

W | A | M *Research*



Annual Report

For the year ending 30 June 2016

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 (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

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
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 Research Limited
Ordinary Shares (WAX)

Shareholder Presentations 2016

Annual General Meeting and Presentation

Sydney

Wednesday 23 November

The Hilton
488 George Street
Sydney NSW 2000
AGM: 9.30am – 10.00am
Presentation: 11.00am – 1.00pm. To be streamed live on our website wilsonassetmanagement.com.au



Adelaide

Wednesday 16 November

The Playford
120 North Terrace
Adelaide SA 5000
10.00am – 12.00pm

Perth

Thursday 17 November

The Duxton
1 St Georges Terrace
Perth WA 6000
10.00am – 12.00pm

Canberra

Monday 21 November

The Mecure
Crn Ainslie & Limestone Avenues
Braddon ACT 2612
10.00am – 12.00pm

Brisbane

Thursday 24 November

Brisbane Convention & Exhibition
Centre, Cnr Merivale & Glenelg Streets
South Bank QLD 4101
10.00am – 12.00pm

Melbourne

Friday 25 November

Melbourne Convention & Exhibition
Centre, 1 Convention Centre Place
South Wharf VIC 3006
10.00am – 12.00pm

Future Generation presentations

To follow all Wilson Asset Management
presentations in each city

Key highlights FY2016

+25.5%

Investment portfolio performance

+23.5%

Investment portfolio outperformance

+24.3%

Total shareholder return

8.5c

Full year fully franked dividend

Snapshot as at 30 June 2016

Listing date	August 2003
Market capitalisation	\$235.1m
Share price	\$1.35
Shares on issue	174,169,283
Net Tangible Assets (pre-tax)	\$1.23
Net Tangible Assets (post Tax)	\$1.20
Gross assets	\$224.4m
Fully franked dividends FY2016	8.5 cents
Fully franked FY2016 dividend yield	6.3%

FY2016 results

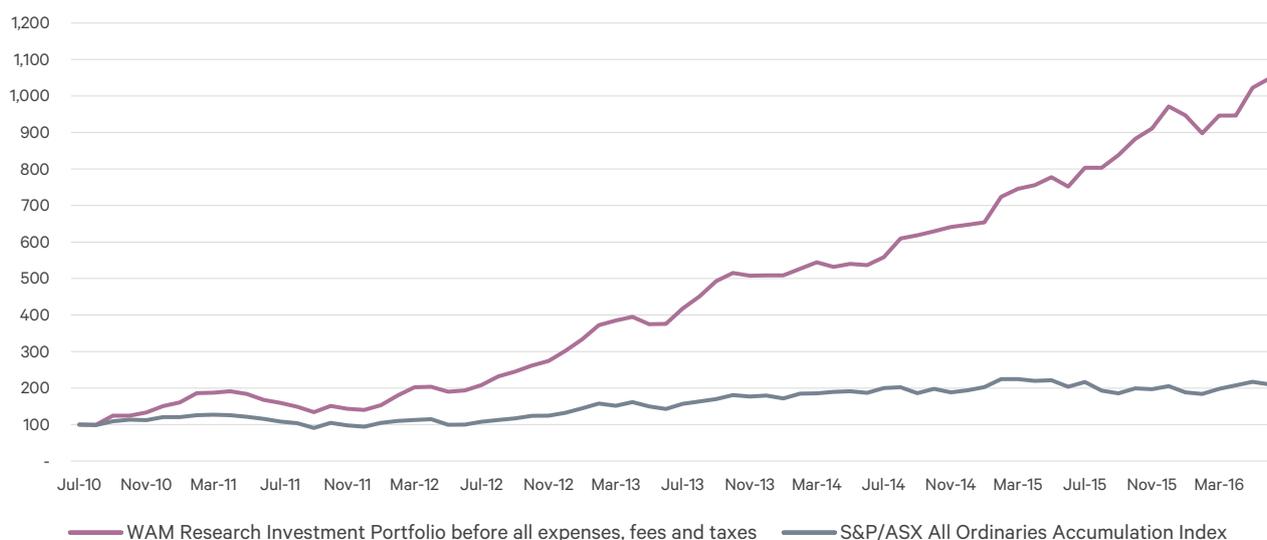
WAM Research reported a 35.1% increase in operating profit before tax to \$35,928,070 (2015: \$26,593,122) and a 34.4% increase in operating profit after tax of \$26,157,144 (2015: \$19,463,163) for the year to 30 June 2016.

WAM Research's investment portfolio outperformed the S&P/ASX All Ordinaries Accumulation Index by 23.5% for the 12 months to 30 June 2016 with an average equity exposure of 61.3%.

The Board declared a fully franked full year dividend of 8.5 cents per share, an increase of 6.3% on the previous year with the fully franked final dividend being 4.25 cents per share.

WAM Research's investment portfolio return since revised investment process

Index re-based



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Chairman's letter

Dear Fellow Shareholders,

Firstly, I would like to thank you for your support of WAM Research during the 2016 financial year. I would also like to welcome our 1,046 new shareholders to the Company.

In 2016, the Company delivered a 25.5% return on the investment portfolio, outperforming the S&P/ASX All Ordinaries Accumulation Index by 23.5% with an average equity exposure of 61.3%. This strong growth led to a 35.1% increase in operating profit before tax to \$35,928,070 (2015: \$26,593,122) and a 34.4% increase in operating profit after tax of \$26,157,144 (2015: \$19,463,163) for the year to 30 June 2016.

WAM Research has consistently applied its proven investment philosophy to achieve an investment portfolio return of 19.9% per annum since its change in investment strategy in 2010, which is 11.8% greater than the annual average return from the S&P/ASX All Ordinaries Accumulation Index. The fully franked full year dividend for the 2016 year was 8.5 cents per share, representing a fully franked 6.3% yield. WAM Research is well positioned to continue to deliver strong risk-adjusted returns.

Company performance

Three key measures we use to evaluate the performance of a listed investment company are investment portfolio performance, net tangible asset (NTA) growth and total shareholder return (TSR). The investment portfolio performance is the growth in the underlying portfolio of equities and cash before costs. A key objective of WAM Research is to grow the investment portfolio at a greater rate than the S&P/ASX All Ordinaries Accumulation Index, which is called outperformance. NTA growth is the change in value of the Company's assets, less liabilities and costs (including tax, management and performance fees) and is essentially the realisable value of the Company if it was to be sold. The NTA is announced on the ASX on a monthly basis. TSR measures the value shareholders gain from share price growth and dividends paid over the period. Importantly, TSR does not include the value of franking credits.

1. Investment portfolio performance

Performance at 30 June 2016	1 Yr	2 Yrs %pa	3 Yrs %pa	4 Yrs %pa	5 Yrs %pa	Since change in investment strategy (Jul-10) %pa
WAM Research Investment Portfolio*	25.5%	24.1%	22.9%	24.7%	20.4%	19.9%
S&P/ASX All Ordinaries Accumulation Index	2.0%	3.8%	8.2%	11.2%	7.3%	8.1%
Outperformance	+23.5%	20.3%	+14.7%	+13.5%	+13.1%	+11.8%

*Investment performance and Index returns are before expenses, fees and taxes.

WAM Research's investment portfolio increased 25.5% for the 12 months to 30 June 2016, while the S&P/ASX All Ordinaries Accumulation Index increased by 2.0% and the S&P/ASX Small Ordinaries Accumulation Index increased 14.4%. This represents an outperformance of 23.5% and 11.1% respectively. This was achieved while holding an average 38.7% of the portfolio in cash during the year. This measure is before tax and all costs and is compared to the S&P/ASX All Ordinaries Accumulation Index and the S&P/ASX Small Ordinaries Accumulation Index which are also before tax and costs.

Set out below is the performance of WAM Research since the change in the investment strategy on a financial year basis. The performance data excludes all expenses, fees and taxes and is used as a guide to how the Company's investment portfolio has performed against the S&P/ASX All Ordinaries Accumulation Index which is also before tax and costs.

Financial Year	WAM Research Investment Portfolio	S&P/ASX All Ordinaries Accumulation Index	Outperformance
2010/2011	17.5%	12.2%	+5.3%
2011/2012	4.5%	-7.0%	+11.5%
2012/2013	30.4%	20.7%	+9.7%
2013/2014	20.5%	17.6%	+2.9%
2014/2015	22.8%	5.7%	+17.1%
2015/2016	25.5%	2.0%	+23.5%

2. NTA growth

WAM Research's after tax NTA, adjusted for dividends, increased 14.1% for the 12 months to 30 June 2016. This increase is after tax paid of 2.0 cents per share and 8.25 cents of fully franked dividends paid during the year. This performance measure shows the change in the value of the assets which belong to the shareholders over the 12 month period. Corporate tax (30%) and performance fees payable are significant items of difference between the investment portfolio and the net asset performance. The franking credits attached to corporate tax payments are available for distribution to shareholders through fully franked dividends.

3. Total shareholder return

This measure shows the return to shareholders being the change in share price together with dividends reinvested. The TSR for WAM Research for the year to 30 June 2016 was 24.3%. The TSR was driven by WAM Research's investment portfolio outperformance of 23.5% relative to the index and the continued increase in the share price premium to NTA. This measure does not value the potential benefit of franking credits.

