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# Annual Report

For the year ended 30 June 2018

# WAM Research Limited

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

## Directors

Geoff Wilson AO (Chairman)  
John Abernethy  
Julian Gosse  
Kate Thorley

## Auditor

Pitcher Partners

## Country of Incorporation

Australia

## Share Registry

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

## Company Secretary

Linda Vo

## Registered Office

Level 11, 139 Macquarie Street  
Sydney NSW 2000

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

## Investment Manager

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

## Contact Details

Postal Address: GPO Box 4658  
Sydney NSW 2001  
T: (02) 9247 6755  
F: (02) 9247 6855  
E: [info@wilsonassetmanagement.com.au](mailto:info@wilsonassetmanagement.com.au)  
W: [wilsonassetmanagement.com.au](http://wilsonassetmanagement.com.au)

## Australian Securities Exchange

WAM Research Limited  
Ordinary Shares (WAX)

## Shareholder Presentations 2018

### Annual General Meeting and Presentation Sydney

#### Tuesday 20 November

Presentation: 10.00am – 12.00pm

AGM: 2.35pm – 2.55pm

The Westin Sydney

1 Martin Place

Sydney NSW 2000

To be streamed live on our website [wilsonassetmanagement.com.au](http://wilsonassetmanagement.com.au).



#### Canberra

##### Monday 19 November

10.00am – 12.00pm

QT Hotel

1 London Circuit

Canberra ACT 2601

#### Brisbane

##### Thursday 22 November

10.00am – 12.00pm

Brisbane Convention & Exhibition

Centre, Cnr Merivale & Glenelg Streets

South Bank QLD 4101

#### Hobart

##### Friday 23 November

10.00am – 12.00pm

C3 Convention Centre

64 Anglesea Street

South Hobart TAS 7004

#### Adelaide

##### Monday 26 November

10.00am – 12.00pm

Adelaide Convention Centre

North Terrace

Adelaide SA 5000

#### Perth

##### Tuesday 27 November

10.00am – 12.00pm

Perth Convention & Exhibition Centre

21 Mounts Bay Road

Perth WA 6000

#### Melbourne

##### Thursday 29 November

10.00am – 12.00pm

Melbourne Convention & Exhibition

Centre, 1 Convention Centre Place

South Wharf VIC 3006

**The Future Generation Presentations** will be held from 12.15pm - 1.15pm in each city.

Access exclusive investment ideas from leading Australian and global fund managers at the

**Future Generation Investment Forum** which will be held from 1.45pm – 3.15pm on Thursday 29 November in Melbourne.

## Key highlights FY2018

**\$28.9m** +14.5%

Operating profit before tax

Investment portfolio performance

**9.5c**

Fully franked full year dividend

**6.3%**

Fully franked dividend yield

### Snapshot as at 30 June 2018

Listing date	August 2003
Gross assets	\$242.1m
Market capitalisation	\$284.5m
Share price	\$1.51
Shares on issue	188,406,337
Net Tangible Assets (pre-tax)	\$1.28
Net Tangible Assets (post-tax)	\$1.25
Fully franked dividends FY2018	9.5 cents
Fully franked FY2018 dividend yield	6.3%

### FY2018 results

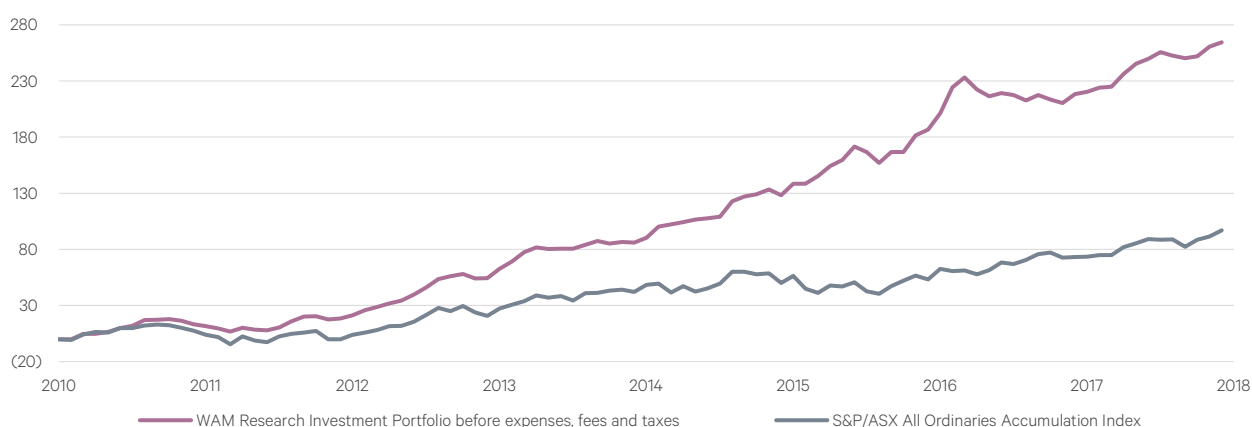
WAM Research reported an operating profit before tax of \$28.9 million for the year (FY2017: \$20.3 million), up 42.2%, and an operating profit after tax of \$21.6 million (FY2017: \$15.6 million), up 38.5%.

The operating profit for 2018 is reflective of the solid investment portfolio performance over the period. The investment portfolio increased 14.5%, outperforming the S&P/ASX All Ordinaries Accumulation Index which rose 13.7%. This outperformance was achieved with an average cash weighting of 29.1%.

The Board declared a fully franked full year dividend of 9.5 cents per share, an increase of 5.6% on the previous year with the fully franked final dividend being 4.75 cents per share.

## WAM Research's investment portfolio has returned 18.1% p.a. since revised investment strategy outperforming the market by 8.7% p.a.

Index re-based



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## Chairman's letter

Dear Fellow Shareholders,

I would like to thank all WAM Research shareholders for your continued support of the Company during the 2018 financial year. I would also like to welcome all new shareholders to the Company.

In 2018, the Company delivered an operating profit before tax of \$28.9 million (2017: \$20.3 million) and an operating profit after tax of \$21.6 million (2017: \$15.6 million). The operating profit for 2018 is reflective of the solid investment portfolio performance of 14.5% for the year, outperforming the S&P/ASX All Ordinaries Accumulation Index. This risk-adjusted investment portfolio performance was achieved with an average cash weighting of 29.1%, with the investment portfolio recording a standard deviation of 4.6% against the market's 7.1% for the year. The return on equity portion of our portfolio was 19.4% and the return on the cash portion of the portfolio was 2.3% for the year.

WAM Research has consistently applied its proven investment strategy to achieve an investment portfolio return of 18.1% per annum since its change in investment strategy in 2010, which is 8.7% greater than the annual average return from the S&P/ASX All Ordinaries Accumulation Index. The fully franked full year dividend for the 2018 year was 9.5 cents per share, representing a fully franked 6.3% yield on the 30 June 2018 share price. WAM Research is well positioned to continue to deliver strong risk-adjusted returns.

### Company performance

There are three key measures we use to evaluate the performance of a listed investment company, which are: investment portfolio performance; net tangible asset (NTA) growth; and total shareholder return (TSR). Investment portfolio performance measures the growth of the underlying portfolio of equities and cash before expenses, fees and taxes. A key objective of WAM Research is to outperform the S&P/ASX All Ordinaries Accumulation Index by growing the investment portfolio at a greater rate, which is called outperformance. The S&P/ASX All Ordinaries Accumulation Index is measured before expenses, fees and taxes. NTA growth is the change in value of the Company's assets, less liabilities and costs (including tax, management and performance fees) and is essentially the tangible realisable value of the Company. The NTA is announced to shareholders on the ASX each month. TSR measures the tangible value shareholders gain from share price growth and dividends paid over the period. Importantly, TSR does not include the value of franking credits distributed to shareholders by way of fully franked dividends.

### 1. Investment portfolio performance

Performance at 30 June 2018	1 yr	3 yrs %pa	5 yrs %pa	7 yrs %pa	Since change in investment strategy %pa (Jul-10)
WAM Research Investment Portfolio <sup>1</sup>	14.5%	16.9%	18.8%	18.2%	18.1%
S&P/ASX All Ordinaries Accumulation Index	13.7%	9.5%	10.3%	9.0%	9.4%
<b>Outperformance</b>	<b>+0.8%</b>	<b>+7.4%</b>	<b>+8.5%</b>	<b>+9.2%</b>	<b>+8.7%</b>

<sup>1</sup>Investment performance and Index returns are before expenses, fees and taxes.

WAM Research's investment portfolio increased 14.5% for the 12 months to 30 June 2018, and was achieved while holding an average 29.1% of the investment portfolio in cash. This measure is before tax and all costs and is compared to the S&P/ASX All Ordinaries Accumulation Index, which rose by 13.7%, which is also before expenses, fees and taxes.

