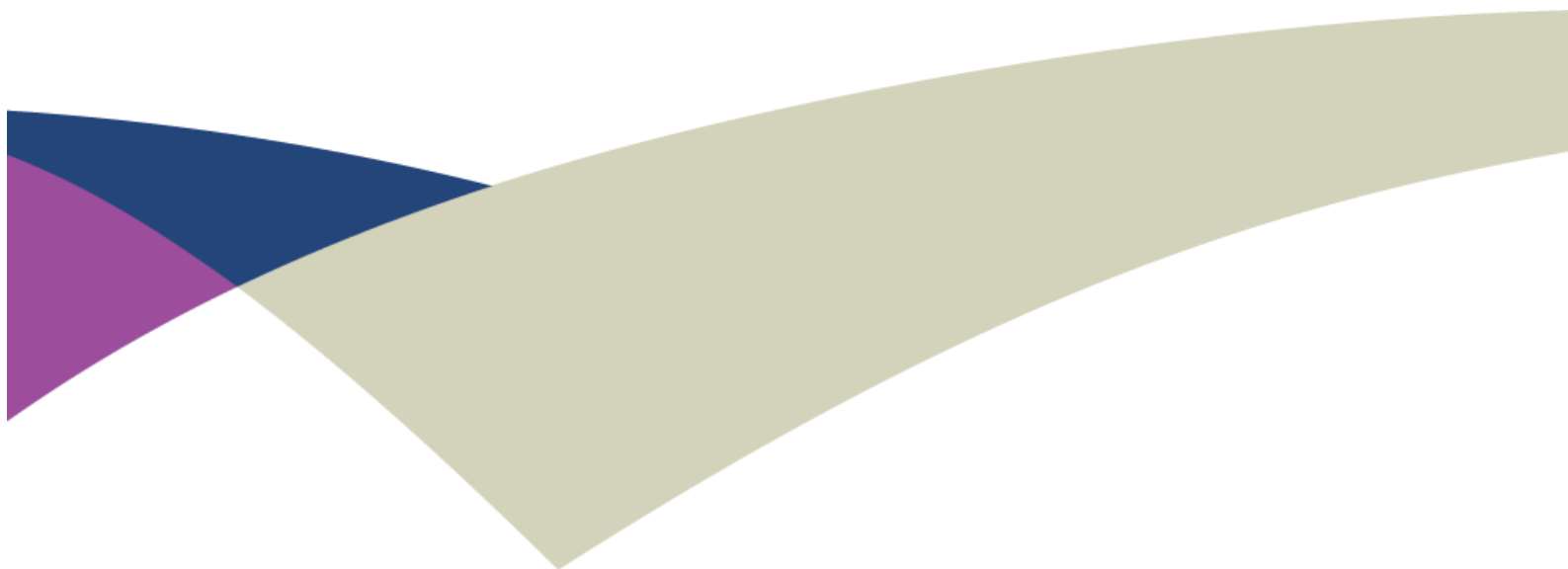




WAM Research Limited

ABN 15 100 504 541

Annual Report for the year ending 30 June 2012



Company Particulars

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

Directors: G. Wilson (Chairman) J. Abernethy
M. Kidman J. Gosse

Secretary: K. Thorley

Investment Manager: MAM Pty Limited
Level 11, 139 Macquarie Street
Sydney NSW 2000

Auditors: Moore Stephens Sydney

Country of Incorporation: Australia

Registered Office: Level 11, 139 Macquarie Street
Sydney NSW 2000

Contact Details: Postal Address: GPO Box 4658 Sydney NSW 2001

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

Share Registrar: Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000
Telephone: (02) 9290 9600
Fax: (02) 9279 0664

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

Australian Securities Exchange: Ordinary Shares (WAX)

Calendar of Events 2012

Annual General Meeting and Presentation

Sydney
Wednesday 28 November

Lyceum Theatre
Wesley Centre
220 Pitt Street
Sydney NSW 2000
1.15pm – 2.30pm



Melbourne
Thursday 29 November
Presentation only

Morgans at 401
401 Collins Street
Melbourne VIC 3000
1.00pm – 2.00pm

Adelaide
Friday 30 November
Presentation only

Adelaide Town Hall
128 King William Street
Adelaide SA 5000
1.30pm – 2.30pm

Canberra
Monday 3 December
Presentation only

Belconnen Premier Inn
110 Benjamin Way
Belconnen ACT 2617
10.00am – 11.00am

Brisbane
Tuesday 4 December
Presentation only

RBS Morgans
L29, 123 Eagle Street
Brisbane QLD 4000
1.00pm – 2.00pm

Key Highlights FY2012

↑ 4.5%

Investment Portfolio Performance

↑ 8.3%

Full Year Fully Franked Dividend

↑ 2.6%

After Tax Net Tangible Assets (NTA) adjusted for dividends

↑ 10.4%

Share Price adjusted for dividends

Summary of Results FY2012

WAM Research's operating profit before tax is \$780,434 (2011: \$9,168,914) and an operating profit after tax of \$1,956,069 (2011: \$9,414,300) for the year to 30 June 2012. The after tax profit was boosted by a \$1,175,635 income tax benefit resulting from franking credit offsets. The decrease in profit in comparison to the previous year is a reflection of the investment portfolio returning 4.5% compared to 17.5% in FY2011.

WAM Research's investment portfolio outperformed the S&P/ASX All Ordinaries Accumulation Index by 11.5% for the 12 months to 30 June 2012.

The Board declared a fully franked final dividend of 3.25 cents per share which brings the full year fully franked dividend to 6.5 cents per share. This is a 8.3% increase on the previous year.

At a glance as at 30 June 2012

Inception Date	August 2003
Market Cap (\$m)	\$87.0m
Share price at 30 June 2012	\$0.72
Shares on issue (WAX)	120,854,228
NTA (pre-tax)	\$0.84
NTA (post-tax)	\$0.89
Fund size (\$m)	\$102.3m
Full Year Dividend FY2012	6.5 cents
Full Year Dividend FY2011	6.0 cents
Fully franked annualised dividend yield	9.0%

Share price vs All Ords since revised investment process



CONTENTS

Chairman's Letter.....	1
Corporate Governance Statement.....	6
Directors' Report to Shareholders.....	11
Auditor's Independence Declaration.....	20
Income Statement.....	21
Statement of Comprehensive Income.....	22
Statement of Financial Position.....	23
Statement of Changes in Equity.....	24
Statement of Cash Flows.....	25
Notes to the Financial Statements.....	26
Directors' Declaration.....	44
Independent Auditor's Report.....	45
Investments at Market Value.....	47
ASX Additional Information.....	49

WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

CHAIRMAN'S LETTER

Dear Fellow Shareholders,

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

Despite a challenging market, WAM Research achieved a 4.5% return on the investment portfolio for the year ending 30 June 2012. The return was 11.5% above the benchmark of the S&P/ASX All Ordinaries Accumulation Index which fell 7.0%. The outperformance delivered for the year demonstrates the success of the revised investment strategy that the Board implemented in July 2010. We are confident of continued sound performance with the increased flexibility in managing the portfolio.

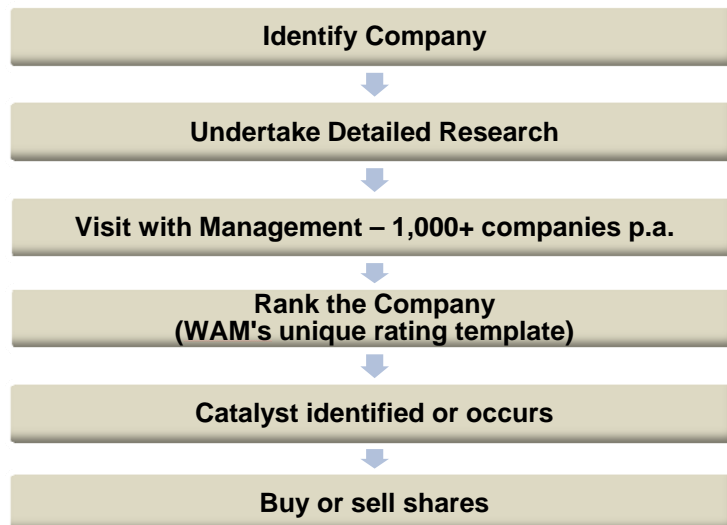
Our Objectives and Investment Process

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

We employ the following two investment processes to achieve these objectives:

Research Driven investing

We undertake extensive research, focusing on free cash flow, return on equity and the quality of the business. Then we rate each company with respect to management, earnings growth potential, valuation and industry position. Once the company rates, we only buy when we can identify a catalyst or an event that will change the valuation the market gives to the company. We sell once the company reaches our valuation. This process is very labour intensive with over 1,000 company meetings each year.



Investment Driven investing

The investee company has a sustainable business model, a track record of profit making and dividends, generates free cash flow, acceptable financial strength and generates a sound return on equity.

The Manager may make investments that result in the Company retaining positions in entities that have been delisted. While the Manager's mandate generally limits investment to listed entities or in Initial Public Offerings (IPOs), from time to time the Board may authorise the Manager to retain such investments.

WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

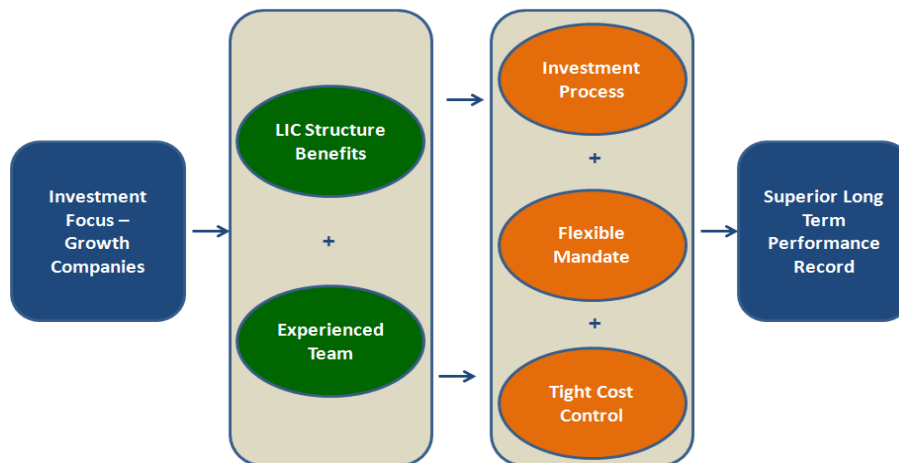
CHAIRMAN'S LETTER

Our Approach and Business Model

Our focus is to invest in growth companies with an emphasis on identifying stocks that are under researched and undervalued. These companies have strong earnings growth, trade on low price to earnings multiples and have an experienced management team. They are well positioned in their industry and tend to be small to medium sized industrial companies listed on the ASX. We believe small cap stocks outperform their big cap rivals for a number of reasons:

- small companies tend to grow at a faster rate than their larger peers;
- the dilution of the Efficient Market Hypothesis (EMH) as you move from large cap stocks to small cap stocks;
- the increased possibility of corporate activity.

Our disciplined approach is to provide the maximum return possible while taking the minimum amount of risk. WAM Research has a relatively low risk profile for a number of reasons. If we do not identify a catalyst under our investment process, we revert to cash. The Company also has a low exposure to the resources sector because we consider this sector is subject to extreme volatility and is difficult to value according to conservative accounting and investment principles.



Our investment team has over 50 years of collective experience in the Australian sharemarket with a high degree of street smarts. The team comprises of Chris Stott and myself as Portfolio Managers, Matthew Haupt our Equity Analyst, Martin Hickson our Analyst/Dealer and Mark Tobin our Assistant Analyst. The Team spends as much time as possible meeting with the management of investee companies - during the past year we've had over 1,000 company visits.

Our Style

- Fundamental bottom up approach
- Absolute return focus, benchmark unaware
- Flat structure provides quick investment decision making
- Increased flexibility due to the relatively small funds under management
- A focus on risk adjusted returns with above average cash positions

WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

CHAIRMAN'S LETTER

Three key performance measures

1. How the investment manager performed

This is before all costs and is compared to the Index which is also before tax and costs. WAM Research's investment portfolio increased 4.5% for the 12 months to 30 June 2012, while the S&P/ASX All Ordinaries Accumulation Index decreased by 7.0%, the S&P/ASX 300 Industrials Accumulation Index increased 3.5% and the S&P/ASX Small Industrials Accumulation Index decreased 2.7%. This represents an outperformance of 11.5%, 1.0% and 7.2% respectively.

2. The movement in underlying assets (NTA) after taxes, management fees and all other costs

This performance shows the change in the value of the assets which belong to the shareholders over the 12 month period. Corporate tax, being 30%, is the most significant item of difference between the 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. WAM Research's after tax NTA, adjusted for dividends, increased 2.6% for the previous 12 months to 30 June 2012.

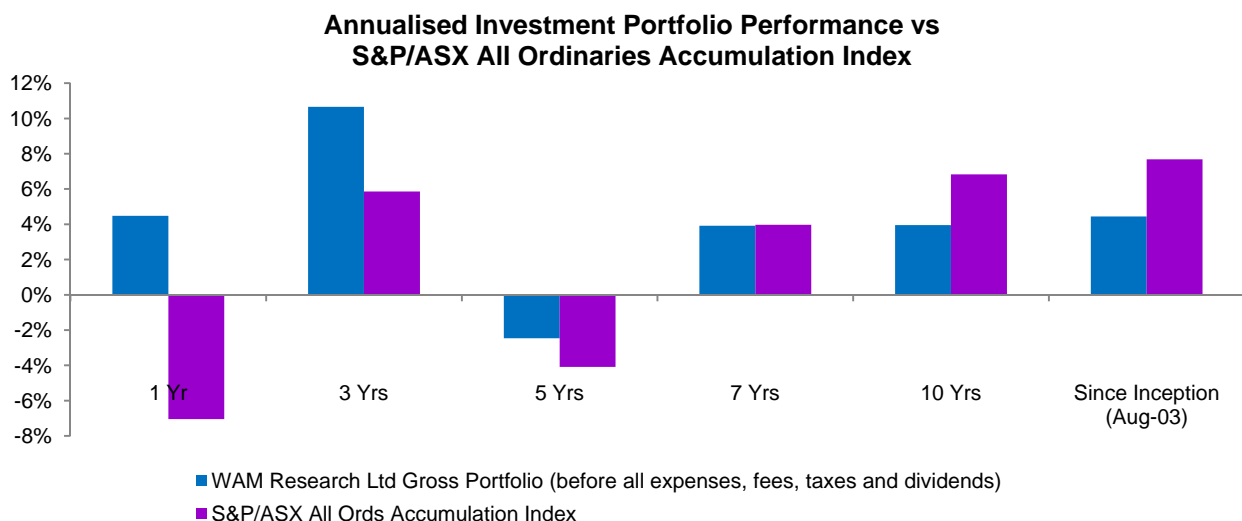
3. The share price return

The share price, adjusted for dividends rose 10.4% for the 12 months to 30 June 2012. This outperformed the NTA performance due to the closing of the discount to NTA over the previous 12 months.

All the above performance numbers were achieved while holding an average of 36.6% in cash during the year. The fund's best performing stocks for FY2012 included AP Eagers Limited (APE), Ainsworth Game Technology Limited (AGI), Breville Group Limited (BRG), Amcom Telecommunications Limited (AMM) and McMillan Shakespeare Limited (MMS). Detractors from the result included Centrepont Alliance Limited (CAF), Westpac Banking Corporation (WBC) and Alesco Corporation Limited (ALS).

In recent months, we have found more value has presented itself given the negative market sentiment in Australia. We believe opportunities are, and continue to be available irrespective of the direction of the overall equity market. The last six months has seen us establishing new positions in stocks such as Webjet Limited (WEB), Flexigroup Limited (FXL), 1300 Smiles Limited (ONT) and Magellan Financial Group (MFG), whilst taking profits and rotating out of existing positions that have reached our valuation targets.

As at 30 June 2012, the portfolio was 50.3% invested in equities with the remaining 49.7% in cash. This compares to 73.5% invested in equities and 26.5% cash position as at 30 June 2011. The higher cash weighting is due to existing investments reaching our target valuations and the more benign growth environment for investable universe. Over the next year we will continue to look for select opportunities to deploy more cash as investment opportunities arise that meet our strict investment criteria.



WAM RESEARCH LIMITED

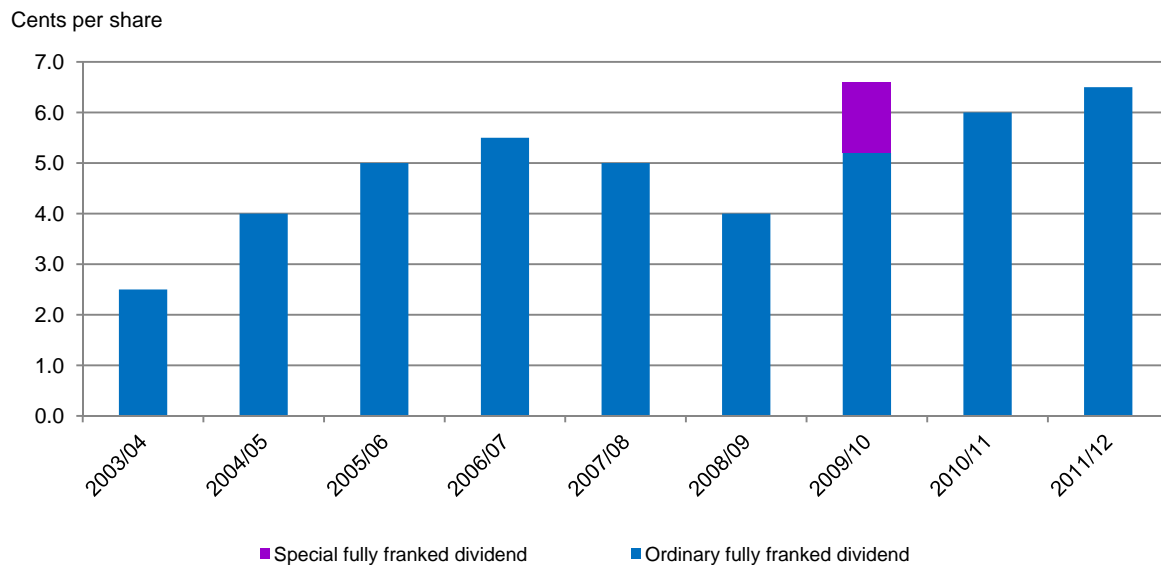
A.B.N. 15 100 504 541

CHAIRMAN'S LETTER

Dividends

On 30 July 2012, the Board announced a fully franked final dividend of 3.25 cents per share. This brings the full year fully franked dividend to 6.5 cents per share, an 8.3% increase on the previous year. The final dividend includes 0.4 cents of LIC capital gain which will enable some shareholders to claim a further tax deduction.

