

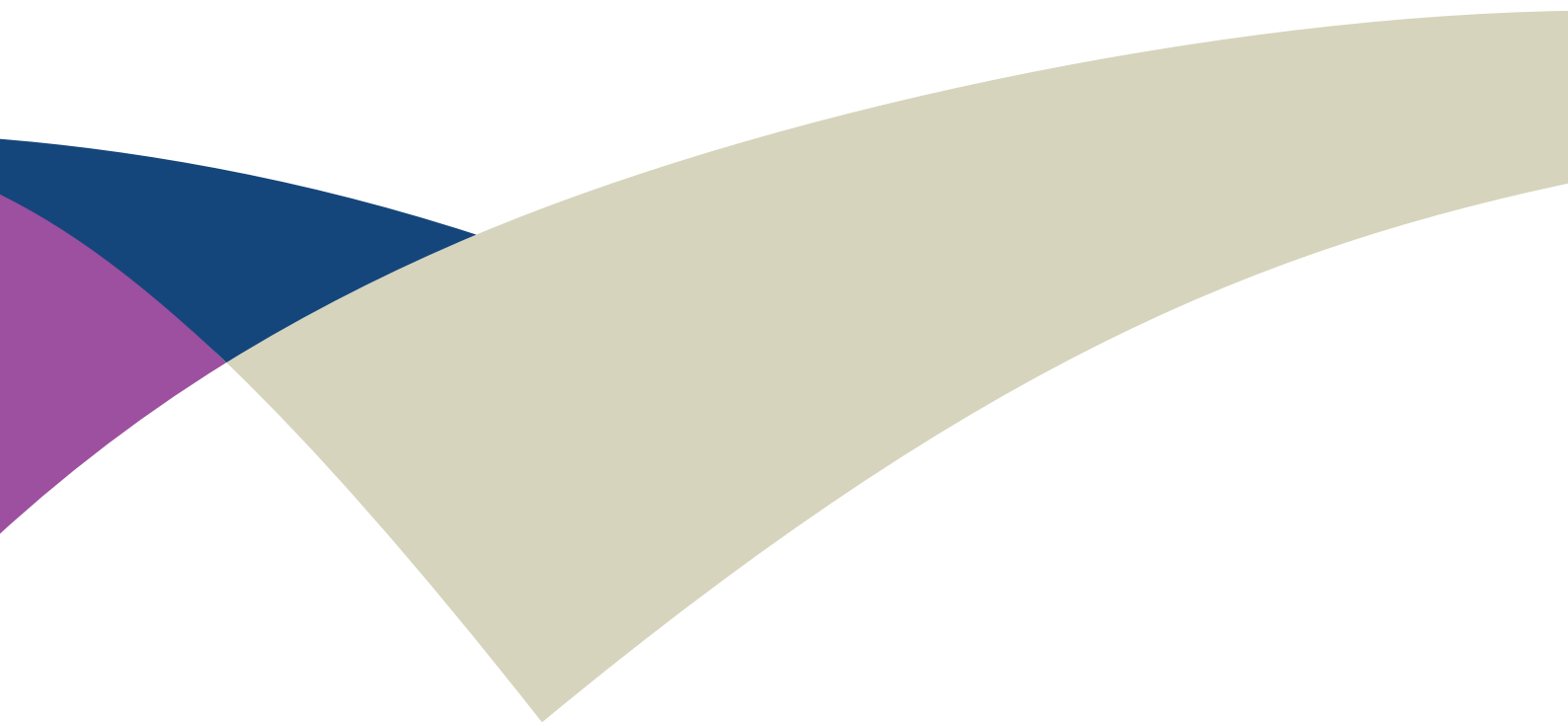


WAM Research Limited (WAX)

ABN 15 100 504 541

# Annual Report

for the year ending 30 June 2011



# COMPANY PARTICULARS

## WAM RESEARCH LIMITED (formerly Wilson Investment Fund Limited)

A.B.N. 15 100 504 541

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

**DIRECTORS:**

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

**SECRETARY:**

K. Thorley

**INVESTMENT MANAGER:**

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

**AUDITORS:**

Moore Stephens Sydney

**COUNTRY OF INCORPORATION:**

Australia

**REGISTERED OFFICE:**

Level 11, 139 Macquarie Street  
Sydney NSW 2000

**CONTACT DETAILS:**

Postal Address: GPO Box 4658  
Sydney NSW 2001

Telephone: (02) 9247 6755  
Fax: (02) 9247 6855  
Email: [info@wamfunds.com.au](mailto:info@wamfunds.com.au)  
Website: [www.wamfunds.com.au](http://www.wamfunds.com.au)

**SHARE REGISTRAR:**

Boardroom Pty Limited  
(Formerly known as: Registries Limited)  
Level 7, 207 Kent Street  
Sydney NSW 2000

Telephone: (02) 9290 9600  
Fax: (02) 9279 0664

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

**AUSTRALIAN STOCK EXCHANGE:**

Ordinary Shares (WAX)

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**WAM RESEARCH LIMITED**  
**(Formerly Wilson Investment Fund Limited)**  
**A.B.N. 15 100 504 541**

**CHAIRMAN'S LETTER**

Dear Fellow Shareholders,

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

During the year the Board has completed a comprehensive review of the Fund to determine the best way to maximise value for shareholders. The major outcomes of this process were the dividend policy and the more active management of the portfolio. The Board is committed to this strategy, the long term performance of the company and acknowledges and thanks shareholders for their support.

The Manager in this transition year, on a one off basis, has waived the \$743,180 performance fee. This has resulted in an increase in the company's NTA by the corresponding amount.

**Investment Objectives and Process**

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

Our investment philosophy is to invest in growth companies with an emphasis on securities that are under researched and undervalued, a situation that occurs more frequently in the small to medium sized industrial companies sector. This is where we see the greatest opportunity for superior risk adjusted returns. Small to mid cap companies are generally in a growth phase and have greater upside potential than larger cap stocks. We have a defined investment process to identify and rate companies with the best business fundamentals, valuations and potential for growth.

Our Research Driven investment process involves the Manager undertaking extensive research. Understanding the company's ability to generate free cash flow, rating the company's management, earnings growth potential, valuation, industry position and then identifying a catalyst that will change the market's valuation of the company.

Our investment team has continued to develop and comprises Chris Stott and myself as Portfolio Managers. Matthew Haupt joined the team as an Equity Analyst in January 2011 and focuses on the Research Driven part of the portfolio, and Martin Hickson is our Analyst/Dealer. We all spend as much time as possible meeting with the management of investee companies and during the year had over 700 meetings.

**Performance**

Despite a challenging market, WAM Research achieved an impressive 17.5% return on the investment portfolio for the year ending 30 June 2011. The return was 5.3% above the benchmark of the S&P/ASX All Ordinaries Accumulation Index which returned 12.2%. The outperformance delivered for the year demonstrates the success of the revised investment strategy that the Board implemented. We are confident of continued improved performance with the increased flexibility we now possess in managing the portfolio. This increased flexibility allows us to sell stocks once they reach our predetermined valuations or if the company's fundamentals change.

Operating profit before tax increased 136.6% to \$9.17 million and operating profit after tax increased 135.2% to \$9.41 million for the year to 30 June 2011. The result reflected a significant increase in dividends and interest income received. In the 12 months, revenue from dividends and interest increased by 106.1%. The Board is pleased with this result.

**WAM RESEARCH LIMITED**  
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**CHAIRMAN'S LETTER**

The fund's best performing stocks included McMillan Shakespeare Limited (MMS), Credit Corp Group Limited (CCP), RHG Limited (RHG), ARB Corporation Limited (ARP), iProperty Group Limited (IPP), Aveum Limited (AVE), National Australia Bank Limited (NAB), STW Communications (SGN) and Breville Group Limited (BRG). A number of these stocks were new entries into the portfolio under the revised investment strategy.

Over the next 12 months, we would expect to continue to add to positions in the small to mid cap industrial sector by finding companies that exhibit strong earnings growth, cheap valuations, and have catalysts for re-rating.

Detractors from the result included Photon Group Limited (PGA), Willmott Forest Limited (WFL), AP Eagers Limited (APE), Centerpoint Alliance (CAF) and Wide Bay Australia Limited (WBB).