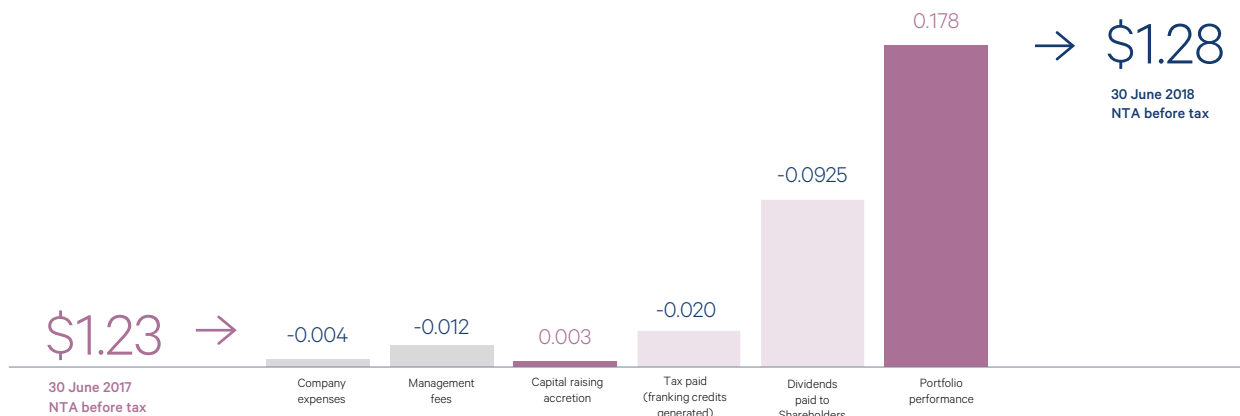
Set out below is the performance of WAM Research since the change in the investment strategy on a financial year basis. The performance data excludes all expenses, fees and taxes and is used as a guide to how the Company's investment portfolio has performed against the S&P/ASX All Ordinaries Accumulation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

Financial year	WAM Research Investment Portfolio	S&P/ASX All Ordinaries Accumulation Index	Outperformance
2010/2011	17.5%	12.2%	<b>+5.3%</b>
2011/2012	4.5%	-7.0%	<b>+11.5%</b>
2012/2013	30.4%	20.7%	<b>+9.7%</b>
2013/2014	20.5%	17.6%	<b>+2.9%</b>
2014/2015	22.8%	5.7%	<b>+17.1%</b>
2015/2016	25.5%	2.0%	<b>+23.5%</b>
2016/2017	11.1%	13.1%	<b>-2.0%</b>
2017/2018	14.5%	13.7%	<b>+0.8%</b>

## 2. NTA growth

WAM Research's NTA before tax increased 11.7% for the 12 months to 30 June 2018, including the 9.25 cents per share fully franked dividends paid to shareholders during the year. This increase is after corporate tax paid of 2.0 cents per share or 1.7% during the year. Corporate tax payments made throughout the period was the major item of difference between the investment portfolio performance of 14.5% and the net tangible asset performance. The franking credits attached to corporate tax payments are available for distribution to shareholders through fully franked dividends. Other items contributing to the change in the value of the assets during the year were management fees of 1.0%, other company related and capital raising expenses of 0.3%, being offset by capital raising accretion of 0.2%.

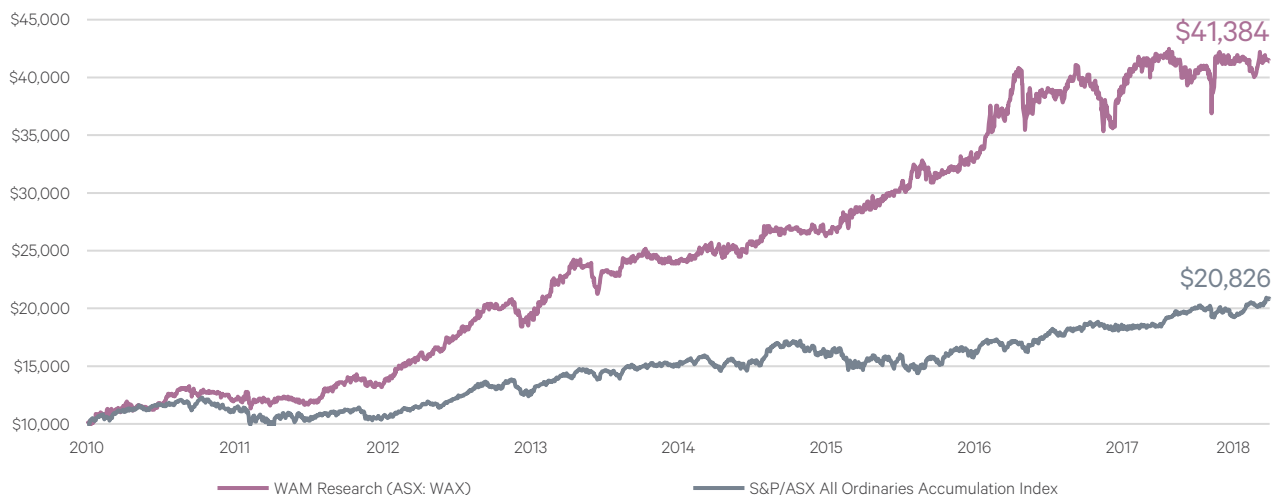
## WAM Research NTA before tax performance



### 3. Total shareholder return

This measure shows the tangible return to shareholders, being the change in the share price together with dividends, assuming the dividends are reinvested during the period. The TSR for WAM Research for the year to 30 June 2018 was 6.6% (2017: 18.8%). The TSR was largely driven by WAM Research's investment portfolio performance, being offset by the reduction in the share price's premium to NTA. As at 30 June 2018, the share price premium to NTA was 18.0% (2017: 22.4%). This measure does not value the potential benefit of franking credits distributed to shareholders through fully franked dividends.

### Growth of a \$10,000 investment since revised investment strategy



Notes:

1. The above graph reflects the period from the change in investment strategy in July 2010 to 30 June 2018.
2. WAM Research's performance is calculated using the closing daily share price in Australian dollars and assumes all dividends are reinvested.
3. The S&P/ASX All Ordinaries Accumulation Index has been chosen for comparison purposes only. The graph is not intended to be an indication of future performance of any asset class, index or the WAM Research portfolio.

### Investment portfolio

WAM Research's investment portfolio continued to deliver strong absolute performance during the year. The investment portfolio increased 14.5% over the period, outperforming the S&P/ASX All Ordinaries Accumulation Index whilst holding on average 29.1% in cash. The driver of the investment portfolio's performance during the year was the sound stock selection from the investment team. The best five performing investments in FY2018 were Afterpay Touch Group (APT), Emeco Holdings (EHL), Bravura Solutions (BVS), Imdex (IMD) and Pinnacle Investment Management Group (PNI). We believe investment opportunities are, and continue to be, available irrespective of the direction of the overall equity market.

### Dividends

The Board declared a fully franked full year dividend of 9.5 cents per share, an increase of 5.6% on the previous year with the fully franked final dividend being 4.75 cents per share. Since inception, WAM Research has paid 89.9 cents per share in fully franked dividends to shareholders.

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

### WAM Research dividends since inception



### Equity market overview

We are approaching the end of the current cycle, which is the second-longest bull market in the United States' history. The rise in global interest rates, coupled with the potential trade wars will increase volatility and although global economic growth continues, domestic economic growth remains sluggish. Given the lack of wage inflation and no clear catalyst to drive domestic economic growth in the short-to-medium term, we expect interest rates in Australia to remain on hold for a prolonged period.



### Company outlook

WAM Research enters the 2019 financial year with a conservative balance sheet, a high cash weighting, no debt and a flexible and proven investment approach with the patience and expertise of an experienced investment team. The Company will continue to seek opportunities irrespective of market conditions. We remain well positioned to identify and act on value opportunities as they emerge.

### Board changes

In June 2018, Matthew Kidman and Chris Stott resigned from the Board. The Board would like to thank Matthew and Chris for their contribution to WAM Research since Matthew's appointment as founding Director in 2002 and Chris' appointment in 2014.

### Public policy and advocacy – defending the current dividend imputation system

Wilson Asset Management continues to engage in public policy discussions and advocates on behalf of all shareholders regarding issues of importance. Early in the 2018 calendar year, the Federal Opposition proposed to remove the mechanism for the Australian Taxation Office to refund tax paid on dividend income. We believe it is unfair to change the rules on self-funded retirees, older workers and low income earners. On 11 May 2018, Wilson Asset Management launched a petition to maintain the current dividend imputation system, with over 12,000 signatures collected to date.

We will be submitting the petition, polling results and policy paper to the Commonwealth Treasurer, Minister for Finance, Leader of the Opposition and Shadow Treasurer detailing the negative economic and social impacts of this proposed policy and the positive aspects of the current franking credits system. Over the coming months we will monitor the proposed policy changes and continue to engage in the public debate.

### Shareholder engagement and communication

Shareholders are the owners of WAM Research. Our responsibility is to manage the Company on their behalf and be available to report to them on a regular basis. We encourage all shareholders to meet with us and utilise our proactive approach to keeping them informed. We value shareholder engagement and aim to provide total transparency. We do this regularly in many ways, including:

- Weekly investor updates from our Chief Investment Officer;
- Regular investment insights and market updates;
- Regular roundtables with our shareholders and planners, advisers and their clients;
- Monthly investment updates;
- Semi-annual conference calls on our LICs;
- Semi-annual presentations and lunches across all major Australian cities; and
- Annual and semi-annual profits announcements.

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

Chairman's letter

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

Thank you for your continued support.

A handwritten signature in black ink, consisting of a large, stylized 'G' followed by a horizontal line extending to the right.

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

## Investing with Wilson Asset Management

Established in 1997 by Geoff Wilson, Wilson Asset Management is an independently owned investment manager based in Sydney, Australia. Today, Wilson Asset Management employs 30 staff. The investment team comprises 11 highly experienced professionals with more than 140 years combined investment experience and a total focus on managing money.

