

W | A | M *Research*

Financial Report

For the half year ended 31 December 2022

W Wilson
Asset Management

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difference

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)
Kate Thorley
John Abernethy
Julian Gosse

Joint Company Secretaries

Jesse Hamilton
Linda Kiriczenko

Investment Manager

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

Auditor

Pitcher Partners

Country of Incorporation

Australia

Registered Office

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Sydney NSW 2000

Contact Details

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Share Registry

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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 2022

The Directors present their report together with the financial report of WAM Research Limited for the half year ended 31 December 2022.

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)

Kate Thorley (Director – Non-independent)

John Abernethy (Director – Independent)

Julian Gosse (Director – Independent)

Principal activity

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

Operating and financial review

Investment operations during the half year resulted in an operating profit before tax of \$11,769,721 (2021: \$16,898,493) and an operating profit after tax of \$8,709,933 (2021: \$12,341,304). The profit for the period is reflective of the solid performance in the investment portfolio over the six months to 31 December 2022. The investment portfolio increased 7.2% in the six months to 31 December 2022, while the S&P/ASX All Ordinaries Accumulation Index rose 9.6% and the S&P/ASX Small Ordinaries Accumulation Index increased 7.0%. The average cash weighting of the investment portfolio during this period was 10.2%.

The operating profit for the period includes unrealised gains or losses arising from changes in the fair value of the investments held in the investment portfolio during the period. This movement in the fair 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. This treatment under the Accounting Standards 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 it 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.

WAM Research's NTA before tax increased 5.2% for the six months to 31 December 2022, including the 5.0 cents per share fully franked final dividend paid to shareholders during the period. This increase is after corporate tax paid of 1.5 cents per share or 1.6% of the Company's pre-tax NTA during the period. Corporate tax payments made throughout the period was the major item of difference between the

investment portfolio increase of 7.2% 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% and other company related expenses of 0.1%, being offset by capital raising accretion of 0.2%.

The NTA before tax as at 31 December 2022 amounted to \$0.93 per share (June 2022: \$0.93). The NTA after tax was \$1.00 per share (June 2022: \$1.00). These figures are after the 5.0 cents per share fully franked final dividend paid to shareholders during the period.

The total shareholder return for the Company was reflective of the solid investment portfolio performance, partly offset by the decrease in the share price premium to NTA, increasing 1.9% for the half year to 31 December 2022. As at 31 December 2022, the share price premium to NTA was 36.7% (June 2022: 39.4%). This measure does not value the potential benefit of franking credits distributed to shareholders through fully franked dividends.

A fully franked final dividend of 5.0 cents per share was paid during the period and a fully franked interim dividend of 5.0 cents per share has been declared by the Board and will be paid on 21 April 2023.

Rounding of amounts to nearest dollar

In accordance with ASIC Corporations (rounding in Financial/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 this 24th day of February 2023

Pitcher Partners Sydney Partnership

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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 2022, 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 APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.



S M Whiddett
Partner

Pitcher Partners
Sydney

24 February 2023

Statement of comprehensive income for the half year ended 31 December 2022

	Note	December 2022 \$	December 2021 \$
Net realised and unrealised gains on financial investments		10,038,259	18,545,903
Other revenue from operating activities	2	3,272,462	1,945,886
Performance fees		-	(1,768,897)
Management fees		(996,454)	(1,269,882)
Directors fees		(40,000)	(40,000)
Brokerage expense on share purchases		(239,759)	(259,855)
Custody fees		(8,241)	(10,241)
ASX listing and CHESSE fees		(60,042)	(56,880)
Share registry fees		(50,638)	(51,745)
ASIC industry funding levy		(4,731)	(7,056)
Other expenses from ordinary activities		(141,135)	(128,740)
Profit before income tax		11,769,721	16,898,493
Income tax expense		(3,059,788)	(4,557,189)
Profit after income tax attributable to members of the Company	6	8,709,933	12,341,304
Other comprehensive loss			
Net unrealised losses on investments taken to equity, net of tax		(20,708)	(23,492)
Total comprehensive income for the period		8,689,225	12,317,812
Basic and diluted earnings per share		4.38 cents	6.29 cents

The accompanying notes form part of these financial statements.

