

WAM RESEARCH LIMITED

ABN 15 100 504 541

Appendix 4D Half Year Report

for the half year ended 31 December 2019

Results for Announcement to the Market

All comparisons to the half year ended 31 December 2018

	\$	up/down	% mvmt
Revenue from ordinary activities	18,266,088	up	170.2%
Profit from ordinary activities before income tax expense	14,628,199	up	152.8%
Net profit from ordinary activities after income tax expense	11,014,555	up	159.3%

Dividend information	Cents per share	Franked amount per share	Tax rate for franking
2020 Interim dividend cents per share	4.90c	4.90c	30%
2019 Final dividend cents per share	4.85c	4.85c	30%

Interim dividend dates

Ex dividend date	6 April 2020
Record date	7 April 2020
Last election date for the DRP	9 April 2020
Payment date	21 April 2020

Dividend Reinvestment Plan

The Dividend Reinvestment Plan ('DRP') is in operation and the recommended fully franked interim dividend of 4.90 cents per share qualifies. Participating shareholders will be entitled to be allotted the number of shares (rounded to the nearest whole number) which the cash dividend would purchase at the relevant issue price. The relevant issue price will be at a 2.5% discount to the price, calculated as the VWAP (volume weighted average market price) of shares sold on the ASX on the ex date for the relevant dividend and the three trading days following that date.

	31 Dec 19	31 Dec 18
Net tangible asset backing (after tax) per share	\$1.17	\$1.10

This report is based on the Half Year Financial Report which has been subject to independent review by the Auditors, Pitcher Partners. All the documents comprise the information required by Listing Rule 4.2A. This information should be read in conjunction with the 30 June 2019 Annual Financial Report.



W | A | M *Research*

Financial Report

For the half year ended 31 December 2019

ABN 15 100 504 541

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

Company Secretary

Linda Vo

Investment Manager

MAM Pty Limited
Level 26, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
(part of Wilson Asset Management)

Auditor

Pitcher Partners

Country of Incorporation

Australia

Registered Office

Level 26, Governor Phillip Tower
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Contact Details

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Share Registry

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000
T: (02) 9290 9600
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For enquiries relating to shareholdings, dividends (including participation in the dividend reinvestment plan) and related matters, please contact the share registry.

Australian Securities Exchange

WAM Research Limited
Ordinary Shares (WAX)

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Directors' Report to shareholders for the half year ended 31 December 2019

The Directors present their report together with the financial report of WAM Research Limited for the half year ended 31 December 2019.

Directors

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

Geoff Wilson AO (Chairman – Non-independent)

John Abernethy (Director – Independent)

Julian Gosse (Director – Independent)

Kate Thorley (Director – Non-independent)

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 period or is likely in the future.

Operating and financial review

Investment operations during the half year resulted in an operating profit before tax of \$14,628,199 (2018: operating loss before tax of \$27,705,640) and an operating profit after tax of \$11,014,555 (2018: operating loss after tax of \$18,573,126). The profit for the period is reflective of the solid performance of the investment portfolio over the six months to 31 December 2019. The investment portfolio increased 8.0% in the six months to December 2019, outperforming the S&P/ASX All Ordinaries Accumulation Index by 4.4%. This outperformance was achieved with an average cash weighting of 21.8%.

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. Due to this treatment under the Accounting Standards, this can cause large variations in reported operating profits between periods.

The operating profit or loss for each financial period is reflective of the underlying investment portfolio performance and should be understood in 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.

WAM Research's before tax NTA increased 3.9% for the six months to 31 December 2019, including the 4.85 cents per share fully franked dividend paid to shareholders during the period. This increase is after corporate tax paid of 3.2 cents per share or 2.7% during the period. Corporate tax payments made throughout the period were the major item of difference between the investment portfolio increase of 8.0% and the NTA performance. The franking credits attached to corporate tax payments are available

for distribution to shareholders through fully franked dividends. Other items contributing to the change in the value of the assets during the period were management fees of 0.5%, performance fees accrued of 0.9% and other company related expenses of 0.1%, being offset by capital raising accretion of 0.1%.