We take great pride in managing seven LICs and more than \$3 billion in shareholder capital on behalf of almost 80,000 retail investors. We created and continue to support Future Generation Investment Company Limited and Future Generation Global Investment Company Limited, the only companies to provide:

- Shareholders with exposure to the best Australian and global fund managers without paying management or performance fees;
- Charities with a consistent and growing stream of annual donations; and
- Fund managers with a unique opportunity to make a positive difference to Australia's future generations.

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

**Risk-adjusted returns.** Wilson Asset Management is focused on delivering strong returns while taking the least risk possible to protect shareholders' capital. Our flexible mandate allows for above average cash holdings.

**Deep diversification.** LICs managed by Wilson Asset Management hold small positions in many companies, providing shareholders with access to highly diversified portfolios.

**Experienced experts.** Wilson Asset Management's investment team has a total focus on protecting and growing shareholder capital and is informed by more than 140 years combined equity market experience.

**Full market access.** Wilson Asset Management's investment team hold more than 2,500 company meetings each year, that coupled with their extensive network in the market, provides insight, intelligence and opportunities.

**Transparency.** Wilson Asset Management values shareholder engagement and its LICs adhere to strict corporate governance requirements.

**Shareholder advocacy.** Wilson Asset Management regularly and actively engages in public debate on behalf of self-managed superannuation funds and retail investors.

**A positive impact to the community.** Wilson Asset Management is passionate about making a difference to the broader community.

## Objectives and investment process

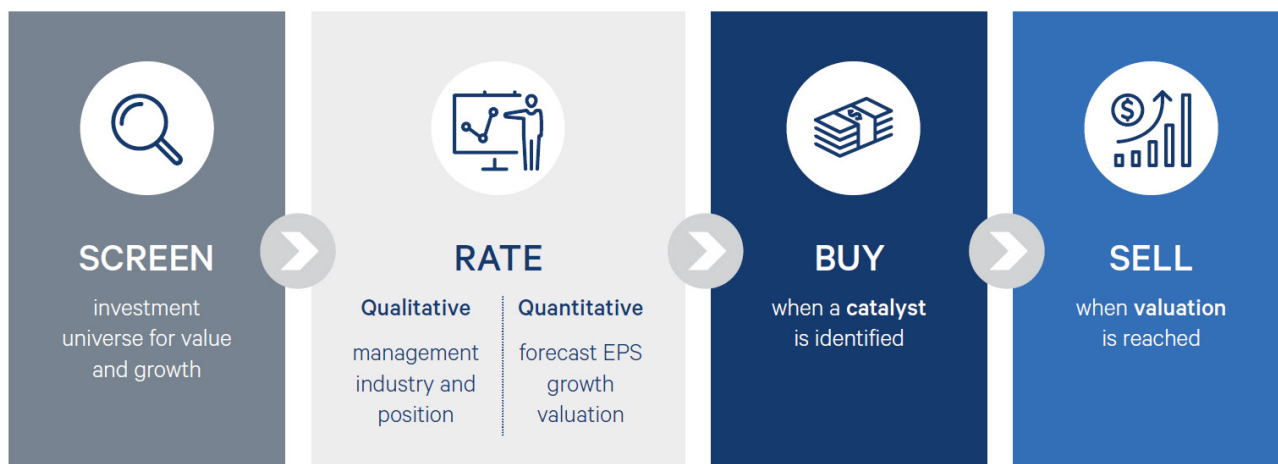
### Investment objectives

The investment objectives of WAM Research are to:

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

### Investment process

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



## Directors' Report to shareholders for the year ended 30 June 2018

The Directors present their report together with the financial report of WAM Research Limited for the financial year ended 30 June 2018.

### Principal activity

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

### Operating and financial review

Investment operations over the year resulted in an operating profit before tax of \$28,894,489 (2017: \$20,317,030) and an operating profit after tax of \$21,600,279 (2017: \$15,590,751). The operating profit for the year is reflective of the solid investment portfolio performance of 14.5%, which outperformed the S&P/ASX All Ordinaries Accumulation Index. The investment portfolio performance was achieved with an average cash weighting of 29.1%.

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

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

Further information on the three key listed investment company performance measures and the operating and financial review of the Company is contained in the Chairman's Letter.

### Financial position

The net asset value of the Company as at 30 June 2018 was \$235,020,451 (2017: \$224,622,520). Further information on the financial position of the Company is contained in the Chairman's Letter.

### Significant changes in state of affairs

There was no significant change in the state of affairs of the Company during the year ended 30 June 2018.

## Dividends paid or recommended

Dividends paid or declared during the year are as follows:

	\$
Fully franked FY2017 final dividend of 4.5 cents per share paid on 27 October 2017	8,298,193
Fully franked FY2018 interim dividend of 4.75 cents per share paid on 27 April 2018	8,893,050

Since the end of the year, the Directors declared a fully franked final dividend of 4.75 cents per share to be paid on 26 October 2018.

## Directors

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

- Geoff Wilson AO
- Julian Gosse
- John Abernethy
- Kate Thorley
- Matthew Kidman (resigned 29 June 2018)
- Chris Stott (resigned 29 June 2018)

## Information on Directors

### Geoff Wilson AO (Chairman – non-independent)

#### Experience and expertise

Geoff Wilson has over 38 years' direct experience in investment markets having held a variety of senior investment roles in Australia, the UK and the US. Geoff founded Wilson Asset Management in 1997. Geoff created Australia's first listed philanthropic wealth creation vehicles, Future Generation Investment Company and Future Generation Global Investment Company. Geoff holds a Bachelor of Science, a Graduate Management Qualification and is a Fellow of the Financial Services Institute of Australia and the Australian Institute of Company Directors (AICD).

Geoff has been Chairman of the Company since June 2003.

#### Other current directorships

Geoff Wilson is currently Chairman of WAM Capital Limited (appointed March 1999), WAM Active Limited (appointed July 2007), WAM Leaders Limited (appointed March 2016), WAM Microcap Limited (appointed March 2017) WAM Global Limited (appointed February 2018) and the Australian Stockbrokers Foundation. He is the founder and a Director of Future Generation Global Investment Company Limited (appointed May 2015) and Future Generation Investment Company Limited (appointed July 2014) and a Director of Australian Leaders Fund Limited (appointed October 2003), Global Value Fund Limited (appointed April 2014), Century Australia Investments Limited (appointed September 2014), 8IP Emerging Companies Limited (appointed April 2018), Incubator Capital Limited (appointed February 2000), Sporting Chance Cancer Foundation, Australian Fund Managers Foundation, Australian Children's Music Foundation and he is a Member of the Second Bite NSW Advisory Committee. He is the founder and Director of investment management companies Wilson Asset Management (International) Pty Limited and MAM Pty Limited.

### **Geoff Wilson AO (Chairman – non-independent) (cont'd)**

#### Former directorships in the last 3 years

Geoff Wilson resigned as a director of Clime Capital Limited in March 2018.

#### Special responsibilities

Chairman of the Board.

#### Interests in shares of the Company

Details of Geoff Wilson's interests in shares of the Company are included later in this report.

#### Interests in contracts

Details of Geoff Wilson's interests in contracts of the Company are included later in this report.

### **John Abernethy (Director – independent)**

#### Experience and expertise

John Abernethy has over 35 years' experience in funds management and corporate advisory. He spent ten years at NRMA Investments as Head of Equities managing portfolios. In 1994 he joined Poynton Corporate Limited as an Executive Director before forming Clime Investment Management Limited in 1996. John was also appointed Chairman of Clime Capital Limited in July 2009. He has a Bachelor of Law and Commerce from The University of New South Wales.

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

#### Other current directorships

John Abernethy is Chairman of Clime Capital Limited (appointed July 2009). He is an executive Director of Clime Investment Management Limited (appointed July 2000), Director of Clime Private Limited (appointed August 2017), Australian Leaders Fund Limited (appointed November 2003), Jasco Holdings Limited, CGB Asset Management Limited, Watermark Market Neutral Fund Limited (appointed June 2013) and Watermark Global Leaders Fund Limited (appointed February 2018).

#### Former directorships in the last 3 years

John Abernethy resigned as a director of WAM Active Limited in March 2018.

#### Special responsibilities

Chairman of the Audit and Risk Committee.

#### Interests in shares of the Company

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

#### Interests in contracts

John Abernethy has no interests in contracts of the Company.

### **Julian Gosse (Director – independent)**

#### Experience and expertise

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

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

#### Other current directorships

Julian Gosse is a Director of Australian Leaders Fund Limited (appointed October 2003) and Clime Capital Limited (appointed November 2003).

#### Former directorships in the last 3 years

Julian Gosse resigned as a non-executive director of Iron Road Limited in March 2018.

#### Special responsibilities

Member of the Audit and Risk Committee.

#### Interests in shares of the Company

Julian Gosse has no interests in shares of the Company.

#### Interests in contracts

Julian Gosse has no interests in contracts of the Company.

### **Kate Thorley (Director – non-independent)**

#### Experience and expertise

Kate Thorley has over 13 years' experience in the funds management industry and more than 19 years of financial accounting and corporate governance experience. Kate is the Chief Executive Officer of Wilson Asset Management (International) Pty Limited, Director of WAM Capital Limited, WAM Active Limited, WAM Leaders Limited, WAM Microcap Limited, WAM Global Limited and Future Generation Investment Company Limited. Kate is the Company Secretary of Future Generation Global Investment Company Limited. She holds a Bachelor of Commerce, a Graduate Diploma in Applied Finance and Investment, Graduate Diploma of Applied Corporate Governance and is a fully qualified CA. She is a member of the Australian Institute of Company Directors.