As at 30 June 2011, the portfolio was 73.5% invested in equities with the remaining 26.5% in cash. This compares to 82.1% invested in equities and 17.9% cash position as at 30 June 2010. The higher cash weighting reflects the cautious view we currently have on equities. Domestically, we remain cautious on the two speed economy and the resulting subdued consumer consumption. Over the next year we will look for select opportunities to deploy more cash as investment opportunities arise that meet our strict investment criteria.

**Dividends**

A fully franked final dividend of 3.0 cents per share has been declared by the Board and will be paid on 21 October 2011. This brings the full year fully franked dividend to 6.0 cents per share, a 15% increase on the prior year's dividend.

The Board is committed to paying an increasing stream of fully franked dividends to shareholders provided the company has sufficient franking credits, and it is within prudent business practices. Dividends are paid on a six-monthly basis.

Government legislation introduced in June 2010 now enables companies to pay dividends if the company is deemed solvent. Dividend payments will be made with consideration to cash flow, cash holdings and available franking credits. Essentially, providing it is deemed solvent by the Board, WAM Research will always be in a position to pay dividends.

**Outlook**

The portfolio is well positioned with 26.5% in cash. Call options have been sold against the major bank holdings which equate to another 12.9%. The remaining 60.6% is made up of 43 companies.

The current economic environment in Australia is challenging with economic activity (ex mining) being held back by the impact of high interest rates, concerns relating to European and US debt worries, falling global growth and confusion about the impact of the proposed carbon dioxide tax. These factors are holding back revenue growth, while a number of companies' costs are growing at a faster rate. We believe the slower revenue growth and higher costs will lead to a downward revision in analyst earning forecasts for 2012.

The portfolio is positioned in companies that will not be impacted by slowing retail spending or the downturn in residential property prices. We have identified companies that are on a strong growth path and reasonably priced.

**WAM RESEARCH LIMITED**  
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**CHAIRMAN'S LETTER**

It is four years since the stock market peaked in November 2007. Global economies are still in a major adjustment phase as the excesses of the pre 2007 period are dealt with. It takes time for economies to recover from significant financial and economic dislocations. We believe it could easily take another 12-18 months. This challenging period will continue to provide significant opportunities in the equity market.

Looking into the new financial year, opportunities will exist for new research stocks to enter the portfolio (as we have seen in the last 12 months) on a select basis. These stocks must meet our strict investment criteria and filters in place relating to earnings growth and valuation. We believe we are well placed to identify and take advantage of these opportunities when they arise.

**Shareholder Communication**

We take an active approach to keeping shareholders informed about the Company's activities and performance including monthly investment updates and NTA announcements, yearly and half yearly profit announcements, semi-annual shareholder briefings and access to all relevant information on our website. Also included on our website are regular audios to discuss important market issues and address common questions. These audios are posted under the Newsroom section on our website: [www.wamfunds.com.au](http://www.wamfunds.com.au)

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

In early September, shareholders were sent the latest edition of the bi-annual Investor Newsletter. We hope you enjoyed the content and would encourage feedback on how we can improve this newsletter and our overall communication with our shareholders.

On behalf of the shareholders, Board and the staff at Wilson Asset Management we would like to take this opportunity to thank Matthew Kidman for his invaluable contribution as a Portfolio Manager at Wilson Asset Management over the last 13 years. We wish him every success in his future endeavours and look forward to continuing to work with him in his capacity as Director.

Thank you for your continuing support.



**Geoff Wilson**  
**Chairman**

**WAM RESEARCH LIMITED**  
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**CORPORATE GOVERNANCE STATEMENT**

To ensure the Company operates effectively and in the best interests of shareholders, the Board has followed the principles and best practice recommendations established by the ASX Corporate Governance Council having regard to the nature of the Company's activities and its size. The Company has adopted the ASX Corporate Governance Principles and Recommendations with 2010 Amendments (2<sup>nd</sup> Edition) for the 2011 financial year, subject to the exceptions noted below.

**Role of the Board (Recommendations: 1.1 to 1.3)**

The Company has a Board but no full time employees. Subject at all times to any written guidelines issued by the Board of Directors of WAM Research Limited, the day-to-day management and investment of funds is carried out by MAM Pty Limited (the Manager) pursuant to a management agreement. Consequently, there is no need for a process to evaluate the performance of senior executives under recommendations 1.2 and 1.3.

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

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

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

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

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the annual report and their term in office are detailed in the Directors' Report.

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

- John Abernethy
- Julian Gosse

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

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

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**CORPORATE GOVERNANCE STATEMENT**

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

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

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

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

**Code of Conduct (Recommendations 3.1 and 3.5)**

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

**Diversity Policy (Recommendations: 3.2 to 3.5)**

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

**Audit & Risk Committee (Recommendations 4.1 to 4.4)**

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

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

The Committee's responsibilities are to:

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



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**CORPORATE GOVERNANCE STATEMENT**

The Audit & Risk Committee Charter can be found in the Corporate Governance section of the Company's website at [www.wamfunds.com.au](http://www.wamfunds.com.au).

The Committee formally reports to the Board after each of its meetings. Details of the number of meetings of the Audit & Risk Committee during the 2011 year are set out in the Directors' Report.

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

The Company's external audit is undertaken by Moore Stephens Sydney and the audit engagement partner is required to be changed at regular intervals. Joe Shannon, a partner of Moore Stephens Sydney, is the partner responsible for the external audit of the Company for the 2011 financial year.

**ASX Listing Rule Compliance (Recommendations 5.1 and 5.2)**

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

Due to changes to the ASX Listing Rules on 1 January 2011, the Company revised its Securities Dealing Policy. The Securities Dealing Policy can be found in the Corporate Governance section of the Company's website at [www.wamfunds.com.au](http://www.wamfunds.com.au). Under this policy, Directors are not required to hold a minimum number of shares pursuant to the Company's Constitution. However, their current relevant interests in the Company's shares are shown in the Directors' Report. Directors must not deal in shares of the Company if they are in possession of price sensitive or inside information. The Board has also nominated they may not deal in shares of the Company the 5 business days before the announcement of a dividend or any other capital management initiative that might have a material impact on the share price.

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

**Shareholder Rights & Communication (Recommendations 6.1 and 6.2)**

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

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

Information is communicated to shareholders through the:

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

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**CORPORATE GOVERNANCE STATEMENT**

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

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

The Communications Policy can be found in the Corporate Governance section of the Company's website at [www.wamfunds.com.au](http://www.wamfunds.com.au).

**Risk Management (Recommendations: 7.1 to 7.4)**

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

The Company's enterprise risk management program addresses its material business risks. Each identified risk is individually assessed in terms of the likelihood of the risk event occurring and the potential consequences in the event that the risk event was to occur. The CompliSpace Assurance software has been implemented through which material business risks are linked to mitigating controls. This software gives the Company and the Manager the ability to monitor the performance of its enterprise risk and compliance programs in real time. It also ensures transparency of data and ease of reporting to the Board.

The Manager has provided to the board a report as to the overall effectiveness of the company's management of its material business risks.

The Board has received assurance from the Director and the CEO of the Manager that in their view:

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

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

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

- Market risk
- Operational risk

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**CORPORATE GOVERNANCE STATEMENT**

*Market Risk*

The Manager is primarily responsible for recognising and managing market related risk as per the management agreement. The Manager provides periodic reports to the Board regarding this area of risk. By its nature, as a listed investment company, 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. However, the Company seeks to reduce and manage market risk by not being overly exposed to one investee company or one particular sector of the market. The Manager reviews the relative weightings of individual securities and the relevant market sectors regularly. 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.

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

*Operational Risk*

The Manager is primarily responsible for recognising and managing operational risk issues such as legal and regulatory risk, systems and process risk and outsourcing risk. The Company outsource its administrative functions to service providers: MAM Pty Limited (investment management), Wilson Asset Management (International) Pty Limited (accounting and compliance), RBC Dexia Investor Services (custody) and Boardroom Pty Limited (share registry) and accordingly risk issues associated with these activities are handled in accordance with the service provider's policies and procedures.

MAM Pty Limited, the Manager provides a declaration to the Board twice a year to certify that the Company's financial statements and notes present a true and fair view, in all material respects, of the Company's financial condition and operational results and that they have been prepared and maintained in accordance with relevant Accounting Standards and the *Corporations Act 2001*.