Growth of a \$10,000 investment since revised investment process



Investment portfolio

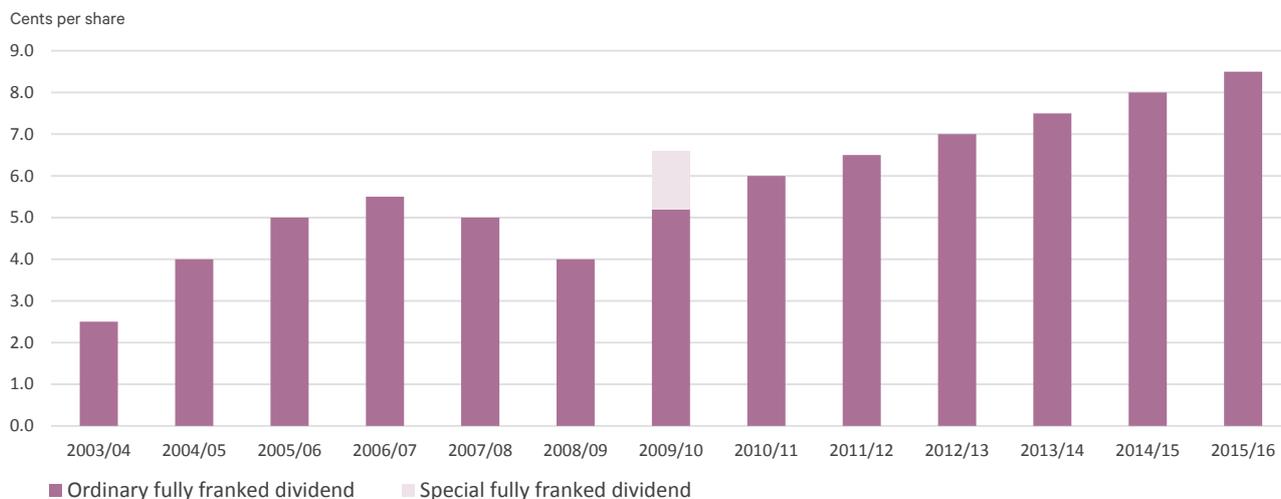
The investment portfolio performed strongly during the financial year. The best performing stocks in FY2016 were: Smartgroup Corporation Limited (SIQ), The A2 Milk Company Limited (A2M), IPH Limited (IPH), The Reject Shop Limited (TRS) and Mayne Pharma Group Limited (MYX). We believe opportunities are, and continue to be, available irrespective of the direction of the overall equity market. In the last six months the Company has established new positions in stocks such as Class Limited (CL1) and Nick Scali Limited (NCK), while taking profits and rotating out of existing positions that have reached our valuation targets.

Dividends

The Board declared a fully franked full year dividend of 8.5 cents per share, an increase of 6.3% on the previous year with the fully franked final dividend being 4.25 cents per share.

The Board is committed to paying an increasing stream of fully franked dividends to shareholders, provided the Company has sufficient profit reserves and franking credits and it is within prudent business practices. The Company's ability to generate franking credits is dependent upon the receipt of franked dividends from investments and the payment of tax. Dividends are paid on a six-monthly basis and the dividend reinvestment plan is available to shareholders for both the interim and final dividend. The dividend reinvestment plan will be operating at a 2.5% discount for the final dividend.

WAM Research dividends since inception



Equity market outlook

We are cautious about the direction of the equity market in the 2017 financial year. The recent reporting season provided mixed results, pointing to the negative effects of the extended federal election and difficult trading conditions. Looking forward, many companies provided guarded outlook statements.

Record low global interest rates have driven asset values to unsustainably high levels. We are wary of the impact a change in the current 'easy money' policy will have on equity valuations.

Against these conditions, the Australian economy is beginning to show some signs of strength, with gross domestic product numbers released in September pointing to year-on-year growth rate of 3.3%, the strongest growth rate in four years.

Our research-driven investment methodology is focused on identifying undervalued growth companies. We will continue to employ this rigorous process through the cycle despite the cautious market outlook.

Company outlook

WAM Research enters the 2017 financial year with a conservative balance sheet, a high cash weighting, no debt and a flexible and proven investment approach. The Company will continue to seek opportunities irrespective of market conditions. We remain well positioned to identify and act on value opportunities as they emerge.

Public policy and advocacy – fairness in capital raisings

Wilson Asset Management continues to engage in public policy discussions and advocate on behalf of all shareholders regarding issues of importance. Wilson Asset Management recently made a submission to the Australian Securities Exchange (ASX) in response to proposed changes to its admission requirements for listed entities. Proposed changes set out in the ASX's public consultation paper, included amendments to the listing rules that whereby only shareholders with at least \$5,000 of shares (up from \$2,000) would be counted towards the 'spread test' admission requirement.

We recommended the ASX retain the current \$2,000 minimum threshold as, in our view, initial public offerings (IPOs) with a minimum subscription amount of \$5,000 would deter retail investors and act as a barrier to entering the share market. Our submission also made recommendations relating to proposed changes to the market capitalisation assets test and the planned introduction of a formal free float test. Over coming months we will monitor the ASX's public consultation process regarding the proposed changes and engage in the public debate.

Shareholder engagement and communication

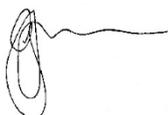
Shareholders are the owners of WAM Research. That's why we encourage all shareholders to meet with us, and utilise our proactive approach to keeping them informed about WAM Research. We do this regularly in many ways, including:

- Weekly investor updates from our Chief Investment Officer
- Regular investment news and market insights
- Monthly investment updates
- Annual and half yearly profits announcements
- Semi-annual shareholder briefings across all major Australian cities
- Our website www.wilsonassetmanagement.com.au.

WAM Research shareholders are encouraged to use the subscription feature on the Wilson Asset Management website to receive notifications of announcements, investor updates and other important information.

We aim to provide valuable and insightful communications and welcome all feedback on how we can improve our communication and engagement with shareholders – please contact our Head of Corporate Affairs, James McNamara on (02) 9247 6755 or email us at info@wilsonassetmanagement.com.au.

Thank you for your continued support.



Geoff Wilson
Chairman

Investing with Wilson Asset Management

Established in 1997 by Geoff Wilson, Wilson Asset Management is an independently owned investment manager based in Sydney, Australia. Today, Wilson Asset Management employs twenty one staff. The investment team comprises seven highly experienced professionals with almost 100 years of combined investment experience and a total focus on managing money.

As an investment manager, our natural purpose is to safeguard the financial futures of our shareholders. Our passion and dedication makes us different. We're also deeply committed to investing our time and resources to empower positive change in the community.

To find the best opportunities, we created our own

We take great pride in managing four LICs and more than \$2 billion in shareholder capital. We created and continue to support Future Generation Investment Company Limited and Future Generation Global Investment Company Limited, Australia's first philanthropic wealth creation vehicles with the dual purpose of creating shareholder wealth and investing in our future generation.

WAM Research has an investment management agreement with Wilson Asset Management. For WAM Research shareholders, that means an experienced team working on your behalf, to achieve your investment aims. Investing with Wilson Asset Management provides the following benefits:

Full franked dividends. Our LICs have a proven track record of paying fully franked dividends.

Strong performance. We offer a strong track record of performance based on our rigorous research-driven and market-driven investment processes.

Deep diversification. Our LICs hold small positions in many companies, providing shareholders with diversified exposure to opportunities.

Risk-adjusted returns. Our flexible investment mandate allows above average cash holdings and strong, risk-adjusted returns.

Experienced experts. With almost 100 years' combined experience in the Australian equity market, our investment team lives and breathes financial markets.

Full market access. We hold over 1,500 company meetings each year, and our knowledge of and extensive network in the market continually provides valuable intelligence and investment opportunities.

Superior structures. LICs provide a stable, closed-ended pool of capital, allowing a total focus on managing money.

Total transparency. We value shareholder engagement and our LICs adhere to strict corporate governance requirements.

Objectives and investment process

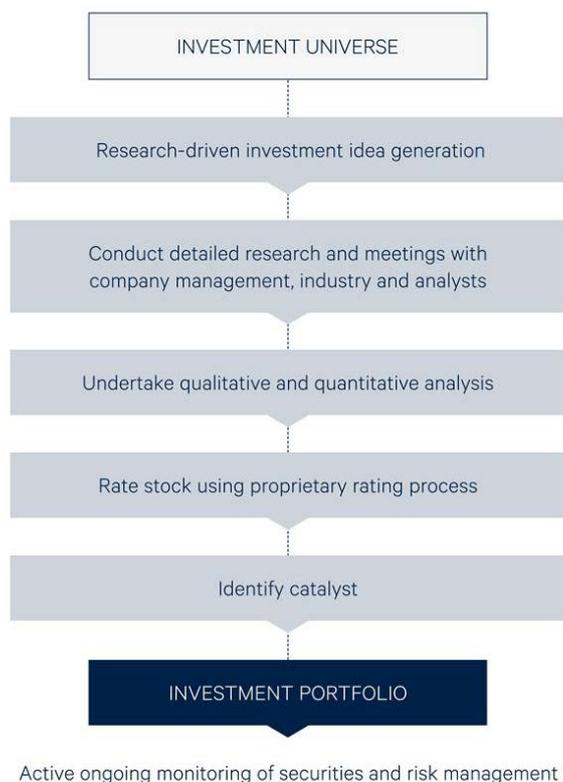
Investment objectives

The investment objectives of WAM Research are to:

- provide investors a rising stream of fully franked dividends; and
- achieve a high real rate of return, comprising both income and capital growth within risk parameters acceptable to the Directors.