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

#### Other current directorships

Kate Thorley is a Director of WAM Active Limited (appointed July 2014), WAM Leaders Limited (appointed March 2016), Future Generation Investment Company Limited (appointed April 2015), WAM Capital Limited (appointed August 2016), WAM Microcap Limited (appointed March 2017) and WAM Global Limited (appointed February 2018).

#### Former directorships in the last 3 years

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

#### Special responsibilities

Member of the Audit and Risk Committee.



## Kate Thorley (Director – non-independent) (cont'd)

### Interests in shares of the Company

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

### Interests in contracts

Kate Thorley 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:

### Linda Vo

Linda Vo has over 15 years' experience in financial accounting including more than 11 years in the funds management industry. As the Finance Manager of Wilson Asset Management (International) Pty Limited, Linda oversees finance and accounting and is also Company Secretary for six listed investment companies, WAM Capital Limited, WAM Research Limited, WAM Active Limited, WAM Leaders Limited, WAM Microcap Limited and WAM Global Limited. Linda holds a Bachelor of Commerce and is a fully qualified CPA. She is a certified member of the Governance Institute of Australia.

Linda was appointed Company Secretary of WAM Research Limited in May 2016.

## Remuneration Report (Audited)

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

### a) Remuneration of Directors

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

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

The maximum total remuneration of the Directors of the Company has been set at \$120,000 per annum. Directors do not receive bonuses nor are they issued options on securities by the Company as part of their remuneration. Directors' fees cover all main Board activities and membership of committees.

Directors' remuneration received for the year ended 30 June 2018:

Director	Position	Short-term employee benefits Directors' fees \$	Post-employment benefits Superannuation \$	Total \$
Geoff Wilson	Chairman	9,132	868	10,000
John Abernethy	Director	27,397	2,603	30,000
Julian Gosse	Director	30,000	-	30,000
Kate Thorley	Director	9,132	868	10,000
Matthew Kidman (resigned 29 June 2018)	Director	27,397	2,603	30,000
Chris Stott (resigned 29 June 2018)	Director	9,132	868	10,000
		<b>112,190</b>	<b>7,810</b>	<b>120,000</b>

**Remuneration Report (Audited) (cont'd)**

Directors receive a superannuation guarantee contribution required by the government, which was 9.5% of individuals benefits for FY2018 and do not receive any other retirement benefits. Directors may also elect to salary sacrifice their fees into superannuation.

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

	2018	2017	2016	2015	2014
Operating profit after tax (\$)	21,600,279	15,590,751	26,157,144	19,463,163	15,816,590
Dividends (cents per share)	9.5	9.0	8.5	8.0	7.5
NTA after tax (\$ per share)	1.25	1.22	1.20	1.12	1.06
Total Directors' remuneration (\$)	120,000	120,000	112,500	100,000	92,500
Shareholder's equity (\$)	235,020,451	224,622,520	208,768,206	186,168,680	148,555,696

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

**b) Director related entities remuneration**

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

The Company has an investment management agreement with MAM Pty Limited (the Investment Manager or the Manager). Geoff Wilson is the Director of MAM Pty Limited, the entity appointed to manage the investment portfolio of WAM Research Limited. Entities associated with Geoff Wilson hold 100% of the issued shares of MAM Pty Limited. In its capacity as the Manager, and in accordance with the investment management agreement, MAM Pty Limited was paid a management fee of 1% p.a. (plus GST) of gross assets amounting to \$2,614,890 inclusive of GST (2017: \$2,587,090). As at 30 June 2018, the balance payable to the Manager was \$221,856 inclusive of GST (2017: \$209,110).

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

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

No performance fee is payable in respect of any performance period where the portfolio has decreased in value over that period. For the year ended 30 June 2018, no performance fee was payable to MAM Pty Limited (2017: nil).

Wilson Asset Management (International) Pty Limited has a service agreement in place with WAM Research Limited to provide accounting and Company Secretarial services on commercial terms. For the year ended 30 June 2018, the fee for accounting services amounted to \$46,200 inclusive of GST (2017: \$46,200) and the fee for Company Secretarial services amounted to \$16,500 inclusive of GST (2017: \$16,500). Entities associated with Geoff Wilson hold 100% of the issued shares of Wilson Asset Management (International) Pty Limited.

**Remuneration Report (Audited) (cont'd)****b) Director related entities remuneration (cont'd)**

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 of the Director or with a firm of which he/she is a member or with a Company in which he/she has substantial financial interest.

**c) Remuneration of executives**

There are no executives that are paid by the Company. MAM Pty Limited, the Investment Manager of the Company provides the day to day management of the Company and is remunerated for these services as outlined above.

**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:

Ordinary shares held Directors	Balance at 30 June 2017	Acquisitions	Disposals	Balance at the date of this report
Geoff Wilson	4,857,552	-	-	4,857,552
John Abernethy	10,000	-	-	10,000
Julian Gosse	-	-	-	-
Kate Thorley	58,617	4,200	-	62,817
	<b>4,926,169</b>	<b>4,200</b>	<b>-</b>	<b>4,930,369</b>

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

**- End of Remuneration Report -****Directors' meetings**

Director	No. eligible to attend	Attended
Geoff Wilson	4	4
John Abernethy	4	4
Julian Gosse	4	4
Kate Thorley	4	4
Matthew Kidman (resigned 29 June 2018)	4	4
Chris Stott (resigned 29 June 2018)	4	4

### Audit and Risk Committee meetings

The main responsibilities of the Audit and Risk Committee are set out in the Company's 2018 Corporate Governance Statement.

Audit and Risk Committee member	No. eligible to attend	Attended
John Abernethy	4	4
Julian Gosse	4	4
Matthew Kidman (resigned 29 June 2018)	4	4

Kate Thorley was appointed as a member of the Company's Audit and Risk Committee on 5 July 2018.

### After balance date events

Since the end of the year, the Directors declared a fully franked final dividend of 4.75 cents per share to be paid on 26 October 2018.

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.

### Future developments

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

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

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

### Environmental regulation

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

### Indemnification and insurance of officers or Auditors

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

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

### Proceedings on behalf of the Company

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

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

### Non-audit services

During the year Pitcher Partners, the Company's auditor, performed taxation services to the Company. Details of the amounts paid to the auditors and their related parties are disclosed in Note 5 to the financial statements.

The Board of Directors, in accordance with advice from the Audit and 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 and 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.

### Rounding of amounts to nearest dollar

In accordance with ASIC Corporations (rounding in Directors' Reports) Instrument 2017/191, the amounts in the Directors' Report have been rounded to the nearest dollar.

### Corporate Governance Statement

The Company's Corporate Governance Statement for the year ended 30 June 2018 is provided on the Company's website at [wilsonassetmanagement.com.au](http://wilsonassetmanagement.com.au).

### 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 22 of the Annual Report.

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



**Geoff Wilson AO**  
Chairman

Dated in Sydney this 17<sup>th</sup> day of August 2018

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

In relation to the independent audit for the year ended 30 June 2018, I declare that to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor's independence requirements of the *Corporations Act 2001*;  
and
- (ii) 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.



**C I Chandran**  
Partner

**Pitcher Partners**  
Sydney

17 August 2018

## Statement of comprehensive income for the year ended 30 June 2018

	Note	2018 \$	2017 \$
Net realised and unrealised gains on financial assets		25,613,627	16,642,001
Other revenue from operating activities	2	6,812,772	7,088,309
Management fees		(2,436,602)	(2,410,697)
Directors fees		(120,000)	(120,000)
Brokerage expense on share purchases		(544,454)	(423,679)
Custody fees		(17,053)	(15,995)
ASX listing and chess fees		(95,174)	(109,900)
Share registry fees		(66,447)	(85,273)
Other expenses from ordinary activities		(252,180)	(247,736)
<b>Profit before income tax</b>		<b>28,894,489</b>	<b>20,317,030</b>
Income tax expense	3(a)	(7,294,210)	(4,726,279)
<b>Profit after income tax attributable to members of the Company</b>		<b>21,600,279</b>	<b>15,590,751</b>
<b>Other comprehensive loss</b>			
Net unrealised losses on investments taken to equity, net of tax		(58,462)	(53,507)
<b>Total comprehensive income for the year</b>		<b>21,541,817</b>	<b>15,537,244</b>
<b>Basic and diluted earnings per share</b>	14	<b>11.58 cents</b>	<b>8.64 cents</b>

The accompanying notes form part of these financial statements.

## Statement of financial position as at 30 June 2018

	Note	2018 \$	2017 \$
<b>Current assets</b>			
Cash and cash equivalents	12	68,050,560	101,068,937
Trade and other receivables	6	1,413,159	2,587,734
Financial assets at fair value through income statement	7	178,525,024	122,977,546
<b>Total current assets</b>		<b>247,988,743</b>	<b>226,634,217</b>
<b>Non-current assets</b>			
Financial assets at fair value through other comprehensive income	7	1,705,861	1,829,907
Deferred tax assets	3(b)	55,796	72,060
<b>Total non-current assets</b>		<b>1,761,657</b>	<b>1,901,967</b>
<b>Total assets</b>		<b>249,750,400</b>	<b>228,536,184</b>
<b>Current liabilities</b>			
Trade and other payables	8	7,979,618	568,628
Current tax liabilities	3(c)	296,467	3,210,611
<b>Total current liabilities</b>		<b>8,276,085</b>	<b>3,779,239</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	3(d)	6,453,864	134,425
<b>Total non-current liabilities</b>		<b>6,453,864</b>	<b>134,425</b>
<b>Total liabilities</b>		<b>14,729,949</b>	<b>3,913,664</b>
<b>Net assets</b>		<b>235,020,451</b>	<b>224,622,520</b>
<b>Equity</b>			
Issued capital	9(a)	204,737,110	198,689,753
Reserves	10	44,616,826	40,266,252
Accumulated losses	11	(14,333,485)	(14,333,485)
<b>Total equity</b>		<b>235,020,451</b>	<b>224,622,520</b>

The accompanying notes form part of these financial statements.