The Board is committed to paying an increasing stream of fully franked dividends to shareholders provided the Company has sufficient franking credits and it is within prudent business practices. It must also comply with Government legislation and the ATO's interpretation of a company's ability to pay franked dividends. Dividends are paid on a six-monthly basis. Dividend payments will also be made with consideration to cash flow, cash holdings and available franking credits.



Market Outlook

The S&P/ASX All Ordinaries Accumulation Index finished down 7.0% for the financial year. This marks the third time in the last five years that the index has finished in negative territory. The European sovereign debt crisis dominated news which negatively impacted both investor and consumer sentiment throughout the year. Concerns about growth prospects in Australia and globally impacted the Australian equity market. The resources and retail sectors of the market were particularly affected.

We have a conservative view on equity markets for the next 12 months. We believe analyst earnings forecasts are too high for FY2013 given the current low growth environment. These earnings forecasts will be revised downward by analysts over the coming period. The 1.25% cut in interest rates by the RBA in the last financial year will assist investor and consumer confidence. We believe there is the prospect of one or two more interest rate cuts to come during the current year.

The global economy is in a period of deleveraging which we think will continue over the medium term. As a result equity market returns may not be as high as experienced in previous time periods. We are strongly of the view that we can continue to find opportunities irrespective of market conditions.

We continue to research actively for individual stock opportunities and believe we will see a heightened level of takeover activity in the small to mid cap space over the next 6-12 months.

WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

CHAIRMAN'S LETTER

Shareholder Communication

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

We encourage shareholders and interested investors to use the "Subscribe Here" feature on our website to receive weekly market updates and notification when announcements and other important information become available.

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

In March, shareholders were sent the latest edition of the six monthly investor newsletters. The next edition is due out in September. We hope you enjoyed the content and would encourage feedback on how we can improve this newsletter and our overall communication with our shareholders.

Thank you for your continuing support.

A handwritten signature in black ink, appearing to be 'Geoff Wilson', with a long horizontal flourish extending to the right.

Geoff Wilson
Chairman

WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

CORPORATE GOVERNANCE STATEMENT

To ensure the Company operates effectively and in the best interests of shareholders, the Board has followed the principles and best practice recommendations established by the ASX Corporate Governance Council having regard to the nature of the Company's activities and its size. The Company has adopted the ASX Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition) for the 2012 financial year, subject to the exceptions noted below.

Role of the Board (Recommendations: 1.1 to 1.3)

The Company has a Board but no full time employees. Subject at all times to any written guidelines issued by the Board of Directors of WAM Research Limited, 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 under recommendations 1.1, 1.2 and 1.3.

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

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

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

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

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the Annual Report and their term in office are detailed in the Directors' Report on page 12 to 14.

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

- John Abernethy
- Julian Gosse

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

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

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

WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

CORPORATE GOVERNANCE STATEMENT

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

Under the Board of Directors Charter, the performance of each Director was reviewed by the Chairman during the year and the Board undertook the annual review of the performance of the Chairman to ensure the Board's activities continue to be efficiently organised and conducted. At every annual general meeting one third of the Directors must retire from office and be eligible for re-election. Shareholder approval is required on the composition of the Board.

Each Director has the right to access all relevant information and subject to prior consultation with the Chairman, may seek independent professional advice at the entity's expense. A copy of advice received by the Director is made available to all other members of the Board.

Code of Conduct (Recommendations 3.1 and 3.5)

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

Diversity Policy (Recommendations: 3.2 to 3.5)

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

Audit & Risk Committee (Recommendations 4.1 to 4.4)

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

- | | |
|------------------|--|
| ➤ John Abernethy | Chairman, independent director |
| ➤ Julian Gosse | Non-Executive Director, independent director |
| ➤ Matthew Kidman | Non-Executive Director, non-independent director |

The Committee's responsibilities are to:

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

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

The Committee formally reports to the Board after each of its meetings. Details of the number of meetings of the Audit & Risk Committee during the 2012 year are set out in the Directors' Report on page 17.

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

WAM RESEARCH LIMITED
A.B.N. 15 100 504 541

CORPORATE GOVERNANCE STATEMENT

The Company's external audit is undertaken by Moore Stephens Sydney and the audit engagement partner is required to be changed at regular intervals. Scott Whiddett, a partner of Moore Stephens Sydney, is the partner responsible for the external audit of the Company for the 2012 financial year.

ASX Listing Rule Compliance (Recommendations 5.1 and 5.2)

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

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

In addition, the Company has established a Conflict of Interest Policy, in accordance with the *Corporations Act 2001*. Under this policy, the Directors must keep the Board advised, on an ongoing basis, of any interests that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

Shareholder Rights & Communication (Recommendations 6.1 and 6.2)

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

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

Information is communicated to shareholders through the:

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

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

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

WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

CORPORATE GOVERNANCE STATEMENT

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

Risk Management (Recommendations: 7.1 to 7.4)

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

The Company's enterprise risk management program addresses its material business risks. Each identified risk is individually assessed in terms of the likelihood of the risk event occurring and the potential consequences in the event that the risk event was to occur. The CompliSpace Assurance software has been implemented through which material business risks and their 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 the CEO of the Manager that in their view:

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

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

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

- Market risk
- Operational risk

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

Operational Risk

The Manager is primarily responsible for recognising and managing operational risk issues such as legal and regulatory risk, systems and process risk and outsourcing risk. The Company outsource its administrative functions to service providers: MAM Pty Limited (investment management), 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 provides a declaration to the Board twice a year to certify that the Company's financial statements and notes present a true and fair view, in all material respects, of the Company's financial condition and operational results and that they have been prepared and maintained in accordance with relevant Accounting Standards and the *Corporations Act 2001*.

WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

CORPORATE GOVERNANCE STATEMENT

Remuneration of Directors (Recommendations: 8.1 to 8.3)

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

The maximum total remuneration of the Directors of the Company has been set at \$100,000 per annum to be divided in such proportions as they agree. The scope of the Company's operations, and the frequency of Board meetings are principal determinants of the fee level. Further detail is provided in the Directors' Report.

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

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

WAM RESEARCH LIMITED
A.B.N. 15 100 504 541

DIRECTORS' REPORT TO SHAREHOLDERS
FOR THE YEAR ENDED 30 JUNE 2012

The Directors present their report together with the financial report of WAM Research Limited ("the Company") for the financial year ended 30 June 2012.

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 an operating profit before tax of \$780,434 (2011: \$9,168,914) and an operating profit after tax of \$1,956,069 (2011: \$9,414,300). The decrease in profit in comparison to the previous year is a reflection of the investment portfolio returning 4.5% compared to 17.5% in FY2011.

Under Australian Accounting Standards, realised gains and losses and dividend income are added to or reduced from 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 2.6% for the 12 months to 30 June 2012. The share price, adjusted for dividends rose 10.4% for the 12 months to 30 June 2012.

Net Tangible Asset (NTA) for each ordinary share as at 30 June 2012 (calculated on market value less realisation costs and all applicable taxes and before provision for dividend) amounted to 83.66 cents per share (2011: 93.22 cents per share). Net Tangible Assets after tax on realised gains but before tax on unrealised gains was 89.37 (2011: 93.22). This is after the payment of 3.25 cents in fully franked dividends during the year and tax paid of 5.73 cents per share.

Further information on the operating and financial review of the company is contained in the Chairman's Letter on pages 1 to 5 of the Annual Report.

Financial Position

The net asset value of the company for the current financial year was \$108,215,410 (2011: \$111,441,067).

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 2012.

Dividends Paid or Recommended

Dividends paid or declared are as follows:

	\$
Fully franked 2011 final dividend of 3 cents per share was paid on 21 October 2011	3,576,516
Fully franked 2012 interim dividend of 3.25 cents per share was paid on 23 April 2012	3,899,456

Since year end the Board has declared a final dividend of 3.25 cents per share fully franked to be paid on 19 October 2012.

Options

No options were on issue nor were there any options that were previously issued that expired during the current financial year.

WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2012

Directors

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

G.J. Wilson
M.J. Kidman
J.J. Gosse
J.B. Abernethy

Information on Directors

Geoffrey Wilson (Chairman – Non-independent)

Experience and expertise

Geoffrey Wilson has had 32 years experience in the Australian and international securities industry. He holds a Bachelor of Science Degree and a Graduate Management Qualification. He is also a Fellow of the Institute of Company Directors and a Fellow of the Securities Institute of Australia.