**Remuneration of Directors (Recommendations: 8.1 to 8.3)**

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

The maximum total remuneration of the Directors of the Company has been set at \$80,000 per annum to be divided in such proportions as they agree. The scope of the Company's operations, and the frequency of Board meetings are principal determinants of the fee level. Further detail is provided in the Directors' Report.

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

The Chairman of WAM Research Limited is a Director of MAM Pty Limited. A Director of WAM Research Limited is also a Director of MAM Pty Limited and they are further remunerated by that Company. Further detail is provided in the Directors' Report.

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**DIRECTORS' REPORT TO SHAREHOLDERS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

The Directors present their report together with the financial report of WAM Research Limited ("the Company") for the financial year ended 30 June 2011.

**Principal Activity**

The principal activity of the Company is making investments in listed companies. During the year a modification to the investment strategy allowing for a more actively managed portfolio was implemented following a strategic review of the Company on how best to maximise value for shareholders. The Company's investment objectives are to achieve a high real rate of return, comprising both income and capital growth, within the risk parameters acceptable to the Directors and to preserve the capital of the Company. No change in this activity is likely in the future.

**Operating and financial review**

Investment operations over the year resulted in an operating profit before tax of \$9,168,914 (2010: \$3,875,664) and an operating profit after tax of \$9,414,300 (2010: \$4,004,434). The result reflected a significant increase in dividends and interest income received. In the 12 months, revenue from dividends and interest increased by 106.1%.

Net Tangible Asset (NTA) for each ordinary share as at 30 June 2011 (calculated on market value less realisation costs and all applicable taxes and before provision for dividend) amounted to 93.22 cents per share (2010: 88.97 cents per share). The equivalent net tangible assets before tax was 88.00 (2010: 83.31). This is after the payment of 7.0 cents in fully franked dividends during the year and tax paid of 1.22 cents per share.

Further information on the operating and financial review of the company is contained in the Chairman's Letter on pages 1 to 3 of the Annual Report.

**Financial Position**

The net asset value of the company for the current financial year was \$111,441,067 (2010: \$104,939,507).

**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 2011.

**Dividends Paid or Recommended**

Dividends paid or declared are as follows:

	\$
Fully franked 2010 final dividend of 2.6 cents per share and a fully franked special dividend of 1.4 cents per share was paid on 29 October 2010	4,701,983
Fully franked 2011 interim dividend of 3 cents per share was paid on 28 March 2011	3,555,797

Since year end the Directors have declared a fully franked final dividend of 3.0 cents per share to be paid on 21 October 2011.

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**DIRECTORS' REPORT TO SHAREHOLDERS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**Options**

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

**Directors**

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

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

**Information on Directors**

***Geoffrey Wilson (Chairman – Non-independent)***

*Experience and expertise*

Geoffrey Wilson has had 31 years experience in the Australian and international securities industry. He holds a Bachelor of Science Degree and a Graduate Management Qualification. He is also a Fellow of the Institute of Company Directors and a Fellow of the Securities Institute of Australia.

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

*Other current directorships*

Geoffrey Wilson is currently Chairman of WAM Capital Limited (appointed March 1999), WAM Active Limited (appointed July 2007), Australian Stockbrokers Foundation and Ascham Foundation Limited. He is a Director of Australian Leaders Fund Limited (appointed October 2003), Clime Capital Limited (appointed November 2003), Cadence Capital Limited (appointed February 2005), Vietnam Fund Limited (appointed October 2007), Incubator Capital Limited (appointed Feb 2000), the Sporting Chance Cancer Foundation, Australian Fund Managers Foundation and Odyssey House McGrath Foundation. He is also a Director of investment management companies Wilson Asset Management (International) Pty Limited, MAM Pty Limited and Boutique Asset Management Pty Limited.

*Former directorships in the last 3 years*

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

*Special responsibilities*

Chairman of the Board.

*Interests in shares of the Company*

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

*Interests in contracts*

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

**WAM RESEARCH LIMITED**  
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**DIRECTORS' REPORT TO SHAREHOLDERS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

***Matthew Kidman (Non-Executive Director – Non-independent)***

*Experience and expertise*

Matthew Kidman worked as a finance reporter for the Sydney Morning Herald between 1994 and 1998. In 1997 he was appointed Investment Editor of that newspaper and was charged with the responsibility of company coverage for the newspaper. He has degrees in Economics and Law and a Graduate Diploma in Applied Finance. For the past 12 years Matthew was a Portfolio Manager of Wilson Asset Management (International) Pty Limited.

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

*Other current directorships*

Matthew Kidman is a Director of WAM Capital Limited (appointed March 1999), WAM Active Limited (appointed July 2007) and Incubator Capital Limited (appointed February 2000). He is also a Director of the investment management companies MAM Pty Limited and Boutique Asset Management Pty Limited.

*Former directorships in the last 3 years*

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

*Special responsibilities*

Member of the Audit & Risk Committee.

*Interests in shares of the Company*

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

*Interests in contracts*

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

***John Abernethy (Non-Executive Director – Independent)***

*Experience and expertise*

John Abernethy has over 28 years experience in funds management and corporate advisory. He spent ten years at NRMA Investments as Head of Equities managing portfolios of approximately \$2 billion. In 1994 he joined Poynton Corporate Limited as an Executive Director before forming Clime Investment Management Limited (formerly known as Loftus Capital Partners) in 1996. John was also appointed Chairman of Clime Capital Limited in July 2009. He has a Bachelor of Law and Commerce from University of NSW.

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

*Other current directorships*

John Abernethy is Chairman of Clime Capital Limited (appointed July 2009). He is Director of Clime Investment Management Limited (formerly known as Loftus Capital Partners Limited) (appointed July 2005). He is a Director of WAM Active Limited (appointed November 2007), Australian Leaders Fund Limited (formerly known as Wilson Leaders Limited) (appointed November 2003) and Jasco Holdings Limited.

*Former directorships in the last 3 years*

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

*Special responsibilities*

Chairman of the Audit & Risk Committee.

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**DIRECTORS' REPORT TO SHAREHOLDERS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

***John Abernethy (Non-Executive Director – Independent) (cont'd)***

*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 (Non-Executive Director – Independent)***

*Experience and expertise*

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

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

*Other current directorships*

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

*Former directorships in the last 3 years*

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

*Special responsibilities*

Member of the Audit & Risk Committee.

*Interests in shares of the Company*

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

*Interests in contracts*

Julian Gosse has no interests in contracts of the Company.

**Company Secretary**

Kate Thorley – Bachelor of Commerce, CPA and CSA Certificate in Governance Practice and Administration. Kate has worked in the funds management industry the past 6½ years with the Wilson Asset Management group initially as a Financial Accountant, CFO, and more recently CEO of Wilson Asset Management. Kate Thorley was appointed Company Secretary on 6 November 2007.

**WAM RESEARCH LIMITED**  
**(Formerly Wilson Investment Fund Limited)**  
**A.B.N. 15 100 504 541**

**DIRECTORS' REPORT TO SHAREHOLDERS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**Remuneration Report**

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

a) Remuneration of Directors

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

Fees and payments to Non-Executive Directors reflect the demands that are made on, and the responsibilities of the directors and are reviewed annually by the Board.

Directors' base fees are presently set at a maximum of \$80,000 per annum. Non-Executive Directors do not receive bonuses nor are they issued options on securities as part of their remuneration. Directors' fees cover all main Board activities and membership of committees.

Directors' remuneration received for the year ended 30 June 2011:

Director	Position	Directors' Fees \$	Post- employment Superannuation \$	Total \$
G.J. Wilson	Chairman	9,174	826	10,000
M.J. Kidman	Director Non-Executive	9,174	826	10,000
J.B. Abernethy	Director Non-Executive	22,615	4,885	27,500
J.J. Gosse	Director Non-Executive	27,500	-	27,500
		<b>68,463</b>	<b>6,537</b>	<b>75,000</b>

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

	2011	2010	2009	2008	2007
Operating profit after tax (\$)	9,414,300	4,004,434	2,138,370	4,012,356	5,029,084
Dividends Paid (cents per share)	8.0	6.6	4.0	5.0	5.5
Net tangible asset (\$ per share)	0.93	0.89	0.87	0.94	1.29
Total Directors' remuneration (\$)	75,000	75,000	75,000	75,000	75,000



**WAM RESEARCH LIMITED**  
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**DIRECTORS' REPORT TO SHAREHOLDERS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

b) Director Related Entities Remuneration

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

Geoff Wilson and Matthew Kidman are Directors of MAM Pty Limited, the entity appointed to manage the investment portfolio of WAM Research Limited and manage the day-to-day operations of the Company. Entities associated with Geoff Wilson and Matthew Kidman hold 80% and 20% respectively of the issued shares of MAM Pty Limited. The core duties of the Manager include managing the investment portfolio, the provision of financial and administrative support to ensure the maintenance of the corporate and statutory records of the Company; liaison with the ASX with respect to compliance with the ASX Listing Rules; liaison with ASIC with respect to compliance with the Corporations Act; liaison with the share registrar of the Company; and the provision of information necessary for the maintenance of financial accounts of the Company to be completed. In its capacity as Manager, MAM Pty Limited was paid a management fee of 1% p.a. (plus GST) of gross assets amounting to \$1,163,497 inclusive of GST (2010: \$1,188,656). As at 30 June 2011, the balance payable to the Manager was \$96,559 inclusive of GST (2010: \$90,280).