The NTA before tax as at 31 December 2019 amounted to \$1.18 per share (June 2019: \$1.18). The NTA after tax was \$1.17 per share (June 2019: \$1.16). These figures are after the 4.85 cents per share fully franked dividend paid to shareholders during the period.

The total shareholder return for the Company for the period to 31 December 2019 was 15.0%. This was reflective of WAM Research's solid investment portfolio performance and the increase in the share price premium to NTA. As at 31 December 2019, the share price premium to NTA was 25.1% (June 2019: 12.2%). This measure does not value the potential benefit of franking credits distributed to shareholders through fully franked dividends.

A fully franked final dividend of 4.85 cents per share was paid during the period and a fully franked interim dividend of 4.90 cents per share has been declared by the Board and will be paid on 21 April 2020.

Rounding of amounts to nearest dollar

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

Auditor's Independence Declaration

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

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



Geoff Wilson AO
Chairman

Dated in Sydney this 17th day of February 2020

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

In relation to the independent auditor's review of WAM Research Limited for the half year ended 31 December 2019, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.



S M Whiddett
Partner

Pitcher Partners
Sydney

17 February 2020

Statement of comprehensive income for the half year ended 31 December 2019

	Note	December 2019 \$	December 2018 \$
Net realised and unrealised gains/(losses) on financial assets		15,130,365	(29,777,021)
Other revenue from operating activities	2	3,135,723	3,770,255
Performance fees		(1,814,282)	-
Management fees		(1,211,663)	(1,191,032)
Directors fees		(40,000)	(40,000)
Brokerage expense on share purchases		(277,406)	(198,084)
Custody fees		(7,333)	(9,774)
ASX listing and chess fees		(81,508)	(81,441)
Share registry fees		(42,668)	(45,720)
ASIC industry funding levy		(7,429)	-
Other expenses from ordinary activities		(155,600)	(132,823)
Profit/(loss) before income tax		14,628,199	(27,705,640)
Income tax (expense)/benefit		(3,613,644)	9,132,514
Profit/(loss) after income tax attributable to members of the Company	6	11,014,555	(18,573,126)
Other comprehensive income/(loss)			
Net unrealised gains/(losses) on investments taken to equity, net of tax		95,119	(17,984)
Total comprehensive income/(loss) for the period		11,109,674	(18,591,110)
Basic and diluted earnings/(loss) per share		5.75 cents	(9.84) cents

The accompanying notes form part of these financial statements.

Statement of financial position as at 31 December 2019

	Note	December 2019 \$	June 2019 \$
Current assets			
Cash and cash equivalents		46,218,924	57,506,206
Trade and other receivables		356,642	3,978,870
Financial assets at fair value through income statement	7	181,045,230	167,149,639
Total current assets		227,620,796	228,634,715
Non-current assets			
Financial assets at fair value through other comprehensive income	7	1,818,137	1,682,252
Deferred tax assets		31,044	1,226,378
Total non-current assets		1,849,181	2,908,630
Total assets		229,469,977	231,543,345
Current liabilities			
Trade and other payables		2,586,270	4,471,380
Current tax liabilities		548,319	5,073,460
Total current liabilities		3,134,589	9,544,840
Non-current liabilities			
Deferred tax liabilities		800,239	-
Total non-current liabilities		800,239	-
Total liabilities		3,934,828	9,544,840
Net assets		225,535,149	221,998,505
Equity			
Issued capital	4	209,893,249	208,207,225
Reserves	5	38,334,421	34,146,995
Accumulated losses	6	(22,692,521)	(20,355,715)
Total equity		225,535,149	221,998,505

The accompanying notes form part of these financial statements.