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

Other current directorships

Geoffrey Wilson is currently Chairman of WAM Capital Limited (appointed March 1999), WAM Active Limited (appointed July 2007) and Australian Stockbrokers Foundation. He is a Director of Australian Leaders Fund Limited (appointed October 2003), Clime Capital Limited (appointed November 2003), Cadence Capital Limited (appointed February 2005), Incubator Capital Limited (appointed February 2000), the 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 a Director of investment management companies Wilson Asset Management (International) Pty Ltd, MAM Pty Limited, Boutique Investment Management Pty Limited and Boutique Asset Management Pty Limited.

Former directorships in the last 3 years

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

Special responsibilities

Chairman of the Board.

Interests in shares 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 (Non-Executive Director – Non-independent)

Experience and expertise

Matthew Kidman 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 a Director of WAM Capital Limited (appointed March 1999), WAM Active Limited (appointed July 2007), Incubator Capital Limited (appointed February 2000) and financial planning group,

WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2012

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

Centrepont Alliance Limited (appointed February 2012). He is also a Director of the investment management company Boutique Asset Management Pty Limited.

Former directorships in the last 3 years

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

Special responsibilities

Member of the Audit & Risk Committee.

Interests in shares of the Company

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

Interests in contracts

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

John Abernethy (Non-Executive 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 of approximately \$2 billion. In 1994 he joined Poynton Corporate Limited as an Executive Director before forming Clime Investment Management Limited (formerly known as Loftus Capital Partners) 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 Director of Clime Investment Management Limited (formerly known as Loftus Capital Partners Limited) (appointed July 2005), WAM Active Limited (appointed November 2007), Australian Leaders Fund Limited (formerly known as Wilson Leaders Limited) (appointed November 2003) and Jasco Holdings Limited.

Former directorships in the last 3 years

John Abernethy has not held any other directorships of listed companies within the last three years.

Special responsibilities

Chairman of the Audit & Risk Committee.

Interests in shares of the Company

Details of 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.

WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2012

Julian Gosse (Non-Executive Director – Independent)

Experience and expertise

Julian Gosse has extensive experience in banking and broking both in Australia and overseas having worked in London for Rowe and Pitman, in the United States for Janney Montgomery and Scott and in Canada for Wood Gundy. He has been involved in the establishment, operation and ownership of several small businesses.

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

Other current directorships

Julian Gosse is a Chairman of Iron Road Limited (appointed May 2009). He is also a Director of Australian Leaders Fund Limited (formerly known as Wilson Leaders Limited) (appointed October 2003), ITL Limited (appointed September 2003) and Clime Capital Limited (appointed November 2003).

Former directorships in the last 3 years

Julian Gosse has not held any other directorships of listed companies within the last three years.

Special responsibilities

Member of the Audit & Risk Committee.

Interests in shares of the Company

Details of Julian Gosse's interests in shares of the Company are included later in this report.

Interests in contracts

Julian Gosse has no interests in contracts of the Company.

Company Secretary

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

Kate Thorley - CPA and holds a Bachelor of Commerce, a Graduate Diploma in Applied Finance and Investment and Graduate Diploma of Applied Corporate Governance. Kate has worked in the funds management industry the past 7½ years with the Wilson Asset Management group initially as a Financial Accountant, CFO, and more recently CEO of Wilson Asset Management. Kate is Company Secretary for WAM Capital Limited and WAM Active Limited. Kate Thorley was appointed Company Secretary on 6 November 2007.

WAM RESEARCH LIMITED
A.B.N. 15 100 504 541

DIRECTORS' REPORT TO SHAREHOLDERS
FOR THE YEAR ENDED 30 JUNE 2012

Remuneration Report

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

a) Remuneration of Directors

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

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

Directors' base fees are presently set at a maximum of \$100,000 per annum. Non-Executive Directors do not receive bonuses nor are they issued options on securities as part of their remuneration. Directors' fees cover all main Board activities and membership of committees.

Directors' remuneration received for the year ended 30 June 2012:

Director	Position	Directors' Fees \$	Post- employment Superannuation \$	Total \$
G.J. Wilson	Chairman	9,174	826	10,000
M.J. Kidman	Director Non-Executive	25,229	2,271	27,500
J.B. Abernethy	Director Non-Executive	12,615	14,885	27,500
J.J. Gosse	Director Non-Executive	27,500	-	27,500
		74,518	17,982	92,500

Non-Executive Directors receive a superannuation guarantee contribution required by the government, which is currently 9% of individuals benefits and do not receive any retirement benefits.

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

	2012	2011	2010	2009	2008
Operating profit after tax (\$)	1,956,069	9,414,300	4,004,434	2,138,370	4,012,356
Dividends Paid (cents per share)	6.25	8.0	6.6	4.0	5.0
Net tangible asset (\$ per share)	0.89	0.93	0.89	0.87	0.94
Total Directors' remuneration (\$)	92,500	75,000	75,000	75,000	75,000

WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2012

b) Director Related Entities Remuneration

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

Geoffrey Wilson is the Director of MAM Pty Limited, the entity appointed to manage the investment portfolio of WAM Research Limited. Entities associated with Geoffrey Wilson now also hold 100% of the issued shares of MAM Pty Limited (formerly 20% held by entities associated with Matthew Kidman – a former Director of MAM Pty Limited). The core duties of the Manager in addition to managing the investment portfolio of WAM Research Limited include the provision of financial and administrative support to ensure the maintenance of the corporate and statutory records of the Company; liaison with the ASX with respect to compliance with the ASX Listing Rules; liaison with ASIC with respect to compliance with the Corporations Act; liaison with the share registrar of the Company; investor relations; and the provision of information necessary for the maintenance of financial accounts of the Company to be completed. In its capacity as Manager, MAM Pty Limited was paid a management fee of 1% p.a. (plus GST) of gross assets amounting to \$1,114,335 inclusive of GST (2011: \$1,163,497). As at 30 June 2012, the balance payable to the Manager was \$282,564 inclusive of GST (2011: \$96,559).

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

- where the level of the All Ordinaries Accumulation Index has increased over that period, the amount by which the value of the portfolio exceeds this increase; or
- where the All Ordinaries Accumulation Index has decreased over that period, the amount of the increase in value of the portfolio.

No performance fee is payable in respect of any performance period where the portfolio has decreased in value over that period. For the year ended 30 June 2012, a performance fee of \$727,053 inclusive of GST was payable to MAM Pty Limited (2011: \$797,559 was payable however the manager elected to waive this fee in its entirety).

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.

WAM RESEARCH LIMITED
A.B.N. 15 100 504 541

DIRECTORS' REPORT TO SHAREHOLDERS
FOR THE YEAR ENDED 30 JUNE 2012

d) Equity Instruments Disclosures of Directors and Related Parties

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

Directors	Ordinary Shares
G.J. Wilson	5,622,597
M.J. Kidman	215,511
J.B. Abernethy	60,000
J.J. Gosse	-

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.

Directors' Meetings

Director	No, eligible to attend	Attended
G.J. Wilson	6	6
M.J. Kidman	6	6
J.B. Abernethy	6	6
J.J. Gosse	6	6

Audit & Risk Committee Meetings

The main responsibilities of the Audit & Risk Committee are set out in the Corporate Governance section on pages 6 to 10 of the Annual Report.

Director	No, eligible to attend	Attended
J.B. Abernethy	3	3
M.J. Kidman	3	3
J.J. Gosse	3	3

WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2012

After Balance Date Events

Since year end the Company declared a final dividend of 3.25 cents per share fully franked to be paid on 19 October 2012.

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

Future Developments

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

Environmental Issues

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

Indemnification and Insurance of Officers or Auditors

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

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

Proceedings on behalf of the Company

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

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

Non Audit Services

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

The Board of Directors, in accordance with advice from the Audit & Risk Committee, is satisfied that the 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.

WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2012

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 20 of this Annual Report.

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

A handwritten signature in black ink, appearing to be 'G.J. Wilson', with a long horizontal flourish extending to the right.

G.J Wilson
Chairman

Dated at Sydney this 4th day of September 2012

Level 7, 20 Hunter Street
Sydney NSW 2000

T +61 (0)2 8236 7700
F +61 (0)2 9233 4636

www.moorestephens.com.au

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

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of WAM Research Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

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

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



Moore Stephens Sydney
Chartered Accountants



Scott Whiddett
Partner

Dated in Sydney, this 4th day of September 2012

WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 \$	2011 \$
Proceeds from sale of investments		68,224,104	39,979,098
Cost of investment sold		(71,417,766)	(41,796,995)
Realised losses on equity investments		(3,193,662)	(1,817,897)
Unrealised (losses)/gains on equity investments		(690,799)	1,089,869
Investment revenue	2	6,928,214	11,708,002
Management fees		(1,038,357)	(1,084,167)
Directors fees		(92,500)	(75,000)
Performance fees		(677,481)	(743,180)
Performance fees (waived by the Manager)		-	743,180
Brokerage expense on share purchases		(134,509)	(268,481)
Custody fees		(30,627)	(40,949)
ASX listing and chess fees		(52,223)	(63,107)
Share registry fees		(69,846)	(75,197)
Other expenses from ordinary activities		(167,776)	(204,159)
Profit before income tax		780,434	9,168,914
Income tax benefit	3(a)	1,175,635	245,386
Profit attributable to members of the Company	11	1,956,069	9,414,300
Basic earnings per share	14	1.6 cents	7.7 cents

The accompanying notes form part of these financial statements.

WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	2012 \$			2011 \$		
	Revenue	Capital	Total	Revenue	Capital	Total
Net profit for the year	1,956,069	-	1,956,069	9,414,300	-	9,414,300
Other comprehensive income						
Revaluation of investment portfolio during the year	-	1,619,508	1,619,508	-	5,935,038	5,935,038
Provision for tax expense on above	-	(485,852)	(485,852)	-	(1,780,511)	(1,780,511)
Total other comprehensive income for the year	-	1,133,656	1,133,656	-	4,154,527	4,154,527
Total comprehensive income	1,956,069	1,133,656	3,089,725	9,414,300	4,154,527	13,568,827

The accompanying notes form part of these financial statements.

WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	2012 \$	2010 \$
Current Assets			
Cash and cash equivalents	12	46,694,721	27,118,247
Trade and other receivables	6	4,272,414	889,334
Equity investments at fair value through income statement	7	35,499,591	48,764,070
Equity investments held for sale	7	7,716,715	14,827,453
Total Current Assets		94,183,441	91,599,104
Non-Current Assets			
Long term equity investments	7	8,297,728	13,780,871
Deferred tax assets	3(b)	8,355,683	7,913,194
Total Non-Current Assets		16,653,411	21,694,065
Total Assets		110,836,852	113,293,169
Current Liabilities			
Trade and other payables	8	1,173,114	156,480
Total Current Liabilities		1,173,114	156,480
Non-Current Liabilities			
Deferred tax liabilities	3(d)	1,448,328	1,695,622
Total Non-Current Liabilities		1,448,328	1,695,622
Total Liabilities		2,621,442	1,852,102
Net Assets		108,215,410	111,441,067
Equity			
Issued capital	9(a)	120,557,134	119,396,544
Reserves	10	(10,694,168)	(8,543,767)
Retained (losses)/earnings	11	(1,647,556)	588,290
Total Equity		108,215,410	111,441,067

The accompanying notes form part of these financial statements.

WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 \$	2011 \$
Total equity as at 1 July		111,441,067	104,939,507
Profit for the year attributable to members of the Company	11	1,956,069	9,414,300
Total other comprehensive income for the year	10	1,133,656	4,154,527
Shares issued via DRP during the year	9(b)	1,160,590	1,190,513
		<u>115,691,382</u>	<u>119,698,847</u>
Dividends paid	4(a)	(7,475,972)	(8,257,780)
Total equity as at 30 June attributable to members of the Company		<u>108,215,410</u>	<u>111,441,067</u>

The accompanying notes form part of these financial statements.

WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 \$	2011 \$
Cash Flows from Operating Activities			
Dividends received		5,037,664	9,801,133
Interest received		1,798,531	1,216,772
Other investment income/(payments)		189,533	(26,804)
Investment management fees (inclusive of GST)		(928,330)	(1,157,216)
Payments for administration expenses (inclusive of GST)		(395,113)	(500,890)
Brokerage on share purchases (inclusive of GST)		(144,006)	(288,126)
GST on brokerage on share sales		(16,607)	(22,567)
Net GST received from ATO		120,458	139,702
Net Income tax payment	3(c)	-	(1,169,058)
Net Cash provided by Operating Activities	13	5,662,130	7,992,946
Cash Flows from Investing Activities			
Proceeds from sale of investments		78,893,411	106,850,032
Payments for purchase of investments		(58,663,685)	(92,981,480)
Net Cash provided by Investing Activities		20,229,726	13,868,552
Cash Flows from Financing Activities			
Dividends paid		(6,315,382)	(7,067,267)
Net Cash used in Financing Activities		(6,315,382)	(7,067,267)
Net Increase in Cash and Cash Equivalents held		19,576,474	14,794,231
Cash and Cash Equivalents at Beginning of Financial Year		27,118,247	12,324,016
Cash and Cash Equivalents at End of Financial Year	12	46,694,721	27,118,247

The accompanying notes form part of these financial statements.

WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. Statement of Significant Accounting Policies

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

The financial report was authorised for issue on 4th September 2012 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 a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

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

The accounting policies have been consistently applied by the Company and are consistent with those applied in the 30 June 2011 Annual Financial Report.

a) Financial Assets

i) *Financial Assets at Fair Value*

Financial assets at fair value are non-derivative financial assets that are designated as such. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Quoted investments are valued continuously at fair value. This fair value is the last closing sale price quoted on the Australian Securities Exchange.

ii) *Long Term Equity Investments and Equity Investments Held For Sale*

Long term equity investments and 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 as these investments are long term holdings of equity investments.

When an investment is disposed, the cumulative gain or loss, net of tax thereon, is transferred from the asset revaluation reserve to the capital profit reserve.

iii) *Equity Investments at Fair Value Through Income Statement*

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

Quoted investments are valued continuously at fair value. This fair value is the closing last sale price quoted on the Australian Securities Exchange.

WAM RESEARCH LIMITED
A.B.N. 15 100 504 541

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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

b) Financial Assets at Amortised Cost

Financial Assets at amortised cost are non-derivative financial assets. They are subsequently measured at amortised cost using the effective interest rate method, only if the following conditions are met: (a) where the financial asset is held within a business model for the objective to collect contractual cash flows; and (b) contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments or principal and interest on the principal amount outstanding. If these terms are not met they are measured at fair value.

The effective interest rate method is used to allocate interest income and interest expense over the relevant period and is equivalent to the rate that exactly discounts future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense.

The fixed interest securities are not classified under this category because the Company does not intend to hold these investments to collect contractual cashflows. The fixed interest securities are classified as cash and cash equivalents.

c) 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 to be paid to (recovered from) the relevant taxation authority.

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

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

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

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

WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

d) Cash and Cash Equivalents

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

e) Revenue and Other Income

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

f) Trade and Other Receivables

Trade and other receivables are non-derivative financial assets and are stated at their amortised cost.

g) Trade and Other Payables

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

h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of the GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as 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.

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 2012.

k) Profits Reserve

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

WAM RESEARCH LIMITED
A.B.N. 15 100 504 541

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

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

l) New Standards and Interpretations Not Yet Adopted

The Australian Accounting Standards Board has issued a number of new and amended Accounting Standards that have mandatory application dates for future reporting periods, some of which are relevant to the company. The company has decided not to adopt any of the new and amended pronouncements. A new and amended pronouncement that is assessed as being relevant to the company in future reporting periods is AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13. This standard does not materially impact the Company.

2. Investment Revenue

	2012	2011
	\$	\$
Dividends	4,600,778	9,720,583
Interest	2,114,055	1,156,327
Trust distributions	98,080	71,974
Underwriting and other fees	19,479	3,801
Option premium income	95,822	755,317
	<u>6,928,214</u>	<u>11,708,002</u>

3. Taxation

a) Income Tax Benefit

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax benefit as follows:

	2012	2011
	\$	\$
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2011: 30%)	234,130	2,750,674
Imputation credit gross up	644,380	1,233,305
Franking credit offset	(2,147,935)	(4,106,747)
Foreign tax credit offset	-	(4,269)
Other non-assessable items	131,066	(6,099)
Over provision in prior period	(37,276)	(112,250)
	<u>(1,175,635)</u>	<u>(245,386)</u>

Total income tax benefit results in a:

Current tax asset	(1,232,793)	(42,450)
Deferred tax liability	94,657	(26,805)
Deferred tax asset	(223)	(63,881)
Over provision in prior period	(37,276)	(112,250)
	<u>(1,175,635)</u>	<u>(245,386)</u>

WAM RESEARCH LIMITED
A.B.N. 15 100 504 541

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

3. Taxation (cont'd)

b) Deferred Tax Assets	2012	2011
	\$	\$
Tax losses	8,344,416	7,901,889
Provisions	7,838	8,160
Capitalised costs	3,429	3,145
	<u>8,355,683</u>	<u>7,913,194</u>

Movement in deferred tax assets

Balance at the beginning of the period	7,913,194	7,909,779
Transfer of losses from current tax liability	486,904	(798,364)
Deferred tax (expense)/benefit on gains/losses on investments	(81,914)	625,648
Over provision in prior year	37,276	112,250
Charged to the Income Statement	223	63,881
At reporting date	<u>8,355,683</u>	<u>7,913,194</u>

c) Current Tax liabilities

	2012	2011
	\$	\$
Movement in current tax liabilities		
Balance at the beginning of the year	-	1,257,649
Current year income tax benefit on operating profit	(1,232,793)	(42,450)
Income tax expense on realised gains on investments	745,889	752,223
Income tax paid	-	(1,169,058)
Transfer to deferred tax asset	486,904	(798,364)
At reporting date	<u>-</u>	<u>-</u>

d) Deferred Tax liabilities

	2012	2011
	\$	\$
Fair value adjustments	1,311,985	1,653,936
Income provisions	136,343	41,686
	<u>1,448,328</u>	<u>1,695,622</u>