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

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

No performance fee is payable in respect of any performance period where the portfolio has decreased in value over that period. As at 30 June 2011, a performance fee of \$797,559 inclusive of GST was payable to MAM Pty Limited, however the manager elected to waive this fee in its entirety (2010: \$nil).

Wilson Asset Management (International) Pty Limited employs accounting personnel to provide accounting services to WAM Research Limited. These services are provided on commercial terms and include a standard charge of \$2,750 inclusive of GST per month and an additional charge of \$5,500 inclusive of GST is charged for preparing the half year and full year financial statements. These accounting services total \$38,500 inclusive of GST for the financial year 2011 (2010: \$35,000). Wilson Asset Management (International) Pty Limited is owned by Geoff Wilson.

These amounts are in addition to the above Directors remuneration.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than those detailed above) by reason of a contract made by the Company or a related Company with the Director or with a firm of which he is a member or with a Company in which he has substantial financial interest.

c) Remuneration of Executives

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

**WAM RESEARCH LIMITED**  
**(Formerly Wilson Investment Fund Limited)**  
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**DIRECTORS' REPORT TO SHAREHOLDERS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

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:

<b>Directors</b>	<b>Ordinary Shares</b>
G.J. Wilson	5,632,839
M.J. Kidman	200,146
J.B. Abernethy	60,000
J.J. Gosse	-

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

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

**Directors' Meetings**

<b>Director</b>	<b>No, eligible to attend</b>	<b>Attended</b>
G.J. Wilson	8	8
M.J. Kidman	8	8
J.B. Abernethy	8	8
J.J. Gosse	8	8

**Audit & Risk Committee Meetings**

The main responsibilities of the Audit & Risk Committee are set out in the Corporate Governance section on pages 4-8 of the Annual Report.

<b>Director</b>	<b>No, eligible to attend</b>	<b>Attended</b>
J.B. Abernethy	3	3
M.J. Kidman	3	3
J.J. Gosse	3	3

**WAM RESEARCH LIMITED**  
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**DIRECTORS' REPORT TO SHAREHOLDERS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**After Balance Date Events**

Since year end the Directors have declared a fully franked final dividend of 3.0 cents per share to be paid on 21 October 2011.

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

**Future Developments**

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

**Environmental Issues**

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

**Indemnification and Insurance of Officers or Auditors**

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

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

**Proceedings on behalf of the Company**

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

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

**WAM RESEARCH LIMITED**  
**(Formerly Wilson Investment Fund Limited)**  
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**DIRECTORS' REPORT TO SHAREHOLDERS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**Non Audit Services**

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

The Board of Directors, in accordance with advice from the Audit & Risk Committee, is satisfied that the provisions of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit & Risk Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditory independence in accordance with the APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

**Auditor's Independence Declaration**

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 18 of this Annual Report.

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



**G.J Wilson**  
**Chairman**

Dated at Sydney this 29<sup>th</sup> day of September 2011

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**Auditor's Independence Declaration  
to the Directors of WAM Research Limited  
(Formerly Wilson Investment Fund Limited)**

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of WAM Research Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

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

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

*Moore Stephens Sydney*

**Moore Stephens Sydney**  
Chartered Accountants

*Joe Shannon*

**Martin J. Shannon**  
Partner

Dated in Sydney, this 29<sup>th</sup> day of September 2011

**WAM RESEARCH LIMITED**  
**(Formerly Wilson Investment Fund Limited)**  
**A.B.N. 15 100 504 541**

**INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	Notes	2011 \$	2010 \$
Proceeds from sale of investments		39,979,098	-
Cost of investment sold		(41,796,995)	-
Realised losses on equity investments		(1,817,897)	-
Unrealised gains on equity investments		1,089,869	-
Investment revenue	2	11,708,002	5,387,050
Management fees		(1,084,167)	(1,107,613)
Directors fees		(75,000)	(75,000)
Performance fees		(743,180)	-
Performance fees (waived by the Manager)		743,180	-
Brokerage expense on share purchases		(268,481)	(16,260)
Custody fees		(40,949)	(20,074)
ASX listing and chess fees		(63,107)	(52,835)
Share registries fees		(75,197)	(74,449)
Other expenses from ordinary activities		(204,159)	(165,155)
<b>Profit before income tax expense and realised gains on long term equity investments</b>		<b>9,168,914</b>	<b>3,875,664</b>
Income tax benefit	3a)	245,386	128,770
<b>Profit from operating activities before realised gains on long term equity investments</b>		<b>9,414,300</b>	<b>4,004,434</b>
Realised loss on long term equity investments before tax		-	(1,600)
Income tax benefit on realised loss on long term equity investments		-	480
<b>Net realised loss on long term equity investments</b>		<b>-</b>	<b>(1,120)</b>
<b>Profit attributable to members of the Company</b>	11	<b>9,414,300</b>	<b>4,003,314</b>
<b>Basic earnings per share before realised (loss)/gains on long term equity investments</b>	14	<b>7.7 cents</b>	<b>3.3 cents</b>
<b>Basic earnings per share</b>	14	<b>7.7 cents</b>	<b>3.3 cents</b>
<b>Diluted earnings per share</b>	14	<b>7.7 cents</b>	<b>3.3 cents</b>

The accompanying notes form part of these financial statements.

**WAM RESEARCH LIMITED**  
**(Formerly Wilson Investment Fund Limited)**  
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**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	2011 \$			2010 \$		
	Revenue	Capital	Total	Revenue	Capital	Total
<b>Net profit for the year</b>	9,414,300	-	9,414,300	4,004,434	(1,120)	4,003,314
<b>Other comprehensive income</b>						
Revaluation of investment portfolio during the year	-	5,935,038	5,935,038	-	5,506,982	5,506,982
Provision for tax expense on above	-	(1,780,511)	(1,780,511)	-	(1,652,095)	(1,652,095)
<b>Total other comprehensive income for the year</b>	-	4,154,527	4,154,527	-	3,854,887	3,854,887
<b>Total comprehensive income</b>	<b>9,414,300</b>	<b>4,154,527</b>	<b>13,568,827</b>	<b>4,004,434</b>	<b>3,853,767</b>	<b>7,858,201</b>

The accompanying notes form part of these financial statements.

**WAM RESEARCH LIMITED**  
**(Formerly Wilson Investment Fund Limited)**  
**A.B.N. 15 100 504 541**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2011**

	Notes	2011 \$	2010 \$
<b>Current Assets</b>			
Cash and cash equivalents	12	27,118,247	12,324,016
Trade and other receivables	6	889,334	5,366,102
Equity investments at fair value through income statement	7	48,764,070	-
Equity investments held for sale	7	14,827,453	1,158,750
<b>Total Current Assets</b>		<b>91,599,104</b>	<b>18,848,868</b>
<b>Non-Current Assets</b>			
Long term equity investments	7	13,780,871	79,676,130
Deferred tax assets	3b)	7,913,194	7,909,779
<b>Total Non-Current Assets</b>		<b>21,694,065</b>	<b>87,585,909</b>
<b>Total Assets</b>		<b>113,293,169</b>	<b>106,434,777</b>
<b>Current Liabilities</b>			
Trade and other payables	8	156,480	169,130
Current tax liabilities	3c)	-	1,257,649
<b>Total Current Liabilities</b>		<b>156,480</b>	<b>1,426,779</b>
<b>Non-Current Liabilities</b>			
Deferred tax liabilities	3d)	1,695,622	68,491
<b>Total Non-Current Liabilities</b>		<b>1,695,622</b>	<b>68,491</b>
<b>Total Liabilities</b>		<b>1,852,102</b>	<b>1,495,270</b>
<b>Net Assets</b>		<b>111,441,067</b>	<b>104,939,507</b>
<b>Equity</b>			
Issued capital	9a)	119,396,544	118,206,031
Reserves	10	(8,543,767)	(13,854,815)
Retained earnings	11	588,290	588,291
<b>Total Equity</b>		<b>111,441,067</b>	<b>104,939,507</b>

The accompanying notes form part of these financial statements.