## Statement of changes in equity for the year ended 30 June 2018

	Note	Issued capital \$	Accumulated losses \$	Profits reserve \$	Asset revaluation reserve \$	Other reserves \$	Total equity \$
<b>Balance at 1 July 2016</b>		<b>182,724,945</b>	<b>(8,407,483)</b>	<b>53,907,772</b>	<b>389,167</b>	<b>(19,846,195)</b>	<b>208,768,206</b>
Profit for the year		-	15,590,751	-	-	-	15,590,751
Transfer to profits reserve		-	(21,516,753)	21,516,753	-	-	-
Transfer from asset revaluation reserve		-	-	40,388	(40,388)	-	-
Other comprehensive loss for the year		-	-	-	(53,507)	-	(53,507)
<b>Transactions with owners:</b>							
Shares issued via dividend reinvestment plan	9(b)	3,557,982	-	-	-	-	3,557,982
Shares issued via placement	9(b)	12,501,876	-	-	-	-	12,501,876
Share issue costs (net of tax)	9(b)	(95,050)	-	-	-	-	(95,050)
Dividends paid	4(a)	-	-	(15,647,738)	-	-	(15,647,738)
<b>Balance at 30 June 2017</b>		<b>198,689,753</b>	<b>(14,333,485)</b>	<b>59,817,175</b>	<b>295,272</b>	<b>(19,846,195)</b>	<b>224,622,520</b>
Profit for the year		-	21,600,279	-	-	-	21,600,279
Transfer to profits reserve		-	(21,600,279)	21,600,279	-	-	-
Transfer from asset revaluation reserve		-	-	-	(9,917)	9,917	-
Other comprehensive loss for the year		-	-	-	(58,462)	-	(58,462)
<b>Transactions with owners:</b>							
Shares issued via dividend reinvestment plan	9(b)	3,437,022	-	-	-	-	3,437,022
Shares issued via placement	9(b)	2,642,640	-	-	-	-	2,642,640
Share issue costs (net of tax)	9(b)	(32,305)	-	-	-	-	(32,305)
Dividends paid	4(a)	-	-	(17,191,243)	-	-	(17,191,243)
<b>Balance at 30 June 2018</b>		<b>204,737,110</b>	<b>(14,333,485)</b>	<b>64,226,211</b>	<b>226,893</b>	<b>(19,836,278)</b>	<b>235,020,451</b>

The accompanying notes form part of these financial statements.

## Statement of cash flows for the year ended 30 June 2018

	Note	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Proceeds from sale of investments		359,077,794	306,369,954
Payments for purchase of investments		(380,567,421)	(249,787,018)
Dividends received		5,263,659	5,059,741
Interest received		1,601,111	2,011,339
Other investment income received		43,306	386,955
Management fee (GST inclusive)		(2,602,144)	(2,583,100)
Performance fee (GST inclusive)		-	(9,063,588)
Brokerage on share purchases (GST inclusive)		(584,250)	(453,931)
Payments for administration expenses (GST inclusive)		(480,897)	(653,661)
Income tax paid		(3,833,751)	(7,684,533)
GST on brokerage expense on share sales		(44,100)	(40,300)
Net GST received from the ATO		266,047	894,592
<b>Net cash (used in)/provided by operating activities</b>	<b>13</b>	<b>(21,860,646)</b>	<b>44,456,450</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		2,642,640	12,501,876
Dividends paid – net of reinvestment		(13,754,221)	(12,089,756)
Share issue costs		(46,150)	(135,786)
<b>Net cash (used in)/provided by financing activities</b>		<b>(11,157,731)</b>	<b>276,334</b>
<b>Net (decrease)/increase in cash and cash equivalents held</b>		<b>(33,018,377)</b>	<b>44,732,784</b>
Cash and cash equivalents at beginning of financial year		101,068,937	56,336,153
<b>Cash and cash equivalents at end of financial year</b>	<b>12</b>	<b>68,050,560</b>	<b>101,068,937</b>
<b>Non-cash transactions:</b>			
Shares issued via dividend reinvestment plan		3,437,022	3,557,982

The accompanying notes form part of these financial statements.

# Notes to the financial statements for the year ended 30 June 2018

## 1. Significant accounting policies

### Basis of preparation

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

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

The financial report was authorised for issue on 17 August 2018 by the Board of Directors.

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

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures the financial statements and notes also comply with International Financial Reporting Standards (IFRS) as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

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

### a) Financial assets

#### Initial recognition

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

#### Classification and subsequent measurement

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

The Company classifies its financial assets into the following categories:

#### (i) Financial assets at fair value through income statement

Financial assets are classified 'at fair value through income statement' when they are held for trading for the purpose of short-term profit taking. Realised and unrealised gains and losses arising from changes in fair value are included in the Statement of comprehensive income in the period in which they arise.

## 1. Significant accounting policies (cont'd)

### a) Financial assets (cont'd)

#### Classification and subsequent measurement (cont'd)

#### (ii) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are recognised initially at cost and the Company has elected to present subsequent changes in the fair value of financial assets in the Statement of comprehensive income through the asset revaluation reserve after deducting a provision for the potential deferred capital gains tax liability. When an investment is disposed, the cumulative gain or loss, net of tax thereon, is transferred from the asset revaluation reserve to the profits reserve.

### b) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the end of the current financial year. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

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

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

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

Deferred income tax assets relating to temporary differences and unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

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

## 1. Significant accounting policies (cont'd)

### c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, at call deposits with banks or financial institutions and term deposits maturing within four months or less.

### d) Revenue and other income

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

### e) Trade and other receivables

Trade and other receivables are non-derivative financial assets and are initially recognised at fair value. They are subsequently stated at amortised cost, less any provision for impairment. Refer to Note 1(g) for further detail.

### f) Trade and other payables

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

### g) Impairment of assets

At each reporting date, the Company reviews the carrying values of its non-financial assets to determine whether there is any indication that those assets may be impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of comprehensive income.

### h) Goods and Services Tax (GST)

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

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

Cash flows are presented in the Statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### i) Comparative figures

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

## 1. Significant accounting policies (cont'd)

### j) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data.

There are no estimates that have a material impact on the financial results of the Company for the year ended 30 June 2018. All material financial assets are valued by reference to quoted prices and therefore no significant estimates or judgements are required in respect to their valuation.

### k) Profits reserve

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

### l) Issued capital

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

### m) Dividends

Dividends are recognised when declared during the financial year.

### n) New standards and interpretations not yet adopted

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

## 2. Other revenue

	2018 \$	2017 \$
Australian sourced dividends	5,095,959	4,968,886
Interest	1,590,982	1,813,433
Trust distributions	53,283	182,816
Foreign sourced dividends	37,678	98,841
Underwriting fees	34,870	24,333
	<b>6,812,772</b>	<b>7,088,309</b>

### 3. Income tax

#### a) Income tax expense

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

	2018 \$	2017 \$
Prima facie tax on profit before income tax at 30% (2017: 30%)	8,668,347	6,095,109
Imputation credit gross up	600,301	573,142
Foreign income tax offset gross up	1,996	6,484
Franking credit offset	(2,001,003)	(1,910,473)
Foreign income tax offset	(6,652)	(21,614)
Other non-assessable items*	31,221	(16,369)
	<b>7,294,210</b>	<b>4,726,279</b>
Effective tax rate	25.2%	23.3%

The effective tax rate reflects the benefit to the Company of franking credits received on dividend income during the year. The increase in the effective tax rate from the comparative year is reflective of the lower proportion of franked dividend income received in comparison to the profit before tax for the period.

\*Other non-assessable items primarily relates to timing differences on dividends receivable.