Movement in deferred tax liabilities

Balance at the beginning of the year	1,695,622	68,491
Charged to Statement of Comprehensive Income	(247,294)	1,627,131
At reporting date	<u>1,448,328</u>	<u>1,695,622</u>

WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

4. Dividends

a) Ordinary Dividends Recognised in the Current Year

	2012 \$	2011 \$
Dividends paid by the Company	<u>7,475,972</u>	<u>8,257,780</u>
Final dividend FY2011: 3.0 cents per share fully franked at 30% tax rate paid 21 October 2011 (Final dividend 2010: 2.6 cents and a special 1.4 cents per share both fully franked paid 29 October 2010)	3,576,516	4,701,983
Interim dividend FY2012: 3.25 cents per share fully franked at 30% tax rate paid 23 April 2012 (Interim dividend 2011: 3.0 cents fully franked paid 28 March 2011)	<u>3,899,456</u>	<u>3,555,797</u>
Dividends paid by the Company	<u>7,475,972</u>	<u>8,257,780</u>

The final fully franked dividend of 3.0 cents per share paid 21 October 2011 carries no attributable LIC capital gain.

The interim fully franked dividend of 3.25 cents per share paid 23 April 2012 includes 2.5 cents in LIC capital gain dividends paid out of the capital profits reserve.

b) Dividends not recognised at Year End

	2012 \$	2011 \$
In addition to the above dividends, since the end of the year, the Directors have declared the following dividend which have not been recognised as a liability at the end of the financial year: Final dividend for the year ended 30 June 2012 of 3.25 cents per share fully franked at 30% payable 19 October 2012.	<u>3,927,762</u>	<u>3,576,516</u>

The final dividend for 30 June 2012 is a fully franked dividend of 3.25 cents per share and includes 0.4 cents in LIC capital gain dividends to be paid out of the capital profits reserve (2011: \$3,576,516).

c) Dividend Franking Account

	2012 \$	2011 \$
Balance of franking account at year end adjusted for franking credits, arising from payment of provision for income tax and dividends recognised as receivables and franking credits that may be prevented from distribution in subsequent financial years.	778,465	1,834,520
Subsequent to year end, the franking account would be reduced by the proposed dividend disclosed in b) above as follows:	<u>(1,683,327)</u>	<u>(1,532,793)</u>
	<u>(904,862)</u>	<u>301,727</u>

The balance of the franking account does not include the tax to be paid on unrealised investment gains and accrued income currently recognised as a deferred tax liability of \$1,448,328 (2011: \$1,695,622).

WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

5. Auditor's remuneration

Remuneration of the auditor of the Company for:	2012 \$	2011 \$
Auditing or reviewing the financial report	31,000	37,721
Other services provided by a related practice of the auditor:		
Taxation Services	7,150	20,075
	<u>38,150</u>	<u>57,796</u>

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

6. Trade and Other Receivables

	2012 \$	2011 \$
Outstanding settlements	3,532,491	-
Income receivable	661,478	854,813
GST receivable	78,445	34,521
	<u>4,272,414</u>	<u>889,334</u>

Outstanding settlements are on the terms of operating in the securities industry. These are non-interest bearing and require the settlement within three days of the date of a transaction. Income receivable relates to accrued income and is non-interest bearing and unsecured.

7. Financial Assets

	2012 \$	2011 \$
Current:		
Equity investments at fair value through income statement	35,499,591	48,764,070
Equity investments held for sale	7,716,715	14,827,453
Non-current:		
Long term equity investments	8,297,728	13,780,871

The market values of long term equity investments and equity investments held for sale as at 30 June 2012 are disclosed in note 23.

8. Trade and Other Payables

	2012 \$	2011 \$
Management fee payable	282,564	96,560
Performance fee payable	727,053	-
Sundry creditors	163,497	59,920
	<u>1,173,114</u>	<u>156,480</u>

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

WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

9. Issued Capital

a) Paid-up Capital	2012 \$	2011 \$
120,854,228 ordinary shares fully paid (2011: 119,217,215)	<u>120,557,134</u>	<u>119,396,544</u>

Holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at shareholder meetings, otherwise each member present at a meeting or by proxy has one vote on a show of hands. In the event of the winding up of the Company, ordinary shareholders rank after creditors and share in any proceeds on winding up in proportion to the number of shares held.

b) Movement in Ordinary Share Capital

Balance at the beginning of the year	119,396,544	118,206,031
765,953 ordinary shares issued on 21 October 2011 under a dividend reinvestment plan	521,595	-
871,060 ordinary shares issued on 23 April 2012 under a dividend reinvestment plan	638,995	-
977,005 ordinary shares issued on 29 October 2010 under a dividend reinvestment plan	-	675,125
690,628 ordinary shares issued on 28 March 2011 under a dividend reinvestment plan	-	515,388
At reporting date	<u>120,557,134</u>	<u>119,396,544</u>

c) Capital Management

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

10. Reserves

	2012 \$	2011 \$
Capital Profits Reserve – Capital Account	518,049	1,777,220
Capital Profits Reserve – Revenue Account	(19,847,541)	(17,892,851)
Profits Reserve	5,574,026	5,095,595
Asset Revaluation Reserve	3,061,298	2,476,269
	<u>(10,694,168)</u>	<u>(8,543,767)</u>

The profits reserve details an amount preserved for future dividend payments as outlined in accounting policy Note 1(k) of the Annual Report. The Asset Revaluation Reserve is used to record increments and decrements on the revaluation of the investments, net of potential tax as described in accounting policy Note 1(a)(iii) of the Annual Report.

WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

10. Reserves (cont'd)

	2012 \$	2011 \$
Movement in Capital Profits Reserve – Capital Account		
Balance at the beginning of the year	1,777,220	4,724,015
Final dividend FY2010 paid (refer Note 4a)	-	(4,701,983)
Interim dividend FY2012 paid (refer Note 4a)	(2,999,579)	-
Transfer from Asset Revaluation Reserve	1,740,408	1,755,188
At reporting date	<u>518,049</u>	<u>1,777,220</u>

	2012 \$	2011 \$
Movement in Capital Profits Reserve – Revenue Account		
Balance at the beginning of the year	(17,892,851)	-
Transfer to Asset Revaluation Reserve	(1,954,690)	(17,892,851)
At reporting date	<u>(19,847,541)</u>	<u>(17,892,851)</u>

	2012 \$	2011 \$
Movement in Profits Reserve		
Balance at the beginning of the year	5,095,595	-
Transfer from Retained Earnings	4,954,824	8,651,392
Final dividend FY2011 paid (refer Note 4a)	(3,576,516)	-
Interim dividend FY2012 paid (refer Note 4a)	(899,877)	(3,555,797)
At reporting date	<u>5,574,026</u>	<u>5,095,595</u>

	2012 \$	2011 \$
Movement in Asset Revaluation Reserve		
Balance at the beginning of the year	2,476,269	(18,578,830)
Transfer to Capital Profits Reserve – Capital Account	(1,740,408)	(1,755,188)
Transfer from Capital Profits Reserve – Revenue Account	1,954,690	17,892,851
Transfer (to)/from Retained Earnings	(762,909)	762,909
Other comprehensive income	1,133,656	4,154,527
At reporting date	<u>3,061,298</u>	<u>2,476,269</u>

WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

11. Retained Earnings

	2012 \$	2011 \$
Balance at the beginning of the year	588,290	588,291
Profit for the year attributable to members of the Company	1,956,069	9,414,300
Transfer to Profits Reserve	(4,954,824)	(8,651,392)
Transfer from/(to) Asset Revaluation Reserve	762,909	(762,909)
	<u>(1,647,556)</u>	<u>588,290</u>

12. Cash and Cash Equivalents

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

	2012 \$	2011 \$
Cash at bank and on hand	994,721	949,939
Fixed interest securities	45,700,000	26,168,308
	<u>46,694,721</u>	<u>27,118,247</u>

The weighted average interest rate for cash and fixed interest securities as at 30 June 2012 is 5.38% (2011: 6.00%). The fixed interest securities have an average maturity of 78 days (2011: 108 days). The fixed interest securities are all rated A-1+ by Standard & Poor's.

13. Cash Flow Information

	2012 \$	2011 \$
Reconciliation of Operating Profit after Income Tax:		
Cash Flow from operations after income tax	1,956,069	9,414,300
Add back/(less) items classified as Investing/Financing Activities:		
Realised loss on sale of investments and option premium	3,097,840	1,062,580
Unrealised losses/(gains) on investments	690,799	(1,089,869)
Changes in assets and liabilities during the financial year:		
Decrease in receivables	149,412	41,120
Increase in deferred tax assets	(1,270,292)	(129,991)
Increase/(decrease) in deferred tax liabilities	94,657	(26,805)
Increase/(decrease) in payables	943,645	(20,741)
Decrease in current tax liabilities	-	(1,257,648)
Cash flow from operations	<u>5,662,130</u>	<u>7,992,946</u>

WAM RESEARCH LIMITED
A.B.N. 15 100 504 541

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

14. Earnings Per Share

	2012	2011
	\$	\$
Profit after income tax used in the calculation of basic earnings per share	1,956,069	9,414,300
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	119,967,515	122,345,811

15. Financial Risk Management

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

Credit risk is not considered to be a major risk to the Company as any cash and fixed interest securities held by the Company or in its portfolios are invested with financial institutions 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.