**WAM RESEARCH LIMITED**  
**(Formerly Wilson Investment Fund Limited)**  
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**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	Notes	2011 \$	2010 \$
<b>Total equity as at 1 July</b>		<b>104,939,507</b>	<b>107,437,918</b>
Profit for the year attributable to members of the Company	11	9,414,300	4,003,314
Total other comprehensive income for the year	10)	4,154,527	3,854,887
Shares issued via DRP during the year	9b)	1,190,513	861,939
Shares bought back in the year	9b)	-	(5,687,894)
		<hr/> 119,698,847	<hr/> 110,470,164
Dividends paid	4a)	(8,257,780)	(5,530,657)
<b>Total equity as at 30 June attributable to members of the Company</b>		<hr/> <b>111,441,067</b> <hr/>	<hr/> <b>104,939,507</b> <hr/>

The accompanying notes form part of these financial statements.

**WAM RESEARCH LIMITED**  
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**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	Notes	2011 \$	2010 \$
<b>Cash Flows from Operating Activities</b>			
Dividends received		9,801,133	4,570,661
Interest received		1,216,772	416,896
Other investment income/payments		(26,804)	87,695
Investment management fees (inclusive of GST)		(1,157,216)	(1,189,516)
Payments for administration expenses (inclusive of GST)		(500,890)	(404,206)
Brokerage on share purchases (inclusive of GST)		(288,126)	(19,531)
GST on brokerage on share sales		(22,567)	(15,088)
Net GST received from ATO		139,702	93,385
Net Income tax payment	3c)	(1,169,058)	-
<b>Net Cash provided by Operating Activities</b>	<b>13</b>	<b>7,992,946</b>	<b>3,540,296</b>
<b>Cash Flows from Investing Activities</b>			
Proceeds from sale of investments		106,850,032	7,550,671
Payments for purchase of investments		(92,981,480)	(4,316,885)
Adjustment to CGT cost base of investment	3b)	-	47,040
<b>Net Cash provided by Investing Activities</b>		<b>13,868,552</b>	<b>3,280,826</b>
<b>Cash Flows from Financing Activities</b>			
Dividends paid		(7,067,267)	(4,668,718)
Share buy-back		-	(5,687,894)
<b>Net Cash used in Financing Activities</b>		<b>(7,067,267)</b>	<b>(10,356,612)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents held</b>		<b>14,794,231</b>	<b>(3,535,490)</b>
Cash and Cash Equivalents at Beginning of Financial Year		12,324,016	15,859,506
<b>Cash and Cash Equivalents at End of Financial Year</b>	<b>12</b>	<b>27,118,247</b>	<b>12,324,016</b>

The accompanying notes form part of these financial statements.

**WAM RESEARCH LIMITED**  
**(Formerly Wilson Investment Fund Limited)**  
**A.B.N. 15 100 504 541**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**1. Statement of Significant Accounting Policies**

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

The financial report was authorised for issue on 29<sup>th</sup> September 2011 by the Board of Directors.

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

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

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

The accounting policies have been consistently applied by the Company and are consistent with those applied in the 30 June 2010 Annual Financial Report.

**a) Financial Assets**

**i) *Financial Assets at Fair Value***

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

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

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

Long term equity Investments and equity investments held for sale are recognised initially at cost and the Company has elected to present subsequent changes in the fair value of equity investments in Statement of Comprehensive Income through the asset revaluation reserve after deducting a provision for the potential deferred capital gains tax liability as these investments are long term holdings of equity instructions.

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

The Company has elected to early adopt "AASB 9: Financial Instruments", which was issued on 7 December 2009. AASB 9 includes requirements for the classification and measurement of financial assets. These requirements improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of AASB 139.

Investments in equity instruments, which were previously classified as available for sale financial assets, are now classified as equity instruments revalued through other comprehensive income. They continue to be valued at fair value with changes in value being recognised in the asset revaluation reserve. Consequently adoption of AASB 9 has no effect on the valuation of the Company's net assets or total comprehensive income.

**WAM RESEARCH LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

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

**a) Financial Assets (cont'd)**

*ii) Long Term Equity Investments and Equity Investments Held For Sale (cont'd)*

Under AASB 9 there is no recycling of the realised gains and losses to the income statement as was previously required by AASB 139. There is also no requirement to test the Company's investment for impairment so there is no transfer of unrealised impairment losses from the asset revaluation reserve to the income statement.

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

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

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

**b) Financial Assets at Amortised Cost**

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

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

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

**c) Income Tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are to be paid to (recovered from) the relevant taxation authority.

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

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

**WAM RESEARCH LIMITED**  
**(Formerly Wilson Investment Fund Limited)**  
**A.B.N. 15 100 504 541**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

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

**c) Income Tax (cont'd)**

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

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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

**d) Cash and Cash Equivalents**

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

**e) Revenue and Other Income**

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

**f) Trade and Other Receivables**

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

**g) Trade and Other Payables**

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

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

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

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

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

**i) Comparative Figures**

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

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

**j) Critical Accounting Estimates and Judgments**

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data. There are no estimates that have a material impact on the financial results of the Company for the year ended 30 June 2011.

**k) Realised Profits Reserve**

A realised profits reserve has been created representing an amount allocated from retained earnings that is preserved for future dividend payments.

**l) New Standards and Interpretations Not Yet Adopted**

There are no impending new accounting standards that will result in any material change in relation to amounts recognised in the financial statements.

**2. Investment Revenue**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Dividends	9,720,583	4,740,388
Interest	1,156,327	536,929
Trust distributions	71,974	104,263
Underwriting and other fees	3,801	5,470
Option premium income	755,317	-
	<u><b>11,708,002</b></u>	<u><b>5,387,050</b></u>

**3. Taxation**

**a) Income Tax Benefit**

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

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2010: 30%)	2,750,674	1,162,699
Imputation credit gross up	1,233,305	574,134
Franking credit offset	(4,106,747)	(1,903,813)
Foreign tax credit offset	(4,269)	(9,967)
Other non-assessable items	(6,099)	54,688
Under/over provision in prior period	(112,250)	(6,511)
	<u><b>(245,386)</b></u>	<u><b>(128,770)</b></u>
<b>Total income tax benefit results in a:</b>		
Current tax asset	(42,450)	(158,665)
Deferred tax liability	(26,805)	37,900
Deferred tax asset	(63,881)	(1,494)
Over provision in prior period	(112,250)	(6,511)
	<u><b>(245,386)</b></u>	<u><b>(128,770)</b></u>

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**3. Taxation (cont'd)**

**b) Deferred Tax Assets**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Tax losses	7,901,889	7,962,355
Provisions	8,160	7,755
Capitalised costs	3,145	3,547
Adjustment to CGT cost base of investment	-	(63,878)
	<u><b>7,913,194</b></u>	<u><b>7,909,779</b></u>

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Movement in deferred tax assets</b>		
Balance at the beginning of the period	7,909,779	8,200,952
Losses recouped	(798,364)	(604,222)
Adjustment to CGT cost base of investment	-	(63,878)
Deferred tax (expense)/benefit on realised losses on investments	625,648	368,922
Over provision in prior year	112,250	6,511
Charged to the Statement of Comprehensive Income	63,881	1,494
At reporting date	<u><b>7,913,194</b></u>	<u><b>7,909,779</b></u>

**c) Current Tax liabilities**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Movement in current tax liabilities</b>		
Balance at the beginning of the year	1,257,649	-
Current year income tax benefit on operating profit	(42,450)	(158,665)
Income tax expense on realised gains on investments	752,223	2,020,536
Income tax paid	(1,169,058)	-
Transfer to deferred tax asset	(798,364)	(604,222)
At reporting date	<u><b>-</b></u>	<u><b>1,257,649</b></u>