Statement of changes in equity for the half year ended 31 December 2019

	Note	Issued Capital \$	Accumulated Losses \$	Profits reserve \$	Asset revaluation reserve \$	Other reserves \$	Total equity \$
Balance at 1 July 2018		204,737,110	(14,333,485)	64,226,211	226,893	(19,836,278)	235,020,451
Loss for the half year		-	(18,573,126)	-	-	-	(18,573,126)
Transfer to profits reserve		-	(7,634,165)	7,634,165	-	-	-
Transfer to asset revaluation reserve		-	-	-	(12,688)	12,688	-
Other comprehensive loss for the half year		-	-	-	(17,984)	-	(17,984)
Transactions with owners:							
Shares issued via dividend reinvestment plan	4(b)	1,730,758	-	-	-	-	1,730,758
Dividends paid	3(a)	-	-	(8,949,307)	-	-	(8,949,307)
Balance at 31 December 2018		206,467,868	(40,540,776)	62,911,069	196,221	(19,823,590)	209,210,792
Balance at 1 July 2019		208,207,225	(20,355,715)	53,717,345	252,825	(19,823,175)	221,998,505
Profit for the half year		-	11,014,555	-	-	-	11,014,555
Transfer to profits reserve	5	-	(13,351,361)	13,351,361	-	-	-
Other comprehensive income for the half year		-	-	-	95,119	-	95,119
Transactions with owners:							
Shares issued via dividend reinvestment plan	4(b)	1,686,024	-	-	-	-	1,686,024
Dividends paid	3(a)	-	-	(9,259,054)	-	-	(9,259,054)
Balance at 31 December 2019		209,893,249	(22,692,521)	57,809,652	347,944	(19,823,175)	225,535,149

The accompanying notes form part of these financial statements.

Statement of cash flows for the half year ended 31 December 2019

	December 2019 \$	December 2018 \$
Cash flows from operating activities		
Proceeds from sale of investments	237,209,475	216,478,606
Payments for purchase of investments	(236,314,238)	(169,562,758)
Dividends received	3,000,289	2,930,553
Interest received	401,158	792,713
Other investment income received	10,843	173,542
Management fee (GST inclusive)	(1,297,748)	(1,310,703)
Payments for administration expenses (GST inclusive)	(297,546)	(369,643)
Brokerage on share purchases (GST inclusive)	(349,046)	(212,276)
Income tax paid	(6,183,977)	(451,202)
GST on brokerage expense on share sales	(24,030)	(21,910)
Net GST received from the ATO	130,568	137,974
Net cash (used in)/provided by operating activities	(3,714,252)	48,584,896
Cash flows from financing activities		
Dividends paid – net of reinvestment	(7,573,030)	(7,218,549)
Net cash used in financing activities	(7,573,030)	(7,218,549)
Net (decrease)/increase in cash and cash equivalents held	(11,287,282)	41,366,347
Cash and cash equivalents at the beginning of the half year	57,506,206	68,050,560
Cash and cash equivalents at the end of the half year	46,218,924	109,416,907
Non-cash transactions:		
Shares issued via dividend reinvestment plan	1,686,024	1,730,758

The accompanying notes form part of these financial statements.

Notes to the financial statements for the half year ended 31 December 2019

1. Summary of significant accounting policies

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

The half year financial report was authorised for issue on 17 February 2020 by the Board of Directors.

Basis of preparation

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

The half year report does not include full disclosures of the type normally included in an annual financial report. It is recommended that the half year financial report be read in conjunction with the Annual Financial Report for the year ended 30 June 2019 and any public announcements made by the Company during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

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

In accordance with ASIC Corporations (rounding in financial reports) Instrument 2016/191, the amounts in the financial report have been rounded to the nearest dollar, unless otherwise indicated.

The accounting policies have been consistently applied by the Company throughout the period and are consistent with those applied in the 30 June 2019 Annual Financial Report.

2. Other revenue

	December 2019 \$	December 2018 \$
Dividends	2,819,482	2,930,553
Interest	305,398	711,006
Underwriting and other fees	10,843	116,041
Trust distributions	-	12,655
	3,135,723	3,770,255

3. Dividends

a) Ordinary dividends paid during the period

	December 2019 \$	December 2018 \$
Final dividend FY2019: 4.85 cents per share fully franked at 30% tax rate, paid 18 October 2019 (Final dividend FY2018: 4.75 cents per share fully franked)	9,259,054	8,949,307

b) Dividends not recognised at period end

	December 2019 \$	December 2018 \$
Since the end of the period, the Directors have declared a fully franked interim dividend of 4.90 cents per share, payable on 21 April 2020 (Interim dividend FY2019: 4.85 cents per share fully franked).	9,414,304	9,193,724