Statement of financial position as at 31 December 2022

	Note	December 2022 \$	June 2022 \$
Current assets			
Cash and cash equivalents		14,826,979	37,631,176
Trade and other receivables		183,774	3,296,284
Financial assets at fair value through profit or loss	7	169,709,141	144,926,785
Current tax asset		2,058,144	-
Total current assets		186,778,038	185,854,245
Non-current assets			
Financial assets at fair value through other comprehensive income	7	1,772,923	1,802,505
Deferred tax assets		11,739,242	16,844,444
Total non-current assets		13,512,165	18,646,949
Total assets		200,290,203	204,501,194
Current liabilities			
Trade and other payables		865,769	3,351,373
Current tax liabilities		-	2,323,788
Total current liabilities		865,769	5,675,161
Non-current liabilities			
Deferred tax liabilities		-	-
Total non-current liabilities		-	-
Total liabilities		865,769	5,675,161
Net assets		199,424,434	198,826,033
Equity			
Issued capital	4	220,457,509	218,646,396
Reserves	5	61,024,949	57,026,160
Accumulated losses	6	(82,058,024)	(76,846,523)
Total equity		199,424,434	198,826,033

The accompanying notes form part of these financial statements.

Statement of changes in equity for the half year ended 31 December 2022

	Note	Issued Capital \$	Accumulated Losses \$	Profits reserve \$	Asset revaluation reserve \$	Other reserves \$	Total equity \$
Balance at 1 July 2021		214,993,833	(43,806,559)	83,824,104	426,211	(19,805,347)	235,632,242
Profit for the half year		-	12,341,304	-	-	-	12,341,304
Transfer to profits reserve		-	(12,341,304)	12,341,304	-	-	-
Other comprehensive loss for the half year		-	-	-	(23,492)	-	(23,492)
Transactions with owners:							
Shares issued via dividend reinvestment plan	4(b)	1,830,202	-	-	-	-	1,830,202
Dividends paid	3(a)	-	-	(9,692,998)	-	-	(9,692,998)
Balance at 31 December 2021		216,824,035	(43,806,559)	86,472,410	402,719	(19,805,347)	240,087,258
Balance at 1 July 2022		218,646,396	(76,846,523)	76,626,019	205,488	(19,805,347)	198,826,033
Profit for the half year		-	8,709,933	-	-	-	8,709,933
Transfer to profits reserve	5	-	(13,921,434)	13,921,434	-	-	-
Other comprehensive loss for the half year		-	-	-	(20,708)	-	(20,708)
Transactions with owners:							
Shares issued via dividend reinvestment plan	4(b)	1,811,113	-	-	-	-	1,811,113
Dividends paid	3(a)	-	-	(9,901,937)	-	-	(9,901,937)
Balance at 31 December 2022		220,457,509	(82,058,024)	80,645,516	184,780	(19,805,347)	199,424,434

The accompanying notes form part of these financial statements.

Statement of cash flows for the half year ended 31 December 2022

	December 2022 \$	December 2021 \$
Cash flows from operating activities		
Proceeds from sale of investments	198,100,553	257,824,363
Payments for purchase of investments	(212,080,268)	(220,640,907)
Dividends received	3,006,911	2,051,244
Interest received	237,703	19,359
Other investment income received	-	3,810
Management fee (GST inclusive)	(1,068,254)	(1,364,309)
Performance fee (GST inclusive)	-	(5,736,487)
Payments for administration expenses (GST inclusive)	(425,601)	(313,630)
Brokerage on share purchases (GST inclusive)	(256,833)	(278,321)
Income tax paid	(2,327,644)	(7,059,139)
GST on brokerage expense on share sales	(18,022)	(24,142)
Net GST received from the ATO	118,082	533,740
Net cash (used in)/provided by operating activities	(14,713,373)	25,015,581
Cash flows from financing activities		
Dividends paid – net of reinvestment	(8,090,824)	(7,862,796)
Net cash used in financing activities	(8,090,824)	(7,862,796)
Net (decrease)/increase in cash and cash equivalents held	(22,804,197)	17,152,785
Cash and cash equivalents at the beginning of the half year	37,631,176	8,838,620
Cash and cash equivalents at the end of the half year	14,826,979	25,991,405
Non-cash transactions:		
Shares issued via dividend reinvestment plan	1,811,113	1,830,202

The accompanying notes form part of these financial statements.

Notes to the financial statements for the half year ended 31 December 2022

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 24 February 2023 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 Financial 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 2022 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/Directors' 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 2022 Annual Financial Report.