**d) Deferred Tax liabilities**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Fair value adjustments	1,653,936	-
Income provisions	41,686	68,491
	<u><b>1,695,622</b></u>	<u><b>68,491</b></u>

**Movement in deferred tax liabilities**

Balance at the beginning of the year	68,491	30,591
Charged to Statement of Comprehensive Income	1,627,131	37,900
At reporting date	<u><b>1,695,622</b></u>	<u><b>68,491</b></u>

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**4. Dividends**

<b>a) Ordinary Dividends Recognised in the Current Year</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Dividends paid by the Company	<u>8,257,780</u>	<u>5,530,657</u>
Final dividend for the year ended 30 June 2010 of 2.6 cents per share and a special 1.4 cents per share both fully franked at 30% paid 29 October 2010 (Final dividend 2009: 2.0 cents fully franked at 30% tax rate paid 30 October 2009)	4,701,983	2,474,054
Interim dividend for the year ended 30 June 2011 of 3.0 cents fully franked at 30% tax rate paid 28 March 2011 (Interim dividend 2010: 2.6 cents fully franked at 30% tax rate paid 12 March 2010)	<u>3,555,797</u>	<u>3,056,603</u>
Dividends paid by the Company	<u><b>8,257,780</b></u>	<u><b>5,530,657</b></u>

The final dividend for 30 June 2010 of 2.6 cents per share and the special dividend of 1.4 cents per share were both fully franked. The final and special dividends include 100% LIC capital gain. (2010: 247,406) Refer note 10.

<b>b) Dividends not recognised at Year End</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
In addition to the above dividends, since the end of the year, the Directors have declared the following dividend which have not been recognised as a liability at the end of the financial year:		
Since the end of the year, the Directors have declared a fully franked final dividend of 3.0 cents per share fully franked at 30% payable 21 October 2011 (2010: 2.6 cents per share and a special 1.4 cents per share fully franked at 30% paid 29 October 2010)	<u>3,576,516</u>	<u>4,701,983</u>

The final dividend for 30 June 2011 is a fully franked dividend of 3.0 cents per share and carries no attributable LIC capital gain (2010: \$4,701,983).

<b>c) Dividend Franking Account</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Balance of franking account at year end adjusted for franking credits, arising from payment of provision for income tax and dividends recognised as receivables and franking credits that may be prevented from distribution in subsequent financial years.	1,834,520	2,195,552
Subsequent to year end, the franking account would be reduced by the proposed dividend disclosed in b) above as follows:	<u>(1,532,793)</u>	<u>(2,015,136)</u>
	<u><b>301,727</b></u>	<u><b>180,416</b></u>

The balance of the franking account does not include the tax to be paid on unrealised investment gains and accrued income currently recognised as a deferred tax liability of \$1,695,622 (2010: \$68,491).



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**5. Auditor's remuneration**

Remuneration of the auditor of the Company for:	2011 \$	2010 \$
Auditing or reviewing the financial report	37,721	30,541
Non-audit services	-	-
Other services provided by a related practice of the auditor:		
Taxation Services	20,075	14,300
	<u>57,796</u>	<u>44,841</u>

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

**6. Trade and Other Receivables**

	2011 \$	2010 \$
Outstanding settlements	-	4,435,646
Income receivable	854,813	893,231
GST receivable	34,521	37,225
	<u>889,334</u>	<u>5,366,102</u>

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

**7. Financial Assets**

	2011 \$	2010 \$
Current:		
Equity investments at fair value through income statement	48,764,070	-
Equity investments held for sale	14,827,453	1,158,750
Non-current:		
Long term equity investments	13,780,871	79,676,130

The market values of long term equity investments and equity investments held for sale as at 30 June 2011 are disclosed in note 22.

**8. Trade and Other Payables**

	2011 \$	2010 \$
Management fee payable	96,560	90,280
Sundry creditors	59,920	78,850
	<u>156,480</u>	<u>169,130</u>

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

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**9. Issued Capital**

<b>a) Paid-up Capital</b>	<b>2011</b> <b>\$</b>	<b>2010</b> <b>\$</b>
119,217,215 ordinary shares fully paid (2010: 117,549,582)	<u><b>119,396,544</b></u>	<u><b>118,206,031</b></u>

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

**b) Movement in Ordinary Share Capital**

Balance at the beginning of the year	118,206,031	123,031,986
977,005 ordinary shares issued on 29 October 2010 under a dividend reinvestment plan	675,125	-
690,628 ordinary shares issued on 28 March 2011 under a dividend reinvestment plan	515,388	-
506,153 ordinary shares issued on 30 October 2009 under a dividend reinvestment plan	-	392,370
661,037 ordinary shares issued on 12 March 2010 under a dividend reinvestment plan	-	469,569
7,320,297 ordinary shares bought back under an on-market buy back commencing on 14 September 2009	-	(5,687,894)
At reporting date	<u><b>119,396,544</b></u>	<u><b>118,206,031</b></u>

**c) Capital Management**

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

**10. Reserves**

	<b>2011</b> <b>\$</b>	<b>2010</b> <b>\$</b>
Capital Profits Reserve – Capital Account	1,777,220	4,724,015
Capital Profits Reserve – Revenue Account	(17,892,851)	-
Realised Profits Reserve	5,095,595	-
Asset Revaluation Reserve	2,476,269	(18,578,830)
	<u><b>(8,543,767)</b></u>	<u><b>(13,854,815)</b></u>

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**10. Reserves (cont'd)**

These reserves are used to record increments and decrements on the revaluation of the investments as described in accounting policy Note 1a. The realised profits reserve details an amount preserved for future dividend payments as outlined in accounting policy Note 1k.

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Movement in Capital Profits Reserve – Capital Account</b>		
Balance at the beginning of the year	4,724,015	256,834
Dividends paid (refer Note 4a)	(4,701,983)	(247,406)
Transfer from Asset Revaluation Reserve	1,755,188	4,715,707
Transfer from Retained Earnings	-	(1,120)
At reporting date	<b>1,777,220</b>	<b>4,724,015</b>

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Movement in Capital Profits Reserve – Revenue Account</b>		
Balance at the beginning of the year	-	-
Transfer from Asset Revaluation Reserve	(17,892,851)	-
At reporting date	<b>(17,892,851)</b>	-

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Movement in Realised Profits Reserve</b>		
Balance at the beginning of the year	-	-
Transfer from Retained Earnings	8,651,392	-
Interim dividend FY2011 paid (refer to note 4a)	(3,555,797)	-
At reporting date	<b>5,095,595</b>	-

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Movement in Asset Revaluation Reserve</b>		
Balance at the beginning of the year	(18,578,830)	(17,718,010)
Transfer to Capital Profits Reserve – Capital Account	(1,755,188)	(4,715,707)
Transfer to Capital Profits Reserve – Revenue Account	17,892,851	-
Transfer from Retained Earnings	762,909	-
Other comprehensive income	4,154,527	3,854,887
At reporting date	<b>2,476,269</b>	<b>(18,578,830)</b>

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**11. Retained Earnings**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Balance at the beginning of the year	588,291	1,867,108
Profit for the year attributable to members of the Company	9,414,300	4,003,314
Transfer to Capital Profits Reserve	-	1,120
Transfer to Realised Profits Reserve	(8,651,392)	-
Transfer to Asset Revaluation Reserve	(762,909)	-
Final dividend FY2010 paid (refer Note 4a) paid through Capital Profits Reserve	-	(5,283,251)
	<u>588,290</u>	<u>588,291</u>

**12. Cash and Cash Equivalents**

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

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and on hand	949,939	497,386
Fixed interest securities	<u>26,168,308</u>	<u>11,826,630</u>
	<u><b>27,118,247</b></u>	<u><b>12,324,016</b></u>

The weighted average interest rate for cash and fixed interest securities as at 30 June 2011 is 6.00% (2010: 5.96%). The fixed interest securities have an average maturity of 108 days (2010: 59 days). The fixed interest securities are all rated AA by Standard & Poor's.