Our unique approach to investing

WAM Research provides investors with access to Wilson Asset Management’s research-driven process, focused on identifying undervalued growth companies. This investment process involves diligent and deep research that focuses on free cash flow, return on equity and the quality of a company. Each company is carefully rated with respect to management, earnings growth potential, valuation and industry position. Under this process, our investment team will only ever invest in a security once we can identify a catalyst or event that we expect will change the market’s valuation of the company.



Corporate governance statement

The Board is committed to the Company operating 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 2014 Amendments (3rd Edition) for the 2016 financial year, subject to the exceptions noted below.

Lay solid foundations for management and oversight (Recommendations: 1.1 to 1.7)

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 Research, the day-to-day management and investment of funds is carried out by MAM Pty Limited (the Manager) pursuant to a management agreement. Consequently, there is no need to delegate functions to senior management or for a process to evaluate the performance of senior executives or for a diversity policy under Recommendations 1.1, 1.3, 1.5 and 1.7.

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 generally various other communications to the ASX and shareholders that the Board deems material; and
- Setting appropriate business standards and codes 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.

Each Director has undergone background and other checks before appointment. The Board ensures that security holders are provided in advance with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director. 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 comprises experienced Company directors who have each received a formal letter of engagement and who are fully aware of the terms of their appointment including their roles and responsibilities.

The Board has appointed an experienced Company Secretary who is directly accountable to the Board.

As the Company has no full time employees, a diversity policy has not been established under Recommendation 1.5. The Board's composition is reviewed on an annual basis. In the event a vacancy arises, the Board will include diversity in its nomination process. Currently, there is one woman on the Board. The Company is not a relevant employer under the Workplace Gender Equality Act.

The performance of directors will be assessed and reviewed by the Board. To determine whether it is functioning effectively, the Board shall:

- review its Corporate Governance Charter annually; and
- perform an evaluation of the Board's performance at intervals considered appropriate.

The Board is responsible for undertaking an annual performance evaluation of itself and its members in light of the Company's Corporate Governance Charter. The Board will review its performance by discussion and by individual communication with the Chairman and by reference to generally accepted board performance standards. A copy of the Corporate Governance Charter can be found at the Corporate Governance section of the Company's website.

Structure the Board to add value (Recommendations: 2.1 to 2.6)

A nomination committee has not been formed under Recommendation 2.1. 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 with the aim of achieving the optimal mix of skills and diversity.

The Company supports the appointment of Directors who bring a wide range of business, investment and professional skills and experience. While the Company does not have or disclose a formal skills matrix it does consider directors attributes prior to any appointment. The qualifications, skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the Annual Report and their attendance at Board and Committee meetings is included in the Annual Report.

The Board has the following three independent Directors:

- John Abernethy
- Julian Gosse
- Matthew Kidman

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. 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 2.4, it believes that it can better achieve the results of the Company with the current Board's level of expertise and without burdening shareholders with the additional costs associated with adding further independent Directors.

The appointment dates of each Director are shown in the Directors' Report in the Annual Report.

The Chairman is not an independent Director. The Company believes that an independent Chairman, under Recommendation 2.5, 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 and all shareholders' benefit. The Company does not employ a CEO, consequently Recommendation 2.5 is not applicable.

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.

Due to the fact that directors are chosen for their specialist knowledge of their sector, the Board induction process is of an informal nature. New Directors are fully briefed about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning performance of Directors. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

Act ethically and responsibly (Recommendations: 3.1)

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.

Safeguarding integrity in corporate reporting (Recommendations: 4.1 to 4.3)

The Company has formed an Audit & Risk Committee consisting of three Independent Directors. This is considered adequate given the size of the Board and the nature of the Company. The members of the Audit & Risk Committee are:

- John Abernethy Chairman, Independent director
- Julian Gosse Independent Director
- Matthew Kidman Independent Director

The qualifications of those appointed to the Committee are detailed in the Directors' Report.

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

The Committee formally reports to the Board after each meeting. Details of the number of meetings of the Audit & Risk Committee during the 2016 year are set out in the Directors' Report.

The Company's external audit is undertaken by Pitcher Partners and the audit engagement partner is required to be changed at regular intervals. Scott Whiddett, a partner of Pitcher Partners, is the partner responsible for the external audit of the Company for the 2016 financial year. As required by the Corporations Act, Scott is due for rotation at the end of the 30 June 2016 engagement.

The external auditors are requested to attend the Annual General Meeting and are available to answer shareholders' questions regarding the conduct of the audit and preparation of the Auditor's Report.

The Company's external accountants, along with the Manager of the Company, provide written confirmations to the Board that the Company's Financial Reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards; and that this statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

Make timely and balanced disclosure (Recommendations: 5.1)

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.

Respect the rights of security holders (Recommendations: 6.1 to 6.4)

The Company's Corporate Governance Charter is available on the Company's website.

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.

The Company is committed to:

- ensuring that shareholders and the financial markets are provided with full and timely information about the Company's activities in a balanced and understandable way through the annual and half yearly reports, Investor Presentations, ASX releases, general meetings and the Company's website;
- complying with continuous disclosure obligations contained in the applicable ASX Listing Rules and the Corporations Act in Australia; and
- encouraging shareholder participation at general meetings.

The Board encourages full participation of shareholders at the Annual General Meeting (AGM) to ensure a high level of accountability and identification with the Company's strategy. Shareholder information sessions are also held twice a year. 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.

The Company's registrar, Boardroom Pty Limited, provides the option for shareholders to receive and send communications electronically. Shareholders are encouraged to create an online account at www.clientonline.com.au.

Recognise and manage risk (Recommendations: 7.1 to 7.4)

The Company has formed an Audit & Risk Committee consisting of three Independent Directors. This is considered adequate given the size of the Board and the nature of the Company.

The members of the Audit & Risk Committee are:

- John Abernethy Chairman, Independent director
- Julian Gosse Independent Director
- Matthew Kidman Independent Director

The qualifications of those appointed to the Committee and their attendance at Audit and Risk Committee meetings are detailed in the Directors' Report.

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

The Company, in conjunction with the Manager, 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 and the mitigating controls can be monitored in real time. It also ensures transparency of data and ease of reporting to the Board on the performance of its enterprise risk and compliance programs.

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 Director and Chief Executive Officer of the Manager that in their view:

- the declaration provided in accordance with section 295A of the *Corporations Act 2001* 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.

The Company does not have an internal audit function.

A summary of financial risks including market, credit, and liquidity are included in Note 15 in the Annual Report.

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 outsources its administrative functions to service providers: Wilson Asset Management (International) Pty Limited (accounting and compliance), RBC 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.

MAM Pty Limited, the Manager, is required to act in accordance with the investment management agreement and reports to the Board regularly on the Company's performance and any material actions that have occurred in the period.

Remuneration fairly and responsibly (Recommendations: 8.1 to 8.3)

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 \$112,500 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.

All directors of WAM Research are non-executive directors. Accordingly, the requirement under Recommendation 8.2 to distinguish the structure of the remuneration paid to executive and non-executive directors is not applicable to the Company.

No equity based remuneration is paid to Directors. Directors do not receive bonuses nor are they issued options on securities as part of their remuneration.

The Chairman of WAM Research Limited is a Director of MAM Pty Limited. Further detail is provided in the Directors' Report.

Directors' Report to shareholders for the year ended 30 June 2016

The Directors present their report together with the financial report of WAM Research for the financial year ended 30 June 2016.

Principal activity

The principal activity of the Company is making investments in listed companies. The Company's investment objectives are 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 is likely in the future.

Operating and financial review

Investment operations over the year resulted in a 35.1% increase in operating profit before tax to \$35,928,070 (2015: \$26,593,122) and a 34.4% increase in operating profit after tax of \$26,157,144 (2015: \$19,463,163). The increase in profit reflects the investment portfolio returning 25.5% in the year, against 22.8% in FY2015. WAM Research achieved record outperformance of 23.5% against the S&P/ASX All Ordinaries Accumulation Index, while being on average 61.3% invested in equities.

Under Australian Accounting Standards, realised gains and losses on the investment portfolio and dividend income are added to or reduced by the changes in the market value of WAM Research'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) per share, adjusted for dividends. The after tax NTA, adjusted for dividends, increased 14.1% for the 12 months to 30 June 2016. This increase is after tax paid of 2.0 cents per share during the year.

The NTA after tax for each share as at 30 June 2016 amounted to \$1.20 per share (2015: \$1.12). The NTA before tax was \$1.23 per share (2015: \$1.14). These figures are after the payment of 8.25 cents in fully franked dividends to shareholders during the year (2015: 7.75 cents).