#### Total income tax expense results in a:

Current tax liability	915,357	4,711,555
Deferred tax asset	30,109	28,698
Deferred tax liability	6,348,744	(13,974)
	<b>7,294,210</b>	<b>4,726,279</b>

#### b) Deferred tax assets

	2018 \$	2017 \$
Provisions	10,015	8,085
Capitalised share issue costs	45,781	63,975
	<b>55,796</b>	<b>72,060</b>

#### Movement in deferred tax assets

Balance at the beginning of the period	72,060	60,022
Charged to the Statement of comprehensive income	(30,109)	(28,698)
Capitalised share issue costs	13,845	40,736
At reporting date	<b>55,796</b>	<b>72,060</b>

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

	2018 \$	2017 \$
<b>Movement in current tax liabilities</b>		
Balance at the beginning of the year	3,210,611	6,166,281
Current year income tax expense on operating profit	915,357	4,711,555
Income tax expense on realised gains on investments	4,250	17,308
Income tax paid	(3,833,751)	(7,684,533)
At reporting date	<b>296,467</b>	<b>3,210,611</b>

**d) Deferred tax liabilities**

	2018 \$	2017 \$
<b>Fair value adjustments</b>		
Fair value adjustments	6,453,864	134,425
	<b>6,453,864</b>	<b>134,425</b>
<b>Movement in deferred tax liabilities</b>		
Balance at the beginning of the year	134,425	188,639
Charged/(credited) to the Statement of comprehensive income	6,348,744	(13,974)
Credited to equity	(29,305)	(40,240)
At reporting date	<b>6,453,864</b>	<b>134,425</b>

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

	2018 \$	2017 \$
Final dividend FY2017: 4.5 cents per share fully franked at 30% tax rate, paid 27 October 2017 (Final dividend FY2016: 4.25 cents per share fully franked)	8,298,193	7,402,384
Interim dividend FY2018: 4.75 cents per share fully franked at 30% tax rate, paid 27 April 2018 (Interim dividend FY2017: 4.5 cents per share fully franked)	8,893,050	8,245,354
	<b>17,191,243</b>	<b>15,647,738</b>



#### 4. Dividends (cont'd)

##### b) Dividends not recognised at year end

	2018 \$	2017 \$
In addition to the above dividends, since the end of the year, the Directors have declared a 4.75 cent per share fully franked dividend (2017: 4.5 cents per share fully franked) which has not been recognised as a liability at the end of the financial year:	<b>8,949,301</b>	<b>8,298,184</b>

##### c) Dividend franking account

	2018 \$	2017 \$
Balance of franking account at year end	5,345,094	6,878,017
Adjusted for franking credits arising from: - Estimated income tax payable	296,467	3,210,611
Subsequent to year end, the franking account would be reduced by the proposed dividend disclosed in Note 4 (b):	(3,835,415)	(3,556,365)
	<b>1,806,146</b>	<b>6,532,263</b>

The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from investments and the payment of tax.

The balance of the franking account does not include the tax to be paid on unrealised investment gains currently recognised as a deferred tax liability of \$6,453,864 (2017: \$134,425).

#### 5. Auditor's remuneration

	2018 \$	2017 \$
<b>Remuneration of the auditor for:</b>		
Auditing and reviewing the financial report	41,984	50,005
Other services provided by a related practice of the auditor:		
Taxation services	7,810	7,700
Other non-assurance services	-	6,852
	<b>49,794</b>	<b>64,557</b>

The Company's Audit and Risk Committee oversees the relationship with the Company's external auditors. The Audit and 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

	2018 \$	2017 \$
Outstanding settlements	1,060,778	2,139,000
Investment income receivable	284,502	379,806
GST receivable	67,879	58,172
Other receivables	-	10,756
	<b>1,413,159</b>	<b>2,587,734</b>

Outstanding settlements are on the terms operating in the securities industry. These do not incur interest and require settlement within two days of the date of the transaction. Investment income receivable relates to interest, dividends and trust distributions receivable at the end of the reporting period.

## 7. Financial assets

	2018 \$	2017 \$
Financial assets at fair value through income statement	178,525,024	122,977,546
Financial assets at fair value through other comprehensive income	1,705,861	1,829,907
	<b>180,230,885</b>	<b>124,807,453</b>
Financial assets at fair value through other comprehensive income:		
- Clime Investment Management Limited	1,382,459	1,492,444
- Clime Private Limited	323,402	337,463
	<b>1,705,861</b>	<b>1,829,907</b>

The details of all financial assets are disclosed on page 52.

## 8. Trade and other payables

	2018 \$	2017 \$
Outstanding settlements	7,602,240	276,767
Management fee payable	221,856	209,110
Sundry creditors	155,522	82,751
	<b>7,979,618</b>	<b>568,628</b>

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

## 9. Issued capital

### a) Paid-up capital

	2018 \$	2017 \$
188,406,337 ordinary shares fully paid (2017: 184,404,085)	<b>204,737,110</b>	<b>198,689,753</b>

### b) Ordinary shares

	2018 \$	2017 \$
Balance at the beginning of the year	198,689,753	182,724,945
1,101,899 ordinary shares issued on 27 October 2017 under a dividend reinvestment plan	1,696,997	-
1,716,000 ordinary shares issued on 2 November 2017 under a DRP shortfall placement	2,642,640	-
1,184,353 ordinary shares issued on 27 April 2018 under a dividend reinvestment plan	1,740,025	-
Share issue costs (net of tax)	(32,305)	-
1,130,992 ordinary shares issued on 28 October 2016 under a dividend reinvestment plan	-	1,783,099
7,929,644 ordinary shares issued on 28 October 2016 under a DRP shortfall placement	-	12,501,876
1,174,166 ordinary shares issued on 21 April 2017 under a dividend reinvestment plan	-	1,774,883
Share issue costs (net of tax)	-	(95,050)
At reporting date	<b>204,737,110</b>	<b>198,689,753</b>

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

### c) Capital management

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

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

**10. Reserves**

	2018 \$	2017 \$
Profits reserve	64,226,211	59,817,175
Asset revaluation reserve	226,893	295,272
Capital profits reserve – capital account	11,263	1,346
Capital profits reserve – revenue account	(19,847,541)	(19,847,541)
	<b>44,616,826</b>	<b>40,266,252</b>

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

	2018 \$	2017 \$
<b>Movements in profits reserve</b>		
Balance at the beginning of the year	59,817,175	53,907,772
Transfer from retained earnings	21,600,279	21,516,753
Transfer from asset revaluation reserve	-	40,388
Final dividend paid (refer Note 4a)	(8,298,193)	(7,402,384)
Interim dividend paid (refer Note 4a)	(8,893,050)	(8,245,354)
At reporting date	<b>64,226,211</b>	<b>59,817,175</b>
<b>Movement in asset revaluation reserve</b>		
Balance at the beginning of the year	295,272	389,167
Transfer to capital profits reserve – capital account	(9,917)	-
Transfer to profits reserve	-	(40,388)
Other comprehensive loss	(58,462)	(53,507)
At reporting date	<b>226,893</b>	<b>295,272</b>
<b>Movement in capital profits reserve – capital account</b>		
Balance at the beginning of the year	1,346	1,346
Transfer from asset revaluation reserve	9,917	-
At reporting date	<b>11,263</b>	<b>1,346</b>

## 11. Accumulated losses

	2018 \$	2017 \$
Balance at the beginning of the year	(14,333,485)	(8,407,483)
Profit for the year attributable to members of the Company	21,600,279	15,590,751
Transfer to profits reserve	(21,600,279)	(21,516,753)
	<b>(14,333,485)</b>	<b>(14,333,485)</b>

## 12. Cash and cash equivalents

Cash at the end of the financial year as shown in the Statement of cash flows is reconciled to the related items in the Statement of financial position as follows:

	2018 \$	2017 \$
Cash at bank	20,928,984	56,293,217
Term deposits	4,712,576	44,775,720
	<b>68,050,560</b>	<b>101,068,937</b>

The weighted average interest rate for cash and term deposits as at 30 June 2018 is 2.32% (2017: 2.09%). The term deposits have an average maturity of 52 days (2017: 67 days). All the term deposits are invested with major Australian banks and their 100% owned banking subsidiaries institutions that have a Standard & Poor's A-1+ rating.

## 13. Cash flow information

	2018 \$	2017 \$
<b>Reconciliation of profit after tax to cash flow from operations:</b>		
Profit after income tax	21,600,279	15,590,751
Fair value gains and movements in financial assets	(47,103,254)	39,940,935
<b>Changes in assets and liabilities:</b>		
Decrease in receivables	96,353	984,250
Decrease in deferred tax assets	30,109	28,698
Increase/(decrease) in payables	85,517	(9,101,232)
Decrease in current tax liabilities	(2,914,144)	(2,955,670)
Increase/(decrease) in deferred tax liabilities	6,344,494	(31,282)
Net cash (used in)/provided by operating activities	<b>(21,860,646)</b>	<b>44,456,450</b>

## 14. Earnings per share

	2018 Cents per share	2017 Cents per share
Basic and diluted earnings per share	11.58	8.64

	2018 \$	2017 \$
Profit after income tax used in the calculation of basic and diluted earnings per share	21,600,279	15,590,751

	2018 No.	2017 No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted earnings per share	186,560,466	180,526,332

There are no outstanding securities on issue that are potentially dilutive in nature at the end of the year.

## 15. Financial risk management

The Company's financial instruments consist of listed and unlisted investments, trade receivables and trade payables. The risks exposed to through these financial instruments are discussed below and include credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantive changes in the types of risks the Company is exposed to, how these risks arise, or the Board's objective, policies and processes for managing or measuring the risks during the 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 twice weekly 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 with 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 two days after trade date. Engaging with counterparties via the Australian Securities Exchange facilitates the Company in both mitigating and managing its credit risk on an ongoing basis.

## 15. Financial risk management (cont'd)

### a) Credit risk (cont'd)

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

None of the assets exposed to credit risk are overdue or considered to be impaired.

### b) Liquidity risk

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

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

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

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

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

30 June 2018	>1 month \$	<1 month \$	Total \$
<b>Liabilities</b>			
Total trade and other payables	-	7,979,618	7,979,618
<b>Total</b>	<b>-</b>	<b>7,979,618</b>	<b>7,979,618</b>
30 June 2017	>1 month \$	<1 month \$	Total \$
<b>Liabilities</b>			
Total trade and other payables	-	568,628	568,628
<b>Total</b>	<b>-</b>	<b>568,628</b>	<b>568,628</b>

## 15. Financial risk management (cont'd)

### c) Market risk

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

By its nature, as a listed investment company that invests in tradable securities, the Company will always be subject to market risk as it invests its capital in securities which are not risk free, as the market price of these securities can fluctuate.