**13. Cash Flow Information**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Reconciliation of Operating Profit after Income Tax:		
Cash Flow from operations after income tax	9,414,300	4,004,434
Add back/(less) items classified as Investing/Financing Activities:		
Realised (loss)/gains on sale of investments and option premium	1,062,580	-
Unrealised loss on investments	(1,089,869)	-
Changes in assets and liabilities during the financial year:		
Decrease/(Increase) in receivables	41,120	(296,691)
Increase in deferred tax assets	(129,991)	(1,494)
(Decrease)/Increase in deferred tax liabilities	(26,805)	37,900
Decrease in payables	(20,741)	(8,475)
Decrease in current tax liabilities	<u>(1,257,648)</u>	<u>(165,178)</u>
<b>Cash flow from operations</b>	<u><b>7,992,946</b></u>	<u><b>3,570,496</b></u>

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**14. Earnings Per Share**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Net profit after income tax before realised gains/(loss) used in the calculation of basic earnings per share before realised gains/(loss)	9,414,300	4,004,434
Net profit after income tax used in the calculation of basic earnings per share	9,414,300	4,003,314
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted earnings per share	122,345,811	122,649,753

**15. Financial Risk Management**

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

The terms and conditions including interest rate risk of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at balance date, are included under the appropriate note for that instrument.

Under delegation from the Board, the Manager has the responsibility for assessing and monitoring the financial market risk of the Company. The Manager monitors these risks daily. On a formal basis the investment team meet on a weekly basis to monitor and manage the below four risks as appropriate.

**a) Credit Risk**

The standard defines this is a risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge a contracted obligation. The Manager monitors the credit worthiness of counterparties on an ongoing basis and evaluates the credit quality of all new counterparties before engaging them.

The maximum exposure to credit risk on financial assets, excluding investments, of the Company which have been recognised on the Statement of Financial Position, is the carrying amount net of any provision for impairment of those assets.

The Manager is responsible for ensuring there is appropriate diversification across counterparties and that they are of a sufficient quality rating. The Manager is satisfied that the counterparties are of sufficient quality and diversity to minimise any individual counterparty credit risk. The majority of the Company's receivables arise from unsettled trades at year end which are settled three days after trade date. Engaging with counterparties via the Australian Securities Exchange facilitates the Company in both mitigating and managing its credit risk.

The Company is not materially exposed to credit risk on its fixed interest securities as the majority of cash and fixed interest securities are held with Australian banks who have a Standard and Poor's short rating of A-1 and long term rating of AA. Also the majority of maturities are within three months. None of the assets exposed to credit risk are overdue or considered to be impaired.

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**15. Financial Risk Management (cont'd)**

**b) Liquidity Risk**

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

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

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

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

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

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

<b>30 June 2010</b>	<b>&gt;1 month</b>	<b>&lt;1 months</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total trade and other payables	-	169,130	169,130
Current tax liability	1,257,649	-	1,257,649
Deferred tax liability	68,491	-	68,491
<b>Total Liabilities</b>	<b>1,326,140</b>	<b>169,130</b>	<b>1,495,270</b>

**c) Market Risk**

Market risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

By its nature, as a listed investment company that invests in tradeable securities, the Company will always be subject to market risk as it invests its capital in securities which are not risk free as the market price of these securities can fluctuate. The Manager seeks to manage and reduce the market 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 weekly 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.

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**15. Financial Risk Management (cont'd)**

**c) Market Risk (cont'd)**

The Company enters into option contracts for the purpose of enhancing returns via the premiums that it earns from the writing of these contracts or for the purpose of providing downside protection. Where the Company sells a call option, it is obligated to deliver securities to an agreed price if the taker exercises the option. As at balance date there were call options outstanding which potentially required the Company if they were exercised to deliver securities to the value of \$13,537,850 (2010: Nil). These call options were written against the underlying securities already owned by the Company.

This exchange traded option was entered into within the constraints and controls imposed by the Australian Securities Exchange Limited. Dealing and administrative (including settlement) functions are separated. The total exposure position is determined daily and the Manager continually reviews the investment and trading transactions of the Company. Shares to the value of \$13,537,850 (2010: Nil) are held by the Australian Clearing House (ACH) as collateral for sold option positions written by the Company. These shares are held by ACH under the terms of ACH Pty Ltd which require participants in the Exchange Traded Option market to lodge collateral, and are recorded as part of the Company's investment portfolio.

The Company's investment sectors as a percentage of the gross assets as at 30 June 2011 is as follows:

<b>Industry Sector</b>	<b>2011</b>	<b>2010</b>
	<b>%</b>	<b>%</b>
Financials	24.7	39.9
Consumer Discretionary	21.1	14.1
Industrials	19.1	13.2
Information Technology	3.4	1.3
Telecommunications Services	2.2	0.0
Health Care	1.7	5.3
Materials	0.9	0.0
Utilities	0.3	0.0
Consumer Staples	0.0	7.4

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

<b>Company Name</b>	<b>2011 (%)</b>
McMillan Shakespeare Limited (MMS)	5.8
National Australia Bank (NAB)	5.6
<b>Company Name</b>	<b>2010 (%)</b>
National Australia Bank (NAB)	5.0

**d) 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 fixed interest securities mature within three months.

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**15. Financial Risk Management (cont'd)**

**d) Interest Rate Risk (cont'd)**

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

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

As at 30 June 2010, the company's exposure to interest risk and the effective weighted average interest rate for each class of asset and liability is set out in the following table:

	Weighted average interest rate (% pa)	Interest bearing \$	Non-interest bearing \$	Total \$
<b>30 June 2010</b>				
<b>Assets</b>				
Cash and cash equivalents	5.96%	12,324,016	-	12,324,016
Trade and other receivables		-	5,366,102	5,366,102
Financial assets		-	80,834,880	80,834,880
Deferred tax assets		-	7,909,779	7,909,779
<b>Total</b>		<b>12,324,016</b>	<b>94,110,761</b>	<b>106,434,777</b>
<b>Liabilities</b>				
Trade and other payables		-	169,130	169,130
Financial liabilities		-	1,257,649	1,257,649
Deferred tax liabilities		-	68,491	68,491
<b>Total</b>		<b>-</b>	<b>1,495,270</b>	<b>1,495,270</b>



**WAM RESEARCH LIMITED**  
**(Formerly Wilson Investment Fund Limited)**  
**A.B.N. 15 100 504 541**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**15. Financial Risk Management (cont'd)**

**e) Sensitivity Analysis**

Investments represent 73.5% (2010: 82.1%) of gross assets at year end. A 5% movement in the market value of each of the companies within the portfolio would result in a 3.7% (2010: 4.1%) 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 2011 numbers (2010: 3.6 cents per share).

**f) Financial Instruments Measured at Fair Value**

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

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

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

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

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

In valuing unlisted investments, included in Level 2 of the hierarchy, valuation techniques such as those using comparisons to similar investments for which market observable prices are available or the last sale price have been adopted to determine the fair value of these investments.

<b>30 June 2011</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Financial assets	77,372,394	-	-	77,372,394
<b>Total</b>	<b>77,372,394</b>	<b>-</b>	<b>-</b>	<b>77,372,394</b>
<b>30 June 2010</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Financial assets	80,834,880	-	-	80,834,880
<b>Total</b>	<b>80,834,880</b>	<b>-</b>	<b>-</b>	<b>80,834,880</b>

**16. Events Subsequent to Reporting Date**

Since year end the Directors have declared a fully franked final dividend of 3.0 to be paid on 21 October 2011.

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.

**17. Investment Transactions**

The total number of contract notes that were issued for transactions in securities during the financial year was 1,193 (2010: 25). Each contract note could involve multiple transactions. The total brokerage paid on these contract notes was \$555,975 (2010: \$52,712). The total brokerage paid on the buy-back contract notes was nil (2010: \$17,450).

**WAM RESEARCH LIMITED**  
**(Formerly Wilson Investment Fund Limited)**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**18. Segment Reporting**

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

**19. Key Management Personnel Compensation**

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

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

**a) Remuneration**

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

Individual directors' remuneration disclosures are provided in the Remuneration Report of the Directors' Report on pages 13-15, as permitted by Corporations Regulation 2M.3.03 and 2M.6.04.