On 19 October 2015, the Company announced that it successfully raised \$7.23 million (6.06 million shares) through the Dividend Reinvestment Plan Shortfall Placement ('Placement'). The proceeds from the Placement have been invested in accordance with WAM Research's disciplined investment process providing shareholders with exposure to a diversified portfolio of undervalued growth companies.

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

Financial position

The net asset value of the Company as at 30 June 2016 was \$208,768,206 (2015: \$186,168,680). Further information on the financial position of the Company is contained in the Chairman's Letter.

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 2016.

Dividends paid or recommended

Dividends paid or declared are as follows:

	\$
Fully franked FY2015 final dividend of 4.0 cents per share was paid on 23 October 2015	\$6,612,254
Fully franked FY2016 interim dividend of 4.25 cents per share was paid on 29 April 2016	\$7,342,740

Since year end the Board has declared a final dividend of 4.25 cents per share fully franked to be paid on 28 October 2016.

Directors

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

- Geoff Wilson
- Matthew Kidman
- Julian Gosse
- John Abernethy
- Kate Thorley
- Chris Stott

Information on Directors

Geoff Wilson (Chairman – Non-independent)

Experience and expertise

Geoff Wilson has over 36 years' direct experience in investment markets having held a variety of senior investment roles in Australia, the UK and the US. Geoff founded Wilson Asset Management in 1997. Geoff created Australia's first listed philanthropic wealth creation vehicles, Future Generation Investment Company and Future Generation Global Investment Company. Geoff holds a Bachelor of Science, a Graduate Management Qualification and is a Fellow of the Financial Services Institute of Australia and the Australian Institute of Company Directors.

Geoffrey Wilson has been Chairman of the Company since June 2003.

Other current directorships

Geoffrey Wilson is currently Chairman of WAM Capital Limited (appointed March 1999), WAM Active Limited (appointed July 2007), WAM Leaders Limited (appointed March 2016) and the Australian Stockbrokers Foundation. He is the founder and a Director of Future Generation Global Investment Company Limited (appointed May 2015) and Future Generation Investment Company Limited (appointed July 2014) and a Director of Australian Leaders Fund Limited (appointed October 2003), Clime Capital Limited (appointed November 2003), Global Value Fund Limited (appointed April 2014), Century Australia Investments Limited (appointed September 2014), Incubator Capital Limited (appointed February 2000), Sporting Chance Cancer Foundation, Australian Fund Managers Foundation, Odyssey House McGrath Foundation, Australian Children's Music Foundation and he is a Member of the Second Bite NSW Advisory Committee. He is also founder and Director of investment management companies Wilson Asset Management (International) Pty Limited and MAM Pty Limited.

Former directorships in the last 3 years

Geoffrey Wilson has not resigned as a Director from any listed companies within the last three years.

Special responsibilities

Chairman of the Board.

Interests in shares of the Company

Details of Geoffrey Wilson's interests in shares 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 (Director – independent)

Experience and expertise

In 2015, Matthew Kidman became Principal and Portfolio Manager of Centennial Asset Management Pty Limited. Previously, Matthew worked as a Portfolio Manager at Wilson Asset Management (International) Pty Limited for 13 years between 1998 and 2011. Prior to joining Wilson Asset Management, Matthew worked as a finance journalist at the Sydney Morning Herald between the years 1994 and 1998. In 1997 he was made Business Editor of the paper and was charged with the responsibility of company coverage. He has degrees in Law and Economics and a Graduate Diploma in Applied Finance.

Matthew Kidman has been a Director of the Company since May 2002.

Other current directorships

Matthew Kidman is currently Chairman of Watermark Market Neutral Fund Limited (appointed May 2013). He is a Director of WAM Capital Limited (appointed March 1999), WAM Active Limited (appointed July 2007), Incubator Capital Limited (appointed February 2000) and Sandon Capital Investments Limited (appointed October 2013).

Former directorships in the last 3 years

Matthew Kidman is a former Director of Centrepoint Alliance Limited (February 2012 to November 2015).

Special responsibilities

Member of the Audit & Risk Committee.

Interests in shares of the Company

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

Interests in contracts

Matthew Kidman has no interests in contracts of the Company.

John Abernethy (Director – independent)

Experience and expertise

John Abernethy has over 30 years experience in funds management and corporate advisory. He spent ten years at NRMA Investments as Head of Equities managing portfolios. In 1994 he joined Poynton Corporate Limited as an Executive Director before forming Clime Investment Management Limited in 1996. John was also appointed Chairman of Clime Capital Limited in July 2009. He has a Bachelor of Law and Commerce from University of NSW.

John Abernethy has been a Director of the Company since May 2002.

Other current directorships

John Abernethy is Chairman of Clime Capital Limited (appointed July 2009). He is an executive Director of Clime Investment Management Limited (appointed July 2000) and a non-executive Director of WAM Active Limited (appointed November 2007), Australian Leaders Fund Limited (appointed November 2003), Jasco Holdings Limited and Watermark Market Neutral Fund Limited (appointed June 2013).

Former directorships in the last 3 years

John Abernethy has not resigned as a Director from any listed companies within the last three years.

Special responsibilities

Chairman of the Audit & Risk Committee.

Interests in shares of the Company

Details of John Abernethy's interests in shares of the Company are included later in the report.

Interests in contracts

John Abernethy has no interests in contracts of the Company.

Julian Gosse (Director – independent)

Experience and expertise

Julian Gosse has spent the last 20 years of his career working as a Professional Director of Public Companies. Prior to that he was involved in the stockbroking, merchant banking and venture capital industries.

Julian Gosse has been a Director of the Company since June 2003.

Other current directorships

Julian Gosse is a non-executive Director of Iron Road Limited (appointed May 2009). He is also a Director of Australian Leaders Fund Limited (appointed October 2003) and Clime Capital Limited (appointed November 2003).

Former directorships in the last 3 years

Julian Gosse resigned as a Director of ITL Limited in January 2014.

Julian Gosse (Director – independent) (cont'd)

Special responsibilities

Member of the Audit & Risk Committee.

Interests in shares of the Company

Julian Gosse has no interests in shares of the Company.

Interests in contracts

Julian Gosse has no interests in contracts of the Company.

Chris Stott (Director – Non-independent)

Experience and expertise

Chris Stott has more than 13 years' experience in the funds management industry. Chris is the Chief Investment Officer of Wilson Asset Management, having joined the company in 2006. Chris was previously employed with Challenger Financial Services Group in various research roles specialising in Australian equities. He holds a Bachelor of Business and a Graduate Diploma in Applied Finance and Investment. He is a member of the Australian Institute of Company Directors and the Financial Services Institute of Australasia.

Chris Stott has been a Director of the Company since August 2014.

Other current directorships

Chris Stott is a Director of WAM Capital (appointed May 2015), WAM Active Limited (appointed July 2014) and WAM Leaders Limited (appointed March 2016).

Former directorships in the last 3 years

Chris Stott has not resigned as a Director from any listed companies within the last three years.

Special responsibilities

None

Interests in shares of the Company

Details of Chris Stott's interests in shares of the Company are included later in this report.

Interests in contracts

Details of Chris Stott's interest in contracts of the Company are included later in this report.

Kate Thorley (Director – Non-independent)

Experience and expertise

Kate Thorley has over 10 years' experience in the funds management industry and more than 15 years of financial accounting and corporate governance experience. Kate is the Chief Executive Officer of Wilson Asset Management (International) Pty Limited, Director of WAM Active Limited, WAM Research Limited, Future Generation Investment Company Limited, WAM Leaders Limited and is a non-executive Director of Sandon Capital Opportunities Pty Limited. Kate is also the Company Secretary of Future Generation Global Investment Company Limited. She holds a Bachelor of Commerce, a Graduate Diploma in Applied Finance and Investment, Graduate Diploma of Applied Corporate Governance and is a fully qualified CPA. She is a member of the Australian Institute of Company Directors and the Financial Services Institute of Australasia.

Kate Thorley has been a Director of the Company since August 2014.

Other current directorships

Kate Thorley is a Director of WAM Active Limited (appointed July 2014), WAM Leaders Limited, (appointed March 2016) and Future Generation Investment Company Limited (appointed April 2015).

Former directorships in the last 3 years

Kate Thorley has not resigned as a Director from any listed companies within the last three years.

Special responsibilities

None

Interests in shares of the Company

Details of Kate Thorley's interests in shares of the Company are included later in this report.

Interests in contracts

Details of Kate Thorley's interest in contracts of the Company are included later in this report.

Company Secretary

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

Linda Vo

Linda Vo has over 13 years' experience in financial accounting including more than 10 years in the funds management industry. As the Finance Manager of Wilson Asset Management (International) Pty Limited, Linda oversees finance and accounting for Wilson Asset Management's four listed investment companies, WAM Capital Limited, WAM Research Limited, WAM Active Limited and WAM Leaders Limited. Linda is also the Company Secretary of WAM Active Limited and WAM Leaders Limited. Linda holds a Bachelor of Commerce and is a fully qualified CPA. Linda was appointed Company Secretary of WAM Research Limited in May 2016.

