivables

	2014 \$	2013 \$
Outstanding settlements	446,892	2,152,656
Income receivable	358,402	358,945
GST receivable	100,902	155,518
Income tax refund due	-	1,300,017
	<u>906,196</u>	<u>3,967,136</u>

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. Income receivable relates to interest, sub-underwriting fees, dividend, and trust distributions receivable at the end of the reporting period.

7. Financial assets

	2014 \$	2013 \$
Equity investments at fair value through Income Statement	108,086,052	63,875,542
Equity investments held for sale	2,619,165	4,188,944
	<u>110,705,217</u>	<u>68,064,486</u>

8. Trade and other payables

	2014 \$	2013 \$
Outstanding settlements	5,763,935	721,552
Management fee payable	416,242	339,919
Performance fee payable	745,083	1,702,190
Sundry creditors	112,609	97,542
	<u>7,037,869</u>	<u>2,861,203</u>

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 creditors are settled within the terms of payment offered. No interest is applicable on these accounts.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

9. Issued capital

a) Paid-up capital

	2014 \$	2013 \$
140,026,673 ordinary shares fully paid (2013: 122,599,235)	<u>141,990,462</u>	<u>122,135,184</u>

Holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at shareholder meetings, otherwise each member present at a meeting or by proxy has one vote on a show of hands. In the event of 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.

b) Ordinary shares

	2014 \$	2013 \$
Balance at the beginning of the year	122,135,184	120,557,134
14,385,886 ordinary shares issued on 1 November 2013 from the placement	16,543,769	-
958,663 ordinary shares issued from the exercise of options	1,150,395	-
Options exercised at \$1.20, not yet allotted at 30 June 2014	108	-
911,714 ordinary shares issued on 31 October 2013 under a dividend reinvestment plan	1,038,976	-
1,171,175 ordinary shares issued on 30 April 2014 under a dividend reinvestment plan	1,314,141	-
Share issue costs (net of tax)	(192,111)	-
780,029 ordinary shares issued on 19 October 2012 under a dividend reinvestment plan	-	634,909
964,978 ordinary shares issued on 19 April 2013 under a dividend reinvestment plan	-	943,141
At reporting date	<u>141,990,462</u>	<u>122,135,184</u>

c) Capital management

The Board manages the Company's capital by regularly reviewing the most efficient manner by which the Company employs its capital including share capital and unexercised options. At the core of this, management is of the belief that shareholder value should be preserved through the management of the level of distributions to shareholders, share and option issues as well as the use of share buy-backs. These capital management initiatives will be used when deemed appropriate by the Board. There have been no changes in the strategy adopted by the Board to control the capital of the Company since the prior year. The Company is not subject to any externally imposed capital requirements.

d) Options

During the year to 30 June 2014, the Company issued 68,948,891 options to acquire fully paid ordinary shares, exercisable at \$1.20 per option. The options were allotted on the 9 December 2013 and are currently trading on the ASX under the code WAXO. At 30 June 2014, 958,663 shares had been allotted from the exercise of options. 67,990,138 options remain unexercised and can be exercised at any time on or before 17 June 2015.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

10. Reserves	2014	2013
	\$	\$
Capital profits reserve – capital account	1,346	2,257,172
Capital profits reserve – revenue account	(19,847,541)	(19,847,541)
Profits reserve	30,492,647	20,178,907
Asset revaluation reserve	822,067	1,085,951
	11,468,519	3,674,489

The profits reserve details an amount preserved for future dividend payments as outlined in accounting policy Note 1(k). The 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 1(a)(ii).

	2014	2013
	\$	\$
Movement in capital profits reserve – capital account		
Balance at the beginning of the year	2,257,172	518,049
Final dividend FY2013 paid (refer Note 4a)	(2,255,826)	(483,417)
Interim dividend FY2014 paid (refer Note 4a)	-	(1,337,977)
Transfer from asset revaluation reserve	-	3,560,517
At reporting date	1,346	2,257,172

Movement in capital profits reserve – revenue account

Balance at the beginning of the year	(19,847,541)	(19,847,541)
At reporting date	(19,847,541)	(19,847,541)

Movement in profits reserve

Balance at the beginning of the year	20,178,907	5,574,026
Transfer from retained earnings	16,661,169	19,095,463
Transfer from asset revaluation reserve	883,103	1,872,992
Final dividend FY2013 paid (refer Note 4a)	(2,035,151)	(3,444,348)
Interim dividend FY2014 paid (refer Note 4a)	(5,195,381)	(2,919,226)
At reporting date	30,492,647	20,178,907

Movement in asset revaluation reserve

Balance at the beginning of the year	1,085,951	3,061,298
Transfer to capital profits reserve – capital account	-	(3,560,517)
Transfer to profits reserve	(883,103)	(1,872,992)
Other comprehensive income	619,219	3,458,162
At reporting date	822,067	1,085,951

11. Accumulated losses

	2014	2013
	\$	\$
Balance at the beginning of the year	(4,058,706)	(1,647,556)
Profit for the year attributable to members of the Company	15,816,590	16,684,313
Transfer to profits reserve	(16,661,169)	(19,095,463)
	(4,903,285)	(4,058,706)

WAM RESEARCH LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

12. Cash and cash equivalents

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

	2014 \$	2013 \$
Cash at bank and on hand	3,440,711	779,187
Term deposits	42,417,179	51,909,938
	<u>45,857,890</u>	<u>52,689,125</u>

The weighted average interest rate for cash and term deposits as at 30 June 2014 is 3.45% (2013: 3.89%). The term deposits have an average maturity of 86 days (2013: 90 days). The majority of term deposits are invested with major Australian banks and their banking subsidiaries institutions that have a Standard & Poor's A-1+ rating.

13. Cash flow information

	2014 \$	2013 \$
Reconciliation of profit after tax to cash flow from operations:		
Profit after income tax	15,816,590	16,684,313
Cash flows excluded from profit attributable to operating activities:		
Realised gains on sale of investments	(14,119,302)	(15,248,148)
Non-cash flow items in profit:		
Unrealised gains on investments	(4,888,375)	(4,135,196)
Changes in assets and liabilities:		
Decrease in receivables	55,159	225,460
(Increase)/decrease in deferred tax assets	(12,892)	5,533,863
(Decrease)/increase in payables	(865,717)	1,047,617
Increase/(decrease) in current tax liabilities	2,897,023	(1,300,017)
Cash flow from operating activities	<u>(1,117,514)</u>	<u>2,807,892</u>

14. Earnings per share

	2014 \$	2013 \$
Profit after income tax used in the calculation of basic earnings per share	15,816,590	16,684,313
	<u>No.</u>	<u>No.</u>
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	133,211,188	121,659,015

There are no securities on issue that are potentially dilutive in nature.