WAM RESEARCH LIMITED
A.B.N. 15 100 504 541

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

15. Financial Risk Management (cont'd)

b) Liquidity Risk

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

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

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

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

The table following analyses the Company's liabilities in relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date at the year end date. The amounts in the table are contractual undiscounted cash flows. The company has no financial liabilities.

30 June 2012	>1 month	<1 months	Total
	\$	\$	\$
Total trade and other payables	-	1,173,114	1,173,114
Deferred tax liability	1,448,328	-	1,448,328
Total Liabilities	1,448,328	1,173,114	2,621,442

30 June 2011	>1 month	<1 months	Total
	\$	\$	\$
Total trade and other payables	-	156,480	156,480
Deferred tax liability	1,695,622	-	1,695,622
Total Liabilities	1,695,622	156,480	1,852,102

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

WAM RESEARCH LIMITED
A.B.N. 15 100 504 541

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

15. Financial Risk Management (cont'd)

c) Market Risk (cont'd)

(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 fixed interest securities mature within three months. As the Company's exposure to interest rate risk is not significant, interest rate sensitivities have not been performed.

As at 30 June 2012, the Company's exposure to interest rate and the effective weighted average interest rate for each class of asset and liability is set out in the following table:

	Weighted average interest rate (% pa)	Interest bearing \$	Non-interest bearing \$	Total \$
30 June 2012				
Assets				
Cash and cash equivalents	5.38%	46,694,721	-	46,694,721
Trade and other receivables		-	4,272,414	4,272,414
Financial assets		-	51,514,034	51,514,034
Deferred tax assets		-	8,355,683	8,355,683
Total		46,694,721	64,142,131	110,836,852
Liabilities				
Trade and other payables		-	1,173,114	1,173,114
Deferred tax liabilities		-	1,448,328	1,448,328
Total		-	2,621,442	2,621,442

As at 30 June 2011, the company's exposure to interest risk and the effective weighted average interest rate for each class of asset and liability is set out in the following table:

	Weighted average interest rate (% pa)	Interest bearing \$	Non-interest bearing \$	Total \$
30 June 2011				
Assets				
Cash and cash equivalents	6.00%	27,118,247	-	27,118,247
Trade and other receivables		-	889,334	889,334
Financial assets		-	77,372,394	77,372,394
Deferred tax assets		-	7,913,194	7,913,194
Total		27,118,247	86,174,922	113,293,169
Liabilities				
Trade and other payables		-	156,480	156,480
Deferred tax liabilities		-	1,695,622	1,695,622
Total		-	1,852,102	1,852,102

WAM RESEARCH LIMITED
A.B.N. 15 100 504 541

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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 income statement, 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 can enter into option contracts for the purpose of enhancing returns via the premiums that it earns from the writing of these contracts or for the purpose of providing downside protection. Where the Company sells a call option, it is obligated to deliver securities to an agreed price if the taker exercises the option. As at balance date there were call options outstanding which potentially required the Company if they were exercised to deliver securities to the value of \$nil (2011: \$13,537,850). These call options were written against the underlying securities already owned by the Company.

The Company's investment sectors as a percentage of the gross assets as at 30 June 2012 is as follows:

Industry Sector	2012 %	2011 %
Financials	11.2%	24.8
Consumer Discretionary	16.5%	21.2
Industrials	11.7%	19.0
Information Technology	4.0%	3.4
Telecommunications Services	3.7%	2.2
Health Care	1.4%	1.7
Materials	0.5%	0.9
Utilities	0.8%	0.3
Consumer Staples	0.5%	0.0
	50.3%	73.5%

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

Company Name	2012 (%)
AP Eagers Limited	5.9%
Company Name	2011 (%)
McMillan Shakespeare Limited (MMS)	5.8%
National Australia Bank (NAB)	5.6%

WAM RESEARCH LIMITED
A.B.N. 15 100 504 541

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

15. Financial Risk Management (cont'd)

c) Market Risk (cont'd)

Sensitivity Analysis

For Investments held by the Company at balance sheet date, 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 to remain constant.

Investments represent 50.3% (2011: 73.5%) of gross assets at year end. A 5% movement in the market value of each of the companies within the portfolio would result in a 2.5% (2011: 3.7%) movement in the net assets after tax. This would result in the net asset backing after tax moving by 2.2 cents per share using the 30 June 2012 numbers (2011: 3.4 cents per share).

d) Financial Instruments Measured at Fair Value

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

- Level 1:** Quoted prices in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (as prices or indirectly (derived from prices)).
Level 3: Inputs for the asset or liability that 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 bid prices at the end of the reporting period, excluding transaction cost.

30 June 2012	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets	51,514,034	-	-	51,514,034
Total	51,514,034	-	-	51,514,034
<hr/>				
30 June 2011	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets	77,372,394	-	-	77,372,394
Total	77,372,394	-	-	77,372,394

16. Events Subsequent to Reporting Date

Since year end the Board declared a final dividend of 3.25 cents per share fully franked to be paid on 19 October 2012.

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.

WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

17. Investment Transactions

The total number of contract notes that were issued for transactions in securities during the financial year was 1,104 (2011: 1,193). Each contract note could involve multiple transactions. The total brokerage paid on these contract notes was \$368,941 (2011: \$555,975).

18. Segment Reporting

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

19. Key Management Personnel Compensation

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

G.J. Wilson	Chairman
M.J. Kidman	Non-Executive Director
J.B. Abernethy	Non-Executive Director
J.J. Gosse	Non-Executive Director

a) Remuneration

There are no executives that are paid by the Company. MAM Pty Limited, the manager of the Company, remunerates Geoffrey Wilson as an employee and/or Director of MAM Pty Limited. The Manager is also contracted to provide day to day management of the Company and is remunerated as outlined in Note 20.

Individual Directors' remuneration disclosures are provided in the Remuneration Report of the Directors' Report on page 15, as permitted by Corporations Regulation 2M.3.03 and 2M.6.04.

	Directors' Fees	Post-employment Superannuation	Total
	\$	\$	\$
Total Directors' remuneration paid by the Company for the year ended 30 June 2012	74,518	17,982	92,500
Total Directors' remuneration paid by the Company for the year ended 30 June 2011	68,463	6,537	75,000

WAM RESEARCH LIMITED
A.B.N. 15 100 504 541

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

19. Key Management Personnel Compensation (cont'd)

b) Share holdings

As at 30 June 2012 the Company's key management personnel and their related parties held the following interests in the Company:

<i>Ordinary Shares held</i>				
	Balance at 30 June 2011	Acquisitions	Disposals	Balance at 30 June 2012
Directors				
G.J. Wilson	5,632,839	-	10,242	5,622,597
M.J. Kidman	200,146	15,365	-	215,511
J.B. Abernethy	60,000	-	-	60,000
	5,892,985	15,365	10,242	5,898,108

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

<i>Ordinary Shares held</i>				
	Balance at 30 June 2010	Acquisitions	Disposals	Balance at 30 June 2011
Directors				
G.J. Wilson	5,162,839	470,000	-	5,632,839
M.J. Kidman	184,620	15,526	-	200,146
J.B. Abernethy	60,000	-	-	60,000
	5,407,459	485,526	-	5,892,985

c) Options

No options have been issued to, or are currently held or have been exercised by key management personnel during or since the end of the financial year (2011: nil).

20. Related Party Transactions

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

Geoffrey Wilson is the Director of MAM Pty Limited, the entity appointed to manage the investment portfolio of WAM Research Limited. Entities associated with Geoffrey Wilson now also hold 100% of the issued shares of MAM Pty Limited (formerly 20% held by entities associated with Matthew Kidman – a former Director of MAM Pty Limited). The core duties of the Manager in addition to managing the investment portfolio of WAM Research Limited include the provision of financial and administrative support to ensure the maintenance of the corporate and statutory records of the Company; liaison with the ASX with respect to compliance with the ASX Listing Rules; liaison with ASIC with respect to compliance with the Corporations Act; liaison with the share registrar of the Company; investor relations; and the provision of information necessary for the maintenance of financial accounts of the Company to be completed. In its capacity as Manager, MAM Pty Limited was paid a management fee of 1% p.a. (plus GST) of gross assets amounting to \$1,114,335 inclusive of GST (2011: \$1,163,497). As at 30 June 2012, the balance payable to the Manager was \$282,564 inclusive of GST (2011: \$96,559).

WAM RESEARCH LIMITED
A.B.N. 15 100 504 541

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

20. Related Party Transactions (cont'd)

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

- where the level of the All Ordinaries Accumulation Index has increased over that period, the amount by which the Value of the Portfolio exceeds this increase; or
- where the All Ordinaries Accumulation Index has decreased over that period, the amount of the increase in Value of the Portfolio.