Remuneration Report (Audited)

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

a) Remuneration of Directors

All Directors of WAM Research are non-executive Directors. The Board from time to time determines remuneration of Directors within the maximum amount approved by the shareholders at the Annual General Meeting. Directors are not entitled to any other remuneration.

Fees and payments to 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.

The maximum total remuneration of the Directors of the Company has been set at \$112,500 per annum. Directors do not receive bonuses nor are they issued options on securities by the Company 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 2016:

Director	Position	Short-term employee benefits Directors' Fees \$	Post-employment benefits Superannuation \$	Total \$
Geoff Wilson	Chairman	9,132	868	10,000
Matthew Kidman	Director	25,114	2,386	27,500
John Abernethy	Director	25,114	2,386	27,500
Julian Gosse	Director	27,500	-	27,500
Kate Thorley	Director	9,132	868	10,000
Chris Stott	Director	9,132	868	10,000
		105,124	7,376	112,500

Directors receive a superannuation guarantee contribution required by the government, which was 9.5% of individuals benefits for FY2016 and do not receive any other retirement benefits. Directors may also elect to salary sacrifice their fees into superannuation.

The following table reflects the Company's performance and Directors' remuneration over five years:

	2016	2015	2014	2013	2012
Operating profit after tax (\$)	26,157,144	19,463,163	15,816,590	16,684,313	1,956,069
Dividends (cents per share)	8.5	8.0	7.5	7.0	6.5
After tax net tangible asset (\$ per share)	1.20	1.12	1.06	0.99	0.89
Total Directors' remuneration (\$)	112,500	100,000	92,500	92,500	92,500
Shareholder's equity (\$)	208,768,206	186,168,680	148,555,696	121,750,967	108,215,410

As outlined above, Directors' fees are not directly linked to the Company's performance.

Remuneration Report (Audited) (cont'd)

b) Director related entities remuneration

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

The Company has an investment management agreement with MAM Pty Limited. Geoff Wilson is the Director of MAM Pty Limited, the entity appointed to manage the investment portfolio of WAM Research. Entities associated with Geoff Wilson hold 100% of the issued shares of MAM Pty Limited. In its capacity as Manager, and in accordance with the investment management agreement, MAM Pty Limited was paid a management fee of 1% p.a. (plus GST) of gross assets amounting to \$2,319,781 inclusive of GST (2015: \$1,884,077). As at 30 June 2016, the balance payable to the Manager was \$205,120 inclusive of GST (2015: \$530,950).

In addition, MAM Pty Limited is to be paid, annually in arrears, a performance fee being 20% (plus GST) of:

- where the level of the S&P/ASX All Ordinaries Accumulation Index has increased over that period, the amount by which the value of the portfolio exceeds this increase; or
- where the S&P/ASX 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 2016, a performance fee of \$9,063,588 inclusive of GST was payable to MAM Pty Limited (2015: \$5,116,440).

Wilson Asset Management (International) Pty Limited has a service agreement in place with WAM Research to provide accounting and Company Secretarial services on commercial terms. For the financial year 2016, the accounting services amounted to \$38,500 inclusive of GST (2015: \$38,500) and the Company Secretarial services amounted to \$16,500 inclusive of GST (2015: \$15,000 GST free). Wilson Asset Management (International) Pty Limited is a Director associated entity.

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. MAM Pty Limited, the Manager of the Company provides the day to day management of the Company and is remunerated as outlined above.

Remuneration Report (Audited) (cont'd)

d) Equity instruments disclosures of Directors and related parties

As at 30 June 2016, and the date of this report, the Company's Directors and their related parties held the following interests in the Company:

Directors	Ordinary Shares
Geoff Wilson	4,857,552
Matthew Kidman	388,828
John Abernethy	60,000
Julian Gosse	-
Kate Thorley	51,636
Chris Stott	98,355

For further details, please refer to Note 18 of the financial statements.

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

- End of Remuneration Report -

Directors' meetings

Director	No. eligible to attend	Attended
Geoff Wilson	5	5
Matthew Kidman	5	5
John Abernethy	5	5
Julian Gosse	5	4
Kate Thorley	5	5
Chris Stott	5	5

Audit & Risk Committee meetings

The main responsibilities of the Audit & Risk Committee are set out in the Corporate Governance section on pages 14 to 15 of the Annual Report.

Director	No. eligible to attend	Attended
John Abernethy	4	4
Matthew Kidman	4	4
Julian Gosse	4	3

After balance date events

Since year end, the Company declared a final dividend of 4.25 cents per share fully franked to be paid on 28 October 2016.

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 investment activities – primarily investing in equities listed on the Australian Securities Exchange – to achieve the Company's stated objectives.

The Company's future performance is dependent on the performance of the Company's investments. In turn, the performance of these investments is impacted by investee company-specific factors and prevailing industry conditions. In addition, a range of external factors including economic growth rates, interest rates, exchange rates and macro-economic conditions impact the overall equity market and these investments.

As such, we do not believe it is possible or appropriate to accurately predict the future performance of the Company's investments and, therefore, the Company's performance.

Environmental regulation

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.

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 Pitcher Partners, the Company's auditor, performed taxation services to 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 provisions 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

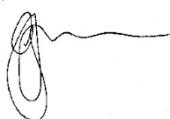
services disclosed in Note 5 did not compromise the external auditor's independence for the following reasons:

- 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 auditor 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 29 of this Annual Report.

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



Geoff Wilson
Chairman

Dated in Sydney this 30th day of September 2016

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF WAM RESEARCH LIMITED
ABN 15 100 504 541**

In relation to the independent audit for the year ended 30 June 2016, I declare that 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.

This declaration is in respect of WAM Research Limited.



S M WHIDDETT
Partner

PITCHER PARTNERS
Sydney

30 September 2016

Statement of comprehensive income for the year ended 30 June 2016

	Note	2016 \$	2015 \$
Net realised and unrealised gains on financial assets		41,209,567	28,482,501
Investment revenue	2	6,431,329	5,447,006
Management fees		(2,161,614)	(1,755,617)
Performance fees		(8,445,614)	(4,767,592)
Directors fees		(112,500)	(100,000)
Brokerage expense on share purchases		(546,539)	(322,957)
Custody fees		(26,876)	(40,498)
ASX listing and chess fees		(95,189)	(82,209)
Share registry fees		(81,872)	(80,165)
Payroll tax		(34,489)	-
Other expenses from ordinary activities		(208,133)	(187,347)
Profit before income tax		35,928,070	26,593,122
Income tax expense	3(a)	(9,770,926)	(7,129,959)
Profit attributable to members of the Company		26,157,144	19,463,163
Other comprehensive loss			
Net unrealised losses on investments taken to equity, net of tax		(222,992)	(127,834)
Total comprehensive income for the year		25,934,152	(19,335,329)
Basic earnings per share	14	15.3 cents	13.4 cents
Diluted earnings per share	14	15.3 cents	13.4 cents

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2016

	Note	2016 \$	2015 \$
Assets			
Cash and cash equivalents	12	56,336,153	91,456,954
Trade and other receivables	6	10,208,279	800,076
Equity investments at fair value through Income Statement	7	160,655,091	103,978,164
Equity investments held for sale	7	2,070,634	2,389,193
Deferred tax assets	3(b)	60,022	58,740
Total assets		229,330,179	198,683,127
Liabilities			
Trade and other payables	8	14,207,053	9,045,777
Current tax liabilities	3(c)	6,166,281	3,200,912
Deferred tax liabilities	3(d)	188,639	267,758
Total liabilities		20,561,973	12,514,447
Net assets		208,768,206	186,168,680
Equity			
Issued capital	9(a)	182,724,945	172,104,577
Reserves	10	34,450,744	22,471,586
Accumulated losses	11	(8,407,483)	(8,407,483)
Total equity		208,768,206	186,168,680

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2016

	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 2014		141,990,462	(4,903,285)	1,346	(19,847,541)	30,492,647	822,067	148,555,696
Profit for the year		-	19,463,163	-	-	-	-	19,463,163
Transfer to profits reserve	10	-	(22,967,361)	-	-	22,967,361	-	-
Transfer from asset revaluation reserve	10	-	-	-	-	82,074	(82,074)	-
Other comprehensive income for the year	10	-	-	-	-	-	(127,834)	(127,834)
Transactions with owners:								
Shares issued via dividend reinvestment plan	9(b)	2,967,301	-	-	-	-	-	2,967,301
Shares issued via exercise of options	9(b)	27,146,814	-	-	-	-	-	27,146,814
Dividends paid	4(a)	-	-	-	-	(11,836,460)	-	(11,836,460)
Balance at 30 June 2015		172,104,577	(8,407,483)	1,346	(19,847,541)	41,705,622	612,159	186,168,680
Profit for the year		-	26,157,144	-	-	-	-	26,157,144
Transfer to profits reserve	10	-	(26,157,144)	-	-	26,157,144	-	-
Other comprehensive income for the year	10	-	-	-	-	-	(222,992)	(222,992)
Transactions with owners:								
Shares issued via dividend reinvestment plan	9(b)	3,449,241	-	-	-	-	-	3,449,241
Shares issued via placement	9(b)	7,228,779	-	-	-	-	-	7,228,779
Capitalised share issue costs	9(b)	(57,652)	-	-	-	-	-	(57,652)
Dividends paid	4(a)	-	-	-	-	(13,954,994)	-	(13,954,994)
Balance at 30 June 2016		182,724,945	(8,407,483)	1,346	(19,847,541)	53,907,772	389,167	208,768,206