4. Issued capital

a) Paid-up capital

	December 2019 \$	June 2019 \$
192,128,647 ordinary shares fully paid (June 2019: 190,907,874)	209,893,249	208,207,225

b) Ordinary shares

	December 2019 \$	June 2019 \$
Balance at the beginning of the period	208,207,225	204,737,110
1,220,773 ordinary shares issued on 18 October 2019 under a dividend reinvestment plan	1,686,024	-
1,154,390 ordinary shares issued on 26 October 2018 under a dividend reinvestment plan	-	1,730,758
1,346,607 ordinary shares issued on 26 April 2019 under a dividend reinvestment plan	-	1,739,357
At reporting date	209,893,249	208,207,225

5. Reserves

	December 2019 \$	June 2019 \$
Profits reserve	57,809,652	53,717,345
Asset revaluation reserve	347,944	252,825
Capital profits reserve – capital account	24,366	24,366
Capital profits reserve – revenue account	(19,847,541)	(19,847,541)

5. Reserves (cont'd)

The profits reserve is made up of amounts transferred from current period profits which are preserved for future dividend payments. The asset revaluation reserve is used to record increments and decrements on the revaluation of the 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.

	December 2019 \$	June 2019 \$
Movement in profits reserve		
Balance at the beginning of the period	53,717,345	64,226,211
Transfer of profits during the period	13,351,361	7,634,165
Final dividend paid (refer Note 3(a))	(9,259,054)	(8,949,307)
Interim dividend paid (refer Note 3(b))	-	(9,193,724)
At reporting date	57,809,652	53,717,345
Movement in asset revaluation reserve		
Balance at the beginning of the period	252,825	226,893
Transfer to capital profits reserve – capital account	-	(13,103)
Other comprehensive income	95,119	39,035
At reporting date	347,944	252,825
Movement in capital profits reserve – capital account		
Balance at the beginning of the period	24,366	11,263
Transfer from asset revaluation reserve	-	13,103
At reporting date	24,366	24,366

6. Accumulated losses

	December 2019 \$	June 2019 \$
Balance at the beginning of the period	(20,355,715)	(14,333,485)
Profit for the period attributable to members of the Company	11,014,555	1,611,935
Transfer to profits reserve	(13,351,361)	(7,634,165)
At reporting date	(22,692,521)	(20,355,715)

7. Financial instruments measured at fair value

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

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

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

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

Included within Level 1 of the hierarchy are listed investments. The fair 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 is an unlisted investment which has been valued using the last sale price to determine fair value.

The following table presents the Company's financial assets measured and recognised at fair value at 31 December 2019:

31 December 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	182,539,965	323,402	-	182,863,367
Total	182,539,965	323,402	-	182,863,367

30 June 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	168,508,489	323,402	-	168,831,891
Total	168,508,489	323,402	-	168,831,891

There were no transfers between Level 1 and Level 2 during the period (June 2019: nil).

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

8. Segment reporting

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

9. Capital commitments

There were no capital commitments entered into by the Company before period end which settle after period end (June 2019: nil).

10. Contingent liabilities

There were no contingent liabilities for the Company as at 31 December 2019 (June 2019: nil).

11. Events subsequent to reporting date

Since the end of the period, the Directors declared a fully franked interim dividend of 4.90 cents per share to be paid on 21 April 2020.

No other matter or circumstance has arisen since the end of the period, other than already disclosed, which significantly affect or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial periods.

Directors' Declaration

The Directors of WAM Research Limited declare that:

- 1) The financial statements and notes as set out in pages 7 to 15, are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b) giving a true and fair view of the financial position of the Company as at 31 December 2019 and of its performance for the half year ended on that date.
- 2) In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

Dated in Sydney this 17th day of February 2020

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

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of WAM Research Limited ("the company"), which comprises the statement of financial position as at 31 December 2019, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, a summary of significant accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: "*Review of a Financial Report Performed by the Independent Auditor of the Entity*", in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporation Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2019 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134: "*Interim Financial Reporting*" and the *Corporations Regulations 2001*. As the auditor of WAM Research Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of the half year financial report consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of WAM Research Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.



S M Whiddett
Partner

17 February 2020



Pitcher Partners
Sydney

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