2. Other revenue

	December 2022 \$	December 2021 \$
Australian sourced dividends	2,826,896	1,799,478
Interest	237,703	19,359
Foreign sourced dividends	207,863	123,239
Underwriting fees	-	3,810
	3,272,462	1,945,886

3. Dividends

a) Ordinary dividends paid during the period

	December 2022 \$	December 2021 \$
Final dividend FY2022: 5.0 cents per share fully franked at 30% tax rate, paid 17 October 2022 (Final dividend FY2021: 4.95 cents per share fully franked)	9,901,937	9,692,998

b) Dividends not recognised at period end

	December 2022 \$	December 2021 \$
Since the end of the period, the Directors have declared a fully franked interim dividend of 5.0 cents per share, payable on 21 April 2023 (Interim dividend FY2022: 5.0 cents per share fully franked).	9,971,589	9,846,393

4. Issued capital

a) Paid-up capital

	December 2022 \$	June 2022 \$
199,431,782 ordinary shares fully paid (June 2022: 198,038,747)	220,457,509	218,646,396

b) Ordinary shares

	December 2022 \$	June 2022 \$
Balance at the beginning of the period 198,038,747 ordinary shares fully paid (June 2021: 195,818,039 shares)	218,646,396	214,993,833
1,393,035 ordinary shares issued on 17 October 2022 under a dividend reinvestment plan	1,811,113	-
1,109,813 ordinary shares issued on 22 October 2021 under a dividend reinvestment plan	-	1,830,202
1,110,895 ordinary shares issued on 14 April 2022 under a dividend reinvestment plan	-	1,822,361
At reporting date	220,457,509	218,646,396

5. Reserves

	December 2022 \$	June 2022 \$
Profits reserve	80,645,516	76,626,019
Asset revaluation reserve	184,780	205,488
Capital profits reserve – capital account	42,194	42,194
Capital profits reserve – revenue account	(19,847,541)	(19,847,541)
	61,024,949	57,026,160

The profits reserve is made up of amounts transferred from current period 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.

	December 2022 \$	June 2022 \$
Movement in profits reserve		
Balance at the beginning of the period	76,626,019	83,824,104
Transfer of profits during the period	13,921,434	12,341,304
Final dividend paid (refer Note 3(a))	(9,901,937)	(9,692,998)
Interim dividend paid	-	(9,846,391)
At reporting date	80,645,516	76,626,019
Movement in asset revaluation reserve		
Balance at the beginning of the period	205,488	426,211
Other comprehensive loss	(20,708)	(220,723)
At reporting date	184,780	205,488

6. Accumulated losses

	December 2022 \$	June 2022 \$
Balance at the beginning of the period	(76,846,523)	(43,806,559)
Profit/(loss) for the period attributable to members of the Company	8,709,933	(20,698,660)
Transfer to profits reserve	(13,921,434)	(12,341,304)
At reporting date	(82,058,024)	(76,846,523)

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. 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. Included within Level 2 of the hierarchy is an unlisted investment which has been valued using the last sale price to determine fair value.

There were no transfers between Level 1 and Level 2 during the period (June 2022: nil).

The following table presents the Company's financial assets measured and recognised at fair value at 31 December 2022:

31 December 2022	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss	169,709,141	-	-	169,709,141
Financial assets at fair value through comprehensive income	1,449,521	323,402	-	1,772,923
Total	171,158,662	323,402	-	171,482,064
30 June 2022	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss	144,926,785	-	-	144,926,785
Financial assets at fair value through comprehensive income	1,479,103	323,402	-	1,802,505
Total	146,405,888	323,402	-	146,729,290

8. Segment reporting

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

9. Capital commitments

There were no capital commitments for the Company as at 31 December 2022 (June 2022: nil).

10. Contingent liabilities

There were no contingent liabilities for the Company as at 31 December 2022 (June 2022: nil).

11. Events subsequent to reporting date

Since the end of the period, the Directors declared a fully franked interim dividend of 5.0 cents per share to be paid on 21 April 2023.

No other matters or circumstances have 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 2022 and of its performance for the half year ended on that date.
- 2) 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 this 24th day of February 2023

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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****Conclusion**

We have reviewed the half-year financial report of WAM Research Limited ("the Company") which comprises the statement of financial position as at 31 December 2022, the 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 and other explanatory information, and the directors' declaration.

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

- a) giving a true and fair view of the Company's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual 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 in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the 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 for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2022 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*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for 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.



S M Whiddett
Partner



Pitcher Partners
Sydney

24 February 2023

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