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2016

	Note	2016 \$	2015 \$
Cash flows from operating activities			
Proceeds from sale of investments		211,010,834	166,168,452
Payments for purchase of investments		(233,721,585)	(135,565,101)
Dividends received		4,001,075	3,339,150
Interest received		2,014,771	1,848,598
Other investment income		58,931	224,679
Management fee (inclusive of GST)		(2,645,611)	(1,769,369)
Performance fee (inclusive of GST)		(5,116,440)	(745,083)
Payments for administration expenses (inclusive of GST)		(569,981)	(505,165)
Brokerage on share purchases (inclusive of GST)		(583,213)	(346,588)
GST on brokerage on share sales		(37,177)	(32,530)
Net GST received from the ATO		592,611	245,345
Net income tax paid		(6,765,683)	(5,540,980)
Net cash (used in)/provided by operating activities	13	(31,761,468)	27,321,408
Cash flows from financing activities			
Proceeds from issue of shares		7,228,779	27,146,815
Dividends paid – net of reinvestment		(10,505,753)	(8,869,159)
Payments for issue of shares		(82,359)	-
Net cash (used in)/provided by financing activities		(3,359,333)	18,277,656
Net (decrease)/increase in cash and cash equivalents held		(35,120,801)	45,599,064
Cash and cash equivalents at beginning of financial year		91,456,954	45,857,890
Cash and cash equivalents at end of financial year	12	56,336,153	91,456,954
Non-cash transactions:			
Shares issued via dividend reinvestment plan		3,449,241	2,967,301

The accompanying notes form part of these financial statements

Notes to the financial statements for the year ended 30 June 2016

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.

The financial report was authorised for issue on 30 September 2016 by the Board of Directors.

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.

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

a) Financial assets (cont'd)

Classification and subsequent measurement (cont'd)

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 Statement of comprehensive income 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.

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

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

b) Income tax (cont'd)

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 Statement of comprehensive income.

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.

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 2016. 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) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

m) Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

n) New standards and interpretations not yet adopted

There are no new standards or interpretations applicable that would have a material impact for the Company.

2. Investment revenue

	2016 \$	2015 \$
Dividends	4,049,023	3,413,238
Interest	2,143,569	1,890,825
Trust distributions	220,952	138,082
Underwriting and other fees	17,785	4,861
	6,431,329	5,447,006

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:

	2016 \$	2015 \$
Prima facie tax on profit before income tax at 30% (2015: 30%)	10,778,421	7,977,936
Imputation credit gross up	432,668	356,210
Franking credit offset	(1,442,227)	(1,187,366)
Other non-assessable items	2,064	-
Franked dividend receivable this year	-	(16,821)
	9,770,926	7,129,959
Effective tax rate	27.2%	26.8%

The effective tax rate reflects the benefit to the Company of franking credits received on dividend income during the year.

Total income tax expense results in a:

Current tax liability	9,731,052	7,109,711
Deferred tax asset	23,425	14,842
Deferred tax liability	16,449	5,406
	9,770,926	7,129,959

b) Deferred tax assets

	2016 \$	2015 \$
Provisions	7,176	8,729
Capitalised costs	52,846	50,011
	60,022	58,740
Movement in deferred tax assets		
Balance at the beginning of the period	58,740	73,582
Charged to the income statement	(23,425)	(14,842)
Capitalised share issue costs	24,707	-
At reporting date	60,022	58,740

3. Income tax (cont'd)**c) Current tax liabilities**

	2016 \$	2015 \$
Movement in current tax liabilities		
Balance at the beginning of the year	3,200,912	1,597,006
Current year income tax expense on operating profit	9,731,052	7,109,711
Income tax expense on realised gains on investments	-	35,175
Income tax paid	(6,765,683)	(5,540,980)
At reporting date	6,166,281	3,200,912

d) Deferred tax liabilities

	2016 \$	2015 \$
Fair value adjustments	188,639	267,758
	188,639	267,758
Movement in deferred tax liabilities		
Balance at the beginning of the year	267,758	352,314
Charged to the Statement of Comprehensive Income	(79,119)	(84,556)
At reporting date	188,639	267,758

4. Dividends**a) Ordinary dividends paid during the year**

	2016 \$	2015 \$
Final dividend FY2015: 4.0 cents per share fully franked at 30% tax rate paid 23 October 2015 (Final dividend FY2014: 3.75 cents per share fully franked)	6,612,254	5,288,797
Interim dividend FY2016: 4.25 cents per share fully franked at 30% tax rate paid 29 April 2016 (Interim dividend FY2015: 4.0 cents per share fully franked)	7,342,740	6,547,663
	13,954,994	11,836,460

b) Dividends not recognised at year end

	2016 \$	2015 \$
In addition to the above dividends, since the end of the year, the Directors have declared a 4.25 cent per share fully franked dividend which has not been recognised as a liability at the end of the financial year:	7,402,195	6,612,159

4. Dividends (cont'd)

c) Dividend franking account

	2016 \$	2015 \$
Balance of franking account at year end	3,989,101	1,761,824
Adjusted for franking credits arising from: - Estimated income tax payable	6,166,281	3,200,912
Subsequent to year end, the franking account would be reduced by the proposed dividend disclosed in Note 4 (b):	(3,172,369)	(2,833,782)
	6,983,013	2,128,954

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 tax recognised as a deferred tax liability of \$188,639 (2015: \$267,758).

5. Auditor's remuneration

	2016 \$	2015 \$
Remuneration of the auditor for:		
Auditing and reviewing the financial report	36,790	36,474
Other assurance services	-	869
Other services provided by a related practice of the auditor:		
Taxation services	7,480	7,260
Other non-assurance services	3,300	-
	47,570	44,603

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.

6. Trade and other receivables

	2016 \$	2015 \$
Outstanding settlements	8,775,295	2,080
Income receivable	749,532	392,980
GST receivable	683,452	405,016
	10,208,279	800,076

Outstanding settlements are on the terms operating in the securities industry. These do not incur interest and require settlement within two 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

	2016 \$	2015 \$
Equity investments at fair value through Income Statement	160,655,091	103,978,164
Equity investments held for sale	2,070,634	2,389,193
	162,725,725	106,367,357
Equity investments held for sale		
Clime Investment Management Limited	2,070,634	2,839,193
	2,070,634	2,839,193

The details of all equity investments are disclosed on pages 56 to 58.

8. Trade and other payables

	2016 \$	2015 \$
Outstanding settlements	4,813,960	3,284,135
Management fee payable	205,120	530,950
Performance fee payable	9,063,588	5,116,440
Sundry creditors	124,385	114,252
	14,207,053	9,045,777

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

9. Issued capital

a) Paid-up capital

	2016 \$	2015 \$
174,169,283 ordinary shares fully paid (2015: 165,303,976)	182,724,945	172,104,577

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

	2016 \$	2015 \$
Balance at the beginning of the year	172,104,577	141,990,462
1,405,831 ordinary shares issued on 23 October 2015 under a dividend reinvestment plan	1,677,448	-
6,058,313 ordinary shares issued via a placement on 27 October 2015	7,228,779	-
1,401,163 ordinary shares issued on 29 April 2016 under a dividend reinvestment plan	1,771,793	-
Share issue costs (net of tax)	(57,652)	-
22,622,431 ordinary shares issued from the exercise of options	-	27,146,814
1,253,937 ordinary shares issued on 24 October 2014 under a dividend reinvestment plan	-	1,375,564
1,400,935 ordinary shares issued on 28 May 2015 under a dividend reinvestment plan	-	1,591,737
At reporting date	182,724,945	172,104,577

c) Capital management

The Board manages the Company's capital by regularly reviewing the most efficient manner by which the Company deploys its capital. At the core of this, the Board is of the belief that shareholder value should be preserved through the management of the level of distributions to shareholders, share and options issues and 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.

10. Reserves

	2016 \$	2015 \$
Profits reserve	53,907,772	41,705,622
Asset revaluation reserve	389,167	612,159
Capital profits reserve – capital account	1,346	1,346
Capital profits reserve – revenue account	(19,847,541)	(19,847,541)
	34,450,744	22,471,586

The profits reserve is made up of amounts transferred from current year profits and are preserved for future dividend payments. The asset revaluation reserve is used to record increments and decrements on the revaluation of the equity investments held for sale, net of potential tax. The capital profits reserve records gains or losses arising from the disposal of equity investments held for sale, that are designated on revenue or capital account for taxation purposes respectively.