#### (i) Interest rate risk

The Company's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing level of market interest rates on its financial position and cash flows. The Company however is not materially exposed to interest rate risk as the majority of its cash and term deposits mature within two months. As the Company's exposure to interest rate risk is not significant, interest rate sensitivities have not been performed.

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

30 June 2018	Weighted average interest rate (% pa)	Interest bearing \$	Non-interest bearing \$	Total \$
<b>Assets</b>				
Cash and cash equivalents	2.32%	68,050,560	-	68,050,560
Trade and other receivables		-	1,413,159	1,413,159
Financial assets		-	180,230,885	180,230,885
<b>Total</b>		<b>68,050,560</b>	<b>181,644,044</b>	<b>249,694,604</b>
<b>Liabilities</b>				
Trade and other payables		-	7,979,618	7,979,618
<b>Total</b>		<b>-</b>	<b>7,979,618</b>	<b>7,979,618</b>
<hr/>				
30 June 2017	Weighted average interest rate (% pa)	Interest bearing \$	Non-interest bearing \$	Total \$
<b>Assets</b>				
Cash and cash equivalents	2.09%	101,068,937	-	101,068,937
Trade and other receivables		-	2,587,734	2,587,734
Financial assets		-	124,807,453	124,807,453
<b>Total</b>		<b>101,068,937</b>	<b>127,395,187</b>	<b>228,464,124</b>
<b>Liabilities</b>				
Trade and other payables		-	568,628	568,628
<b>Total</b>		<b>-</b>	<b>568,628</b>	<b>568,628</b>



## 15. Financial risk management (cont'd)

### c) Market risk (cont'd)

#### (ii) Other price risk

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

As the majority of the Company's investments are carried at fair value with fair value changes recognised in the Statement of comprehensive income, all changes in market conditions will directly affect net investment income. Due to the short-term nature of receivables and payables, the carrying amounts of these financial assets and financial liabilities approximate their fair values.

The Manager seeks to manage and reduce the other price risk of the Company by diversification of the investment portfolio across numerous stocks and multiple industry sectors. The relative weightings of the individual securities and market sectors are reviewed daily and the risk managed on a daily basis. The Company does not have set parameters as to a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

The Company's industry sector weighting of gross assets as at 30 June 2018 is as follows:

Industry sector	2018 %	2017 %
Consumer discretionary	30.5	15.1
Financials	16.5	16.1
Industrials	6.8	5.0
Materials	5.9	4.2
Health care	5.2	1.7
Information technology	2.4	8.8
Real estate	2.3	-
Telecommunications services	2.1	2.5
Consumer staples	1.7	-
Energy	1.0	-
Utilities	-	1.3
<b>Total</b>	<b>74.4</b>	<b>54.7</b>

Securities representing over 5 per cent of the gross assets of the Company as at 30 June 2018 are set out below:

Company name	2018 %
Nine Entertainment Co. Holdings Limited	6.3

There were no securities representing over 5 per cent of gross assets at 30 June 2017.

## 15. Financial risk management (cont'd)

### c) Market risk (cont'd)

#### (ii) Other price risk (cont'd)

##### Sensitivity analysis

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

Investments represent 74.4% (2017: 54.7%) of gross assets at year end. A 5.0% movement in the market value of each of the investments within the portfolio would result in a 2.7% (2017: 1.9%) movement in the net assets after tax. This would result in the net asset backing after tax moving by 3.4 cents per share using the 30 June 2018 numbers (2017: 2.4 cents per share).

### d) Financial instruments measured at fair value

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

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

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

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

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

Included within Level 2 of the hierarchy includes an unlisted investment which has been based on the last sale price to determine fair value.

There were no transfers between Level 1 and Level 2 during the year (2017: nil).

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
30 June 2018				
Financial assets	179,907,483	323,402	-	180,230,885
<b>Total</b>	<b>179,907,483</b>	<b>323,402</b>	<b>-</b>	<b>180,230,885</b>
30 June 2017				
Financial assets	124,469,990	337,463	-	124,807,453
<b>Total</b>	<b>124,469,990</b>	<b>337,463</b>	<b>-</b>	<b>124,807,453</b>

## 16. Investment transactions

The total number of contract notes that were issued for transactions in securities during the financial year was 3,425 (2017: 3,110). Each contract note could involve multiple transactions. The total brokerage paid on these contract notes was \$1,240,033 (2017: \$1,050,482).

## 17. Segment reporting

The Company engages in investing activities, including cash, term deposits and financial assets. It has no reportable operating segments.

## 18. Key management personnel compensation

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

- Geoff Wilson AO Chairman
- John Abernethy Director
- Julian Gosse Director
- Kate Thorley Director
- Matthew Kidman Director (resigned 29 June 2018)
- Chris Stott Director (resigned 29 June 2018)

### a) Remuneration

There are no executives that are paid by the Company.

Individual Directors' remuneration disclosures are provided in the Remuneration Report of the Directors' Report on page 17, as required by Corporations Regulation 2M.3.03 and 2M.6.04.

	Short-term employee benefits Directors' fees \$	Post-employment benefits Superannuation \$	Total \$
Total Directors remuneration paid by the Company for the year ended 30 June 2018	112,190	7,810	<b>120,000</b>
Total Directors remuneration paid by the Company for the year ended 30 June 2017	112,190	7,810	<b>120,000</b>

### b) Share holdings

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

Ordinary shares held Directors	Balance at 30 June 2017	Acquisitions	Disposals	Balance at 30 June 2018
Geoff Wilson	4,857,552	-	-	4,857,552
John Abernethy	10,000	-	-	10,000
Julian Gosse	-	-	-	-
Kate Thorley	58,617	4,200	-	62,817
	<b>4,926,169</b>	<b>4,200</b>	<b>-</b>	<b>4,930,369</b>

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

Ordinary shares held Directors	Balance at 30 June 2016	Acquisitions	Disposals	Balance at 30 June 2017
Geoff Wilson	4,857,552	-	-	4,857,552
John Abernethy	60,000	-	50,000	10,000
Julian Gosse	-	-	-	-
Kate Thorley	51,636	6,981	-	58,617
Matthew Kidman*	388,828	49,376	29,595	408,609
Chris Stott*	98,355	9,002	-	107,357
	<b>5,456,371</b>	<b>65,359</b>	<b>79,595</b>	<b>5,442,135</b>

\*Matthew Kidman and Chris Stott resigned as Directors of WAM Research Limited on 29 June 2018. On resignation, Matthew and Chris held 428,547 and 117,789 ordinary shares in the Company respectively.

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

**19. Related party transactions**

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

The Company has an investment management agreement with MAM Pty Limited. Geoff Wilson is the Director of MAM Pty Limited, the entity appointed to manage the investment portfolio of WAM Research Limited. Entities associated with Geoff Wilson hold 100% of the issued shares of MAM Pty Limited. In its capacity as the Manager, and in accordance with the investment management agreement, MAM Pty Limited was paid a management fee of 1% p.a. (plus GST) of gross assets amounting to \$2,614,890 inclusive of GST (2017: \$2,587,090). As at 30 June 2018, the balance payable to the Manager was \$221,856 inclusive of GST (2017: \$209,110).

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

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

No performance fee is payable in respect of any performance period where the portfolio has decreased in value over that period. For the year ended 30 June 2018, no performance fee was payable to MAM Pty Limited (2017: nil).

## 19. Related party transactions (cont'd)

Wilson Asset Management (International) Pty Limited has a service agreement in place with WAM Research Limited to provide accounting and Company Secretarial services on commercial terms. For the year ended 30 June 2018, the fee for accounting services amounted to \$46,200 inclusive of GST (2017: \$46,200) and the fee for Company Secretarial services amounted to \$16,500 inclusive of GST (2017: \$16,500). Entities associated with Geoff Wilson hold 100% of the issued shares of Wilson Asset Management (International) Pty Limited.

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 of the Director or with a firm of which he/she is a member or with a Company in which he/she has substantial financial interest.

## 20. Contingent liability

There were no contingent liabilities for the company as at 30 June 2018 (2017: nil).

## 21. Capital commitments

There were no capital commitments for the company as at 30 June 2018 (2017: nil).

## 22. Events subsequent to reporting date

Since the end of the year, the Directors declared a final dividend of 4.75 cents per share fully franked to be paid on 26 October 2018.


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

## Directors' Declaration

The Directors of WAM Research Limited declare that:

- 1) The financial report as set out in pages 23 to 45 and the additional disclosures included in the Directors' Report designated as "Remuneration Report", as set out on pages 17 to 19, are in accordance with the *Corporations Act 2001*, including:
  - a) complying with Australian Accounting Standards, which, as stated in Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS), the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - b) giving a true and fair view of the financial position of the Company as at 30 June 2018 and of its performance, as represented by the results of the operations and the cashflows, for the year ended on that date; and
- 2) The Directors have been given declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer of the Manager, MAM Pty Limited declaring that:
  - a) the financial records of the Company for the financial year have been properly maintained in accordance with the Section 286 of the *Corporations Act 2001*;
  - b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c) the financial statements and notes for the financial year give a true and fair view.
- 3) At the date of this declaration, in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



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

Dated in Sydney this 17<sup>th</sup> day of August 2018

**Independent Auditor's Report  
To the Members of WAM Research Limited  
ABN 15 100 504 541**

**Report on the Audit of the Financial Report**

*Opinion*

We have audited the financial report of WAM Research Limited ("the Company"), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying 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 2018 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be on the same terms if given to the Directors as at the time of this auditor's report.