No performance fee is payable in respect of any performance period where the portfolio has decreased in value over that period. As at 30 June 2012, a performance fee of \$727,053 inclusive of GST was payable to MAM Pty Limited (2011: \$797,559 was payable however the manager decided to waive its fee).

Wilson Asset Management (International) Pty Limited employs accounting personnel to provide accounting services to WAM Research Limited. These services are provided on commercial terms and include a standard charge of \$2,750 inclusive of GST per month and an additional charge of \$5,500 inclusive of GST is charged for preparing the half year and full year financial statements. These accounting services total \$38,500 inclusive of GST for the financial year 2012 (2011: \$38,500). Wilson Asset Management (International) Pty Limited is owned by Geoffrey Wilson.

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.

21. Contingent Liability

There are no contingent liabilities as at 30 June 2012 (2011: \$261,991).

22. Contingent Commitments

There are no capital commitments as at 30 June 2012 (2011: nil).

23. Holdings at Fair Value through Other Comprehensive Income

	2012	2011
	\$	\$
AP Eagers Limited	6,028,812	3,559,769
ARB Corporation Limited	2,637,762	2,194,270
Clime Investment Management Limited	1,687,903	1,649,542
Credit Corp Group Limited	-	2,635,647
IRESS Market Technology Limited	-	1,302,017
McMillan Shakespeare Limited	3,090,375	6,121,840
MyState Limited	1,746,793	3,218,354
Reece Australia Limited	822,798	944,389
SAI Global Limited	-	2,264,396
Seven Network Limited preference shares (SVWPA)	-	1,350,000
Wide Bay Corporation Limited	-	3,368,100
Total	16,014,443	28,608,324

WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

DIRECTORS' DECLARATION

The Directors of WAM Research Limited declare that:

- 1) The financial report as set out in pages 21 to 43 and the additional disclosures included in the Directors' Report designated as "Remuneration Report", as set out on pages 15 to 17, are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
 - b) giving a true and fair view of the financial position of the company as at 30 June 2012 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 Director of the Manager, MAM Pty Limited has declared that:
 - a) the financial records of the company for the financial year have been properly maintained in accordance with the Section 286 of the *Corporations Act 2001*;
 - b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c) the financial statements and notes for the financial year give a true and fair view.
- 3) At the date of this declaration, in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



G.J. Wilson
Chairman

Dated at Sydney this 4th day of September 2012.

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

We have audited the accompanying financial report of WAM Research Limited ("the Company"), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

Auditor's Opinion

In our opinion:

- (a) the financial report of WAM Research Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 17 of the Directors' Report for the year ended 30 June 2012. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of WAM Research Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.



Moore Stephens Sydney
Chartered Accountants



Scott Whiddett
Partner

Dated in Sydney this 4th day of September 2012

WAM RESEARCH LIMITED
A.B.N. 15 100 504 541

INVESTMENTS AT MARKET VALUE
AS AT 30 JUNE 2012

Company Name	Code	Quantity	Market Value \$	%
Consumer Discretionary				
AP Eagers Limited	APE	1,773,180	6,028,812	5.9%
Breville Group Limited	BRG	778,426	3,409,506	3.3%
ARB Corporation Limited	ARP	289,864	2,637,762	2.5%
Webjet Limited	WEB	620,486	2,097,243	2.0%
Fantastic Holdings Limited	FAN	662,778	1,524,389	1.5%
Corporate Travel Management Limited	CTD	586,356	1,137,531	1.1%
Integrated Legal Holdings Limited	IAW	1,868,453	186,845	0.2%
			17,022,088	16.5%
Industrials				
McMillan Shakespeare Limited	MMS	261,453	3,090,374	3.0%
Skilled Group Limited	SKE	951,536	2,255,140	2.2%
Coffey International Limited	COF	4,464,509	1,562,578	1.5%
Talent2 International Limited	TWO	1,938,664	1,473,385	1.5%
WHK Group Limited	WHG	1,331,423	1,118,395	1.1%
Logicamms Limited	LCM	761,137	837,251	0.8%
Reece Australia Limited	REH	45,711	822,798	0.8%
RCR Tomlinson Limited	RCR	335,714	600,928	0.6%
McMillan Shakespeare Limited	MMS	10,000	118,200	0.1%
Chandler Macleod Group Limited	CMG	175,485	74,581	0.1%
			11,953,630	11.7%
Financials				
CBA Perpetual Exc Resale Listed Sec - PERLS IV	CBAPB	14,378	2,875,600	2.8%
Flexigroup Limited	FXL	845,848	2,199,205	2.2%
MyState Limited	MYS	572,719	1,746,793	1.7%
Clime Investment Management Limited	CIW	3,836,143	1,687,903	1.6%
RHG Limited	RHG	2,769,394	1,121,605	1.1%
IMF (Australia) Limited 10.25% Conv Note Dec 2014	IMFG	521,136	901,565	0.9%
Cedar Woods Properties Limited	CWP	153,156	545,235	0.5%
Centrepoint Alliance Limited	CAF	1,973,972	365,185	0.4%
			11,443,091	11.2%
Information Technology				
Reckon Limited	RKN	1,084,098	2,276,606	2.2%
iProperty Group Limited	IPP	2,093,547	1,789,983	1.8%
Objective Corporation Limited	OCL	49,910	17,968	0.0%
			4,084,557	4.0%
Telecommunication Services				
Amcom Telecommunication Limited	AMM	2,066,532	2,231,855	2.2%
NEXTDC Limited	NXT	883,262	1,581,039	1.5%
			3,812,894	3.7%
Health Care				
1300 Smiles Limited	ONT	206,783	1,238,630	1.2%
Clover Corporation Limited	CLV	458,391	174,189	0.2%
			1,412,819	1.4%
Utilities				
Australian Power and Gas Company Limited	APK	1,529,777	780,186	0.8%
			780,186	0.8%
Consumer Staples				
Blackmores Limited	BKL	20,196	530,144	0.5%
			530,144	0.5%

WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

INVESTMENTS AT MARKET VALUE

AS AT 30 JUNE 2012

Company Name	Code	Quantity	Market Value	%
Materials			\$	
Bisalloy Steel Group Limited	BIS	339,018	474,625	0.5%
			474,625	0.5%
Total Long Portfolio			51,514,034	50.3%
Total Cash and cash equivalents, income receivable and net outstanding settlements			50,891,178	49.7%
Gross Assets			<u>102,405,212</u>	100.0%

WAM RESEARCH LIMITED
A.B.N. 15 100 504 541

ASX ADDITIONAL INFORMATION

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

Shareholdings

Substantial shareholders (as at 31 July 2012)

There are currently no substantial shareholders of WAM Research Limited.

Distribution of shareholders (as at 31 July 2012)

Category	No, of shareholders	
	Ordinary Shares	Options
1 – 1,000	233	-
1,001 – 5,000	1,001	-
5,001 – 10,000	873	-
10,001 – 100,000	1,918	-
100,001 and over	177	-
	4,202	-

The number of shareholdings held in less than marketable parcels is 94.

Twenty largest shareholders – Ordinary shares (as at 31 July 2012)

Name	Number of ordinary shares held	Percentage of issued capital held
Entities associated with Geoffrey Wilson	5,612,597	4.6
Mr Victor John Plummer	3,200,000	2.6
Mr Erich Gustav Brosell	1,100,000	0.9
Mrs Thelma Joan Martin-Weber	1,000,000	0.8
Navigator Australia Limited (MLC Investment Sett A/C)	956,710	0.8
Pineross Pty Limited	893,221	0.7
Anchorfield Pty Limited (Brazil Family FNDN A/C)	890,000	0.7
Somoke Pty Limited (Pulman Super Fund A/C)	860,865	0.7
R B & S J Baxter Pty Limited (Super Fund A/C)	800,000	0.7
Dr and Mrs English (N English SF No 1 A/C)	763,782	0.6
Pollywam Pty Limited (DPS Superannuation Fund A/C)	662,541	0.5
VBS Investments Pty Limited	630,773	0.5
Mr Vincent Paul Godfrey Cotterell (Vincot A/C)	618,108	0.5
Charanda Nominee Company Pty Limited (The Amanchar A/C)	510,000	0.4
Mr and Mrs O'Brien (MA & A O'Brien Super Fund A/C)	508,572	0.4
Favermead Pty Limited (Fut A/C)	500,000	0.4
Noonbah Pty Limited (Noonbah A/C)	500,000	0.4
Mrs Jean Plummer	500,000	0.4
Viking Management Services Pty Limited (VHK Super Fund A/C)	500,000	0.4
Cantala Pty Ltd	450,000	0.4
	21,457,169	17.4

WAM RESEARCH LIMITED
A.B.N. 15 100 504 541

ASX ADDITIONAL INFORMATION

Securities Exchange Listing

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



WILSON
ASSET MANAGEMENT

Level 11, 139 Macquarie Street, Sydney NSW 2000
T (02) 9247 6755 | F (02) 9247 6855 | E info@wamfunds.com.au
www.wamfunds.com.au