	2016 \$	2015 \$
Movement in capital profits reserve – capital account		
Balance at the beginning of the year	1,346	1,346
At reporting date	1,346	1,346
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	41,705,622	30,492,647
Transfer from retained earnings	26,157,144	22,967,361
Transfer from asset revaluation reserve	-	82,074
Final dividend paid (refer Note 4a)	(6,612,254)	(5,288,797)
Interim dividend paid (refer Note 4a)	(7,342,740)	(6,547,663)
At reporting date	53,907,772	41,705,622
Movement in asset revaluation reserve		
Balance at the beginning of the year	612,159	822,067
Transfer to profits reserve	-	(82,074)
Other comprehensive loss	(222,992)	(127,834)
At reporting date	389,167	612,159

11. Accumulated losses

	2016 \$	2015 \$
Balance at the beginning of the year	(8,407,483)	(4,903,285)
Profit for the year attributable to members of the Company	26,157,144	19,463,163
Transfer to profits reserve	(26,157,144)	(22,967,361)
	(8,407,483)	(8,407,483)

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:

	2016 \$	2015 \$
Cash at bank	13,081,359	316,137
Cash held at call	-	67,140,817
Term deposits	43,254,794	24,000,000
	56,336,153	91,456,954

The weighted average interest rate for cash and term deposits as at 30 June 2016 is 2.74% (2015: 2.62%). The term deposits have an average maturity of 67 days (2015: 139 days). The term deposits are invested with major Australian banks and their 100% owned banking subsidiaries institutions that have a Standard & Poor's A-1+ rating.

13. Cash flow information

	2016 \$	2015 \$
Reconciliation of profit after tax to cash flow from operations:		
Profit after income tax	26,157,144	19,463,163
Fair value (gains)/losses on financial assets	(56,676,928)	4,155,238
Changes in assets and liabilities:		
(Increase)/Decrease in receivables	(9,408,203)	106,120
Decrease/(Increase) in deferred tax assets	39,874	(14,927)
Increase in payables	5,161,276	2,007,908
Increase in current tax liabilities	2,965,369	1,603,906
Cash flow (used in)/provided by operating activities	(31,761,468)	27,321,408

14. Earnings per share

	2016 Cents per share	2015 Cents per share
Basic earnings per share	15.3	13.4

	2016 \$	2015 \$
Profit after income tax used in the calculation of basic earnings per share	26,157,144	19,463,163

	2016 No.	2015 No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	170,746,201	145,524,467

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

15. Financial risk management

The Company's financial instruments consist of listed and unlisted investments, trade receivables and trade payables. The risks exposed to through these financial instruments are discussed below and include credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantive changes in the types of risks the Company is exposed to, how these risks arise, or the Board's objective, policies and processes for managing or measuring the risks from the previous period.

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 risks as appropriate.

a) Credit risk

Credit risk is the 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.

15. Financial risk management (cont'd)

a) Credit risk (cont'd)

Credit risk is not considered to be a major risk to the Company as the majority of cash and term deposits held by the Company or in its portfolios are invested with major Australian banks and their 100% owned banking subsidiaries that have a Standard and Poor's short rating of A-1+ and long term rating of AA-. Also the majority of maturities are within three months.

None of the assets exposed to 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 respectively by the Manager and the Board.

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 payments as appropriate. The Company also holds a portion of its portfolio in cash and term deposits 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 tradable securities which, if liquidity is available, can be sold on market when, and if required.

The table below reflects an undiscounted contractual maturity analysis for the Company's liabilities. The timing of cash flows presented in the table to settle liabilities reflects the earliest possible contractual settlement date to the reporting date.

30 June 2016	>1 month \$	<1 month \$	Total \$
Liabilities			
Total trade and other payables	-	14,207,053	14,207,053
Total	-	14,207,053	14,207,053
30 June 2015	>1 month \$	<1 month \$	Total \$
Liabilities			
Total trade and other payables	-	9,045,777	9,045,777
Total	-	9,045,777	9,045,777

15. Financial risk management (cont'd)

c) Market risk

Market risk is the risk that changes in market prices, such as interest rates and other market prices will affect the fair value or future cash flows of the Company's financial instruments

By its nature, as a listed investment company that invests in tradable 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.

(i) 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 cash and term deposits mature within three months. As the Company's exposure to interest rate risk is not significant, interest rate sensitivities have not been performed.

At the end of the reporting period, the Company's exposure to interest rate risk and the effective weighted average interest rate was as follows:

30 June 2016	Weighted average interest rate (% pa)	Interest bearing \$	Non-interest bearing \$	Total \$
Assets				
Cash and cash equivalents	2.74%	56,336,153	-	56,336,153
Trade and other receivables		-	10,208,279	10,208,279
Financial assets		-	162,725,725	162,725,725
Total		56,336,153	172,934,004	229,270,157
Liabilities				
Trade and other payables		-	14,207,053	14,207,053
Total		-	14,207,053	14,207,053
30 June 2015	Weighted average interest rate (% pa)	Interest bearing \$	Non-interest bearing \$	Total \$
Assets				
Cash and cash equivalents	2.62%	91,456,954	-	91,456,954
Trade and other receivables		-	800,076	800,076
Financial assets		-	106,367,357	106,367,357
Total		91,456,954	107,167,433	198,624,387
Liabilities				
Trade and other payables		-	9,045,777	9,045,777
Total		-	9,045,777	9,045,777

15. Financial risk management (cont'd)

c) Market risk (cont'd)

(ii) Other price risk

Other market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the majority of the Company's investments are carried at fair value with fair value changes recognised in the Statement of comprehensive income, all changes in market conditions will directly affect net investment income.

The Manager seeks to manage and reduce the other price 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 2016 is as follows:

Industry sector	2016 %	2015 %
Consumer Discretionary	25.9	20.2
Industrials	17.0	15.3
Financials	13.0	7.2
Health Care	8.7	0.7
Information Technology	4.2	6.0
Telecommunications Services	3.7	1.2
Consumer Staples	-	1.0
Utilities	-	2.8
Total	72.5%	54.4%

There were no securities representing over 5 per cent of the gross assets at 30 June 2016 (2015: nil).

Sensitivity analysis

For investments held by the Company at the end of the reporting period, a sensitivity analysis was performed relating to its exposure to market risk. This analysis demonstrates the effect on current year net assets after tax as a result from a reasonably possible change in the risk variable. The sensitivity assumes all other variables remain constant.

Investments represent 72.5% (2015: 54.4%) of gross assets at year end. A 5.0% movement in the market value of each of the investments within the portfolio would result in a 3.6% (2015: 2.7%) movement in the net assets after tax. This would result in the net asset backing after tax moving by 4.3 cents per share using the 30 June 2016 numbers (2015: 3.1 cents per share).

15. Financial risk management (cont'd)

d) 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 which 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 prices at the end of the reporting period, excluding transaction costs.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
30 June 2016				
Financial assets	162,725,725	-	-	162,725,725
Total	162,725,725	-	-	162,725,725
30 June 2015				
Financial assets	106,367,357	-	-	106,367,357
Total	106,367,357	-	-	106,367,357

16. Investment transactions

The total number of contract notes that were issued for transactions in securities during the financial year was 2,469 (2015: 2,182). Each contract note could involve multiple transactions. The total brokerage paid on these contract notes was \$1,132,245 (2015: \$823,705).

17. Segment reporting

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

18. 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:

- Geoff Wilson Chairman
- Matthew Kidman Director
- John Abernethy Director
- Julian Gosse Director
- Kate Thorley Director
- Chris Stott Director

a) Remuneration

There are no executives that are paid by the Company.

Individual Directors' remuneration disclosures are provided in the Remuneration Report of the Directors' Report on page 24, as permitted by Corporations Regulation 2M.3.03 and 2M.6.04.

	Short-term employee benefits Directors' fees \$	Post-employment benefits Superannuation \$	Total \$
Total Directors remuneration paid by the Company for the year ended 30 June 2016	105,124	7,376	112,500
Total Directors remuneration paid by the Company for the year ended 30 June 2015	93,709	6,291	100,000

b) Share holdings

The number of ordinary shares held in the Company during the financial year by each key management personnel of the Company and their related parties are set out below:

30 June 2016 Ordinary shares held Directors	Balance at 30 June 2015	Acquisitions	Disposals	Balance at 30 June 2016
Geoff Wilson	7,125,332	-	2,267,780	4,857,552
Matthew Kidman	366,859	21,969	-	388,828
John Abernethy	60,000	-	-	60,000
Julian Gosse	-	-	-	-
Kate Thorley	44,452	7,184	-	51,636
Chris Stott	88,747	9,608	-	98,355
	7,685,390	38,761	2,267,780	5,456,371

18. Key management personnel compensation (cont'd)**b) Share holdings (cont'd)**

30 June 2015 Ordinary shares held Directors	Balance at 30 June 2014	Acquisitions /Balance held on appointment	Disposals	Balance at 30 June 2015
Geoff Wilson	5,768,072	3,216,995	1,859,735	7,125,332
Matthew Kidman	242,848	124,011	-	366,859
John Abernethy	60,000	-	-	60,000
Julian Gosse	-	-	-	-
Kate Thorley	-	44,452	-	44,452
Chris Stott	-	88,747	-	88,747
	6,070,920	3,474,205	1,859,735	7,685,390

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

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

19. Related party transactions

All transactions with related parties were made on normal commercial terms and conditions and at market rates.