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

**Independent Auditor’s Report  
To the Members of WAM Research Limited  
ABN 15 100 504 541**

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. We have communicated the key audit matters to the Audit and Risk Committee, but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Audit and Risk Committee. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key audit matter</b>	<b>How our audit addressed the matter</b>
<p><b>Existence and valuation of Financial Assets</b> <b>Refer to Note 7: Financial Assets</b></p>	
<p>We focused our audit effort on the valuation and existence of the Company’s financial assets as they are its largest asset and represent the most significant driver of the Company’s Net Tangible Assets and profits.</p> <p>Investments mostly consist of listed Australian securities and some unlisted Australian securities. Investments are valued by multiplying the quantity held by the respective market price, cost or estimated value per security for unlisted investments.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▪ Obtaining an understanding of the investment management process and controls;</li> <li>▪ Reviewing and evaluating the independent audit report on internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Custodians;</li> <li>▪ Making enquiries as to whether there have been any changes to these controls or their effectiveness from the periods to which the audit reports relate and where necessary performing additional procedures;</li> <li>▪ Obtaining a confirmation of the investment holdings directly from the Custodians;</li> <li>▪ Assessing the Company’s valuation of individual investment holding to independent sources;</li> <li>▪ Evaluating the accounting treatment of revaluations of financial assets for current/deferred tax and unrealised gains or losses;</li> <li>▪ Assessing the adequacy of disclosures in the financial statements.</li> </ul>



**Independent Auditor's Report  
To the Members of WAM Research Limited  
ABN 15 100 504 541**

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<p><b>Accuracy of Management and Performance Fees</b> <b>Refer to Note 8: Trade and other payables, Note 19: Related party transactions</b></p>	
<p>We focused our audit effort on the accuracy of management and performance fees as they are significant expenses of the Company and their calculation requires adjustments for major events such as payment of company dividends and taxes, capital raisings and capital reductions in accordance with the Investment Management Agreement between the Company and the Investment Manager.</p> <p>In addition, to their quantum, as these transactions are made with related parties, there are additional inherent risks associated with these transactions, including the potential for these transactions to be made on terms and conditions more favourable than if they had been with an independent third-party.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▪ Making enquiries with the Investment Manager and those charged with governance with respect to any significant events during the period and associated adjustments made as a result, in addition to reviewing ASX announcements;</li> <li>▪ Testing key inputs used in the calculation of management and performance fees and performing a recalculation in accordance with our understanding of the Investment Management Agreement;</li> <li>▪ Assessing the adequacy of disclosures made in the financial statements.</li> </ul>

*Other Information*

The Directors are responsible for the other information. The other information comprises the information included in the Company's Annual Report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Directors for the Financial Report*

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

**Independent Auditor's Report  
To the Members of WAM Research Limited  
ABN 15 100 504 541**

In preparing the financial report, the Directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

*Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Independent Auditor's Report  
To the Members of WAM Research Limited  
ABN 15 100 504 541**

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 17 to 19 of the Directors' Report for the year ended 30 June 2018. In our opinion, the Remuneration Report of WAM Research Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

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.



**C I Chandran**  
Partner



**Pitcher Partners**  
Sydney

17 August 2018

## Investments at market value as at 30 June 2018

Company Name	Code	Market Value \$	% of Gross Assets
<b>Consumer discretionary</b>			
Nine Entertainment Co. Holdings Limited	NEC	15,270,211	6.3%
Flight Centre Travel Group Limited	FLT	9,758,627	4.0%
Seven West Media Limited	SWM	7,179,291	3.0%
Bapcor Limited	BAP	6,986,649	2.9%
Corporate Travel Management Limited	CTD	6,397,127	2.7%
Noni B Limited	NBL	5,270,817	2.2%
Adairs Limited	ADH	4,648,125	1.9%
Accent Group Limited	AX1	3,907,982	1.6%
Specialty Fashion Group Limited	SFH	2,882,978	1.2%
AP Eagers Limited	APE	2,666,103	1.1%
GTN Limited	GTN	2,410,799	1.0%
Webjet Limited	WEB	2,239,573	0.9%
Ardent Leisure Group	AAD	1,926,589	0.8%
Jumbo Interactive Limited	JIN	1,268,755	0.5%
3P Learning Limited	3PL	1,048,076	0.4%
		<b>73,861,702</b>	<b>30.5%</b>
<b>Financials</b>			
PSC Insurance Group Limited	PSI	8,111,383	3.4%
FlexiGroup Limited	FXL	7,422,677	3.1%
Scottish Pacific Group Limited	SCO	6,419,322	2.7%
AUB Group Limited	AUB	4,331,640	1.8%
Pacific Current Group Limited	PAC	4,263,508	1.8%
ClearView Wealth Limited	CVW	3,789,068	1.6%
Pinnacle Investment Management Group Limited	PNI	2,975,619	1.2%
Clime Investment Management Limited	CIW	1,382,459	0.6%
Centrepont Alliance Limited	CAF	547,996	0.2%
Clime Private Limited*	n/a	323,402	0.1%
		<b>39,567,074</b>	<b>16.5%</b>
<b>Industrials</b>			
Emeco Holdings Limited	EHL	7,475,735	3.1%
Reece Limited	REH	5,092,764	2.1%
Cardno Limited	CDD	2,003,521	0.8%
Service Stream Limited	SSM	1,913,467	0.8%
		<b>16,485,487</b>	<b>6.8%</b>
<b>Materials</b>			
Imdex Limited	IMD	4,851,236	2.0%
Wagners Holding Company Limited	WGN	4,227,208	1.7%
Ausdrill Limited	ASL	3,198,715	1.3%
Nufarm Limited	NUF	2,271,164	0.9%
		<b>14,548,323</b>	<b>5.9%</b>

Company Name	Code	Market Value \$	% of Gross Assets
<b>Health care</b>			
Mayne Pharma Group Limited	MYX	6,973,221	2.9%
Primary Health Care Limited	PRY	2,541,582	1.0%
Integral Diagnostics Limited	IDX	1,932,217	0.8%
Japara Healthcare Limited	JHC	1,130,683	0.5%
		<b>12,577,703</b>	<b>5.2%</b>
<b>Information technology</b>			
Reckon Limited	RKN	3,332,467	1.4%
Bravura Solutions Limited	BVS	2,251,975	0.9%
Infomedia Limited	IFM	251,240	0.1%
		<b>5,835,682</b>	<b>2.4%</b>
<b>Real estate</b>			
Lifestyle Communities Limited	LIC	5,678,712	2.3%
		<b>5,678,712</b>	<b>2.3%</b>
<b>Telecommunication services</b>			
SpeedCast International Limited	SDA	5,111,629	2.1%
		<b>5,111,629</b>	<b>2.1%</b>
<b>Consumer staples</b>			
Elders Limited	ELD	2,785,971	1.2%
Tassal Group Limited	TGR	1,285,500	0.5%
		<b>4,071,471</b>	<b>1.7%</b>
<b>Energy</b>			
WorleyParsons Limited	WOR	2,493,102	1.0%
		<b>2,493,102</b>	<b>1.0%</b>
<b>Total long portfolio</b>		<b>180,230,885</b>	<b>74.4%</b>
<b>Total cash and cash equivalents, income receivable and net outstanding settlements</b>		<b>61,861,479</b>	<b>25.6%</b>
<b>Gross assets</b>		<b>242,092,364</b>	

\*Unlisted investment.

The total number of stocks held at the end of the financial year was 45.

## ASX additional information

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

### Shareholdings

**Substantial shareholders (as at 30 June 2018)** - there are currently no substantial shareholders.

**On-market buy back (as at 30 June 2018)** - there is no current on-market buy back.

### Distribution of shareholders (as at 30 June 2018)

Category	Number of shareholders
1 – 1,000	715
1,001 – 5,000	1,818
5,001 – 10,000	1,474
10,001 – 100,000	3,660
100,001 and over	259
	<b>7,926</b>

The number of shareholdings held in less than marketable parcels is 302.

### Twenty largest shareholders – Ordinary shares (as at 30 June 2018)

Name	Number of ordinary shares held	% of issued capital held
Entities associated with Mr Geoff Wilson	4,837,310	2.6
Mr VJ Plummer	3,500,000	1.9
BNP Paribas Nominees Pty Limited	1,729,331	0.9
Citicorp Nominees Pty Limited	1,026,714	0.6
Mr BS & Mrs M Locke	1,025,000	0.5
Invia Custodian Pty Limited	1,000,000	0.5
Gaseous Pty Limited	881,604	0.5
Pollywam Pty Limited	617,044	0.3
English Family Super Fund Pty Limited	561,931	0.3
Anchorfield Pty Limited	550,000	0.3
HSBC Custody Nominees (Australia) Limited	537,794	0.3
Emu Court Pty Limited	520,713	0.3
Mr K Carter	511,539	0.3
R B & S J Baxter Pty Limited	500,000	0.3
Mr JC Plummer	500,000	0.3
Dr S & Mrs B Kitchings	465,009	0.2
Mr R Miller	450,000	0.2
Seweta Pty Limited	440,610	0.2
Baranda Pty Limited	432,656	0.2
Mr PM & Mrs VM Antaw	431,907	0.2
	<b>20,519,162</b>	<b>10.9</b>

### Stock exchange listing

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

# Wilson

## Asset Management

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