The Company has an investment management agreement with MAM Pty Limited. Geoff Wilson is the Director of MAM Pty Limited, the entity appointed to manage the investment portfolio of WAM Research Limited. Entities associated with Geoff Wilson hold 100% of the issued shares of MAM Pty Limited. In its capacity as Manager, and in accordance with the investment management agreement, MAM Pty Limited was paid a management fee of 1% p.a. (plus GST) of gross assets amounting to \$2,319,781 inclusive of GST (2015: \$1,884,077). As at 30 June 2016, the balance payable to the Manager was \$205,120 inclusive of GST (2015: \$530,950).

In addition, MAM Pty Limited is to be paid, annually in arrears, a performance fee being 20% (plus GST) of:

- where the level of the S&P/ASX All Ordinaries Accumulation Index has increased over that period, the amount by which the value of the portfolio exceeds this increase; or
- where the S&P/ASX 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. As at 30 June 2016, a performance fee of \$9,063,588 inclusive of GST was payable to MAM Pty Limited (2015: \$5,116,440).

19. Related party transactions (cont'd)

Wilson Asset Management (International) Pty Limited has a service agreement in place with WAM Research Limited to provide accounting and Company Secretarial services on commercial terms. For the financial year 2016, the accounting services amounted to \$38,500 inclusive of GST (2015: \$38,500) and the Company Secretarial services amounted to \$16,500 inclusive of GST (2015: \$15,000 GST free, paid directly to the Company Secretary). Wilson Asset Management (International) Pty Limited is a Director associated entity.

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.

20. Contingent liability

There are no contingent liabilities as at 30 June 2016 (2015: nil).

21. Capital commitments

There are no capital commitments as at 30 June 2016 (2015: nil).

22. Events subsequent to reporting date

Since year end, the Board declared a final dividend of 4.25 cents per share fully franked to be paid on 28 October 2016.

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.

Directors' Declaration

The Directors of WAM Research Limited declare that:

- 1) The financial report as set out in pages 30 to 52 and the additional disclosures included in the Directors' Report designated as "Remuneration Report", as set out on pages 24 to 26, are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Australian Accounting Standards, which, as stated in Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS), 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 30 June 2016 and of its performance, as represented by the results of the operations and the cashflows, for the year ended on that date; and
- 2) The Directors have been given declarations required by section 295A of the *Corporations Act 2001* from the Manager, MAM Pty Limited declaring 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.



Geoff Wilson
Chairman

Dated in Sydney this 30th day of September 2016

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF WAM RESEARCH LIMITED
ABN 15 100 504 541**

Report on the Financial Report

We have audited the accompanying financial report of WAM Research Limited, which comprises the financial position as at 30 June 2016, the statement of comprehensive income, the statement of changes in equity and the 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 of the company.

Directors' Responsibility for the Financial Report

The directors of WAM Research Limited are responsible for the preparation 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* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state that, in accordance with Accounting Standard AASB 101 *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. Those 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 judgement, 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 controls relevant to the entity's preparation of the financial report that gives a true and fair view 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 controls. 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.

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Independence

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

Opinion

In our opinion:

- a) the financial report of WAM Research Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards 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 24 to 26 of the directors' report for the year ended 30 June 2016. The directors of WAM Research Limited 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.

Opinion

In our opinion the Remuneration Report of WAM Research Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.



S M WHIDDETT
Partner



PITCHER PARTNERS
Sydney

30 September 2016

Investments at market value as at 30 June 2016

Company Name	Code	Market Value \$	% of Gross Assets
Consumer Discretionary			
Nick Scali Limited	NCK	7,715,489	3.4%
Southern Cross Media Group Limited	SXL	6,748,171	3.0%
RCG Corporation Limited	RCG	6,609,883	3.0%
Vita Group Limited	VTG	6,147,085	2.7%
Ardent Leisure Group	AAD	5,933,761	2.7%
The Reject Shop Limited	TRS	4,972,183	2.2%
Helloworld Limited	HLO	4,175,938	1.9%
iSelect Limited	ISU	3,107,856	1.4%
Baby Bunting Group Limited	BBN	2,231,765	1.0%
Webjet Limited	WEB	2,373,945	1.0%
Enero Group Limited	EGG	2,194,283	1.0%
Elanor Investors Group	ENN	2,038,599	0.9%
Skydive the Beach Group Limited	SKB	1,872,574	0.8%
Intecq Limited	ITQ	865,264	0.4%
PWR Holdings Limited	PWH	843,155	0.4%
McPherson's Limited	MCP	271,757	0.1%
		58,101,708	25.9%
Industrials			
Smartgroup Corporation Limited	SIQ	9,458,227	4.2%
Reliance Worldwide Corporation Limited	RWC	7,345,607	3.3%
Credit Corp Group Limited	CCP	6,779,597	3.0%
SG Fleet Group Limited	SGF	6,179,777	2.8%
Austal Limited	ASB	3,659,830	1.7%
PMP Limited	PMP	2,088,715	0.9%
Service Stream Limited	SSM	1,784,882	0.8%
Seymour Whyte Limited	SWL	752,729	0.3%
		38,049,364	17.0%

Investments at market value as at 30 June 2016

Company Name	Code	Market Value \$	% of Gross Assets
Financials			
Eclix Group Limited	ECX	6,991,159	3.1%
Steadfast Group Limited	SDF	6,342,760	2.9%
PSC Insurance Group Limited	PSI	4,549,412	2.0%
ClearView Wealth Limited	CVW	3,310,153	1.5%
Clime Investment Management Limited	CIW	2,070,634	0.9%
Servcorp Limited	SRV	1,577,892	0.7%
Wilson Group Limited	WIG	1,234,595	0.6%
MyState Limited	MYS	1,225,218	0.5%
Centrepoint Alliance Limited	CAF	647,970	0.3%
IMF Bentham Limited	IMF	473,667	0.2%
Onevue Holdings Limited	OVH	402,738	0.2%
Diversa Limited	DVA	322,453	0.1%
		29,148,651	13.0%
Health Care			
Mayne Pharma Group Limited	MYX	8,525,873	3.8%
Pro Medicus Limited	PME	4,925,405	2.2%
Oneview Healthcare PLC	ONE	3,224,241	1.4%
Pacific Smiles Group Limited	PSQ	1,329,092	0.6%
Paragon Care Limited	PGC	931,489	0.4%
CogState Limited	CGS	638,286	0.3%
		19,574,386	8.7%
Information Technology			
Class Limited	CL1	7,015,655	3.1%
Data#3 Limited	DTL	1,027,903	0.5%
GBST Holdings Limited	GBT	474,063	0.2%
Hills Limited	HIL	321,506	0.2%
Objective Corporation Limited	OCL	288,360	0.1%
Citadel Group Limited	CGL	278,478	0.1%
		9,405,965	4.2%

Investments at market value as at 30 June 2016

Company Name	Code	Market Value \$	% of Gross Assets
Telecommunication Services			
Vocus Communications Limited	VOC	6,181,609	2.8%
Superloop Limited	SLC	1,939,991	0.8%
Reverse Corp Limited	REF	324,051	0.1%
		8,445,651	3.7%
Total Long Portfolio		162,725,725	72.5%
Total Cash and cash equivalents, income receivable and net outstanding settlements		61,724,561	27.5%
Gross Assets		224,450,286	

ASX additional information

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

Shareholdings

Substantial shareholders (as at 31 August 2016) - there are currently no substantial shareholders.

On-market buy back (as at 31 August 2016) – there is no current on-market buy back.

Distribution of shareholders (as at 31 August 2016)

Category	No. of shareholders ordinary shares	%
1 – 1,000	434	0.1
1,001 – 5,000	1,321	2.4
5,001 – 10,000	1,170	5.4
10,001 – 100,000	3,141	55.2
100,001 and over	265	36.9
	6,331	100

The number of shareholdings held in less than marketable parcels is 156.

Twenty largest shareholders – Ordinary shares (as at 31 August 2016)

Name	Number of ordinary shares held	Percentage of issued capital held
GW Holdings Pty Limited	4,837,310	2.8
Mr Victor John Plummer	3,000,000	1.7
English Family Super Fund Pty Limited	1,711,944	1.0
HSBC Custody Nominees (Australia) Limited	1,471,798	0.8
Mr BS & Mrs M Locke	1,045,250	0.6
Anchorfield Pty Limited	1,000,000	0.6
Invia Custodian Pty Limited	1,000,000	0.6
Gaseous Pty Limited	949,439	0.5
Citicorp Nominees Pty Limited	861,629	0.5
R B & S J Baxter Pty Limited	852,129	0.5
Somoke Pty Limited	775,865	0.4
Mr PM & Mrs VM Antaw	744,942	0.4
Pollywam Pty Limited	678,747	0.4
Mrs P Blomfield	500,000	0.3
Mrs J Plummer	500,000	0.3
Navigator Australia Limited	481,905	0.3
Emu Court Pty Limited	463,425	0.3
Mr R Miller	450,000	0.3
Mr S & Mrs B Gubbins	435,365	0.2
Dr CJ & Mrs DA Holloway	423,804	0.2
	22,183,552	12.7

Stock exchange listing

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



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