	Directors' Fees \$	Post-employment Superannuation \$	Total \$
Total Directors remuneration paid by the Company for the year ended 30 June 2011	<b>68,463</b>	<b>6,537</b>	<b>75,000</b>
Total Directors remuneration paid by the Company for the year ended 30 June 2010	<b>58,463</b>	<b>16,537</b>	<b>75,000</b>

**b) Share holdings**

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

*Ordinary Shares held*

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

**WAM RESEARCH LIMITED**  
**(Formerly Wilson Investment Fund Limited)**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**19 Key Management Personnel Compensation (cont'd)**

**b) Share holdings (cont'd)**

As at 30 June 2010 the Company's key management personnel and their related parties held the following interests in the Company:

*Ordinary Shares held*

	<b>Balance at 30 June 2009</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Balance at 30 June 2010</b>
<b>Directors</b>				
G.J. Wilson	5,162,839	-	-	5,162,839
M.J. Kidman	175,409	9,211	-	184,620
J.B. Abernethy	60,000	-	-	60,000
J.J. Gosse	-	-	-	-
	<b>5,398,248</b>	<b>9,211</b>	<b>-</b>	<b>5,407,459</b>

**c) Options**

No options have been issued to, or are currently held or have been exercised by key management personnel during or since the end of the financial year (2010: nil).

**20. Related Party Transactions**

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

Geoff Wilson and Matthew Kidman are Directors of MAM Pty Limited, the entity appointed to manage the investment portfolio of WAM Research Limited and manage the day-to-day operations of the Company. Entities associated with Geoff Wilson and Matthew Kidman hold 80% and 20% respectively of the issued shares of MAM Pty Limited. The core duties of the Manager include managing the investment portfolio of WAM Research Limited; the provision of financial and administrative support to ensure the maintenance of the corporate and statutory records of the Company; liaison with the ASX with respect to compliance with the ASX Listing Rules; liaison with ASIC with respect to compliance with the Corporations Act; liaison with the share registrar of the Company; and the provision of information necessary for the maintenance of financial accounts of the Company to be completed. In its capacity as Manager, MAM Pty Limited was paid a management fee of 1% p.a. (plus GST) of gross assets amounting to \$1,163,497 inclusive of GST (2010: \$1,188,656). As at 30 June 2011, the balance payable to the Manager was \$96,559 inclusive of GST (2010: \$90,280)

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

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

No performance fee is payable in respect of any performance period where the portfolio has decreased in value over that period. As at 30 June 2011, a performance fee of \$797,559 inclusive of GST was payable to MAM Pty Limited however the manager has decided to waive its fee and thus \$nil is now payable (2010: \$nil).

**WAM RESEARCH LIMITED**  
**(Formerly Wilson Investment Fund Limited)**  
**A.B.N. 15 100 504 541**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**20 Related Party Transactions (cont'd)**

Wilson Asset Management (International) Pty Limited employs accounting personnel to provide accounting services to WAM Research Limited. These services are provided on commercial terms and include a standard charge of \$2,750 inclusive of GST per month and an additional charge of \$5,500 inclusive of GST is charged for preparing the half year and full year financial statements. These accounting services total \$38,500 inclusive of GST for the financial year 2011 (2010: \$35,000). Wilson Asset Management (International) Pty Limited is owned by Geoff Wilson.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than those detailed above) by reason of a contract made by the Company or a related Company with the Director or with a firm of which he is a member or with a Company in which he has substantial financial interest.

**21. Contingent Liability and Commitments**

There is an outstanding contingent liability for \$261,991 in relation to the underwriting of a placement for Thorn Group Limited as at 30 June 2011 (2010: nil). There are no capital commitments as at 30 June 2011 (2010: nil).

**22. Holdings at Fair Value through Other Comprehensive Income**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Aevum Limited	-	1,459,523
AP Eagers Limited	3,559,769	4,362,463
ARB Corporation Limited	2,194,270	3,310,925
Australia and New Zealand Banking Group Limited	-	2,863,325
Bank of Queensland Limited	-	992,724
Bendigo and Adelaide Bank Limited	-	4,393,290
Calliden Group Limited	-	1,350,000
Challenger Wine Trust	-	453,851
Clime Investment Management Limited	1,649,542	1,572,819
Cockatoo Ridge Wines Limited	-	24,325
Commonwealth Bank of Australia	-	3,740,416
Credit Corp Group Limited	2,635,647	2,560,749
CSR Limited	-	1,233,750
CVC Limited	-	600,000
Equity Trustees Limited	-	1,079,200
Graincorp Limited	-	2,123,776
IOOF Holdings Limited	-	1,958,730
IRESS Market Technology Limited	1,302,017	1,255,775
Mariner Corporation Limited	-	7,680
McMillan Shakespeare Limited	6,121,840	4,221,000
Metcash Limited	-	3,980,500
Mortgage Choice Limited	-	584,679
MyState Limited	3,218,354	1,019,959
National Australia Bank Limited	-	5,354,400

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**22. Holdings at Fair Value through Other Comprehensive Income (cont'd)**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
NSX Limited	-	221,340
Perpetual Limited	-	1,130,400
Photon Group Limited	-	1,580,490
Primary Health Care Limited	-	2,778,569
Prime Media Group Limited	-	657,455
Pro Medicus Limited	-	489,125
Rattoon Holdings Limited*	-	12,542
Reece Australia Limited	944,389	1,106,206
Rock Building Society Limited	-	144,358
SAI Global Limited	2,264,396	2,713,500
Select Harvest Limited	-	1,187,614
Seven Network Limited preference shares (SVWPA)	1,350,000	1,158,750
Sigma Pharmaceuticals Limited	-	495,107
Tabcorp Holdings Limited	-	1,266,000
Tattersall's Limited	-	1,369,424
Tower Australia Group Limited	-	1,516,252
Tower Limited	-	1,085,942
Treasury Group Limited	-	499,756
West Australian Newspapers Holdings Limited	-	810,960
Westpac Banking Corporation	-	4,511,375
Wide Bay Corporation Limited	3,368,100	4,218,445
Willmott Forests Limited	-	875,213
Wotif.com Holdings Limited	-	502,200
<b>Total</b>	<b>28,608,324</b>	<b>80,834,880</b>

\*Ex capital return

**WAM RESEARCH LIMITED**  
**(Formerly Wilson Investment Fund Limited)**  
**A.B.N. 15 100 504 541**

**DIRECTOR'S DECLARATION**

The Directors of WAM Research Limited declare that:

- 1) The financial report as set out in pages 19 to 42 and the additional disclosures included in the Directors' Report designated as "Remuneration Report", as set out on pages 13 to 15, are in accordance with the *Corporations Act 2001*, including:
  - a) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
  - b) giving a true and fair view of the financial position of the company as at 30 June 2011 and of its performance, as represented by the results of the operations and the cashflows, for the year ended on that date; and
- 2) The Director of the Manager, MAM Pty Limited has declared that:
  - a) the financial records of the company for the financial year have been properly maintained in accordance with the Section 286 of the *Corporations Act 2001*;
  - b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c) the financial statements and notes for the financial year give a true and fair view.
- 3) At the date of this declaration, in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



**G.J. Wilson**  
**Chairman**

Dated at Sydney this 29<sup>th</sup> day of September 2011.

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF WAM RESEARCH LIMITED  
(Formerly Wilson Investment Fund Limited)  
ABN 15 100 504 541**

We have audited the accompanying financial report of WAM Research Limited ("the Company"), which comprises the statement of financial position as at 30 June 2011, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

*Directors' Responsibility for the Financial Report*

The Directors of the Company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

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

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

*Independence*

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

*Auditor's Opinion*

In our opinion the financial report of WAM Research Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages **13** to **16** of the Directors' Report for the year ended 30 June 2011. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

In our opinion the Remuneration Report of WAM Research Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.



**Moore Stephens Sydney**  
Chartered Accountants



**Martin J. Shannon**  
Partner

Dated in Sydney this 29<sup>th</sup> day of September 2011



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

**ASX ADDITIONAL INFORMATION**

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

**Shareholdings**

**Substantial shareholders (as at 31 August 2011)**

There are currently no substantial shareholders of WAM Research Limited.

**Distribution of shareholders (as at 31 August 2011)**

Category	No. of shareholders	
	Ordinary Shares	Options
1 – 1,000	236	-
1,001 – 5,000	1,114	-
5,001 – 10,000	922	-
10,001 – 100,000	1,957	-
100,001 and over	159	-
	<b>4,388</b>	-

The number of shareholdings held in less than marketable parcels is 91.

**Twenty largest shareholders – Ordinary shares (as at 31 August 2011)**

Name	Number of ordinary shares held	Percentage of issued capital held
Entities associated with Geoffrey Wilson	5,632,839	4.7
Mr Victor John Plummer	3,115,000	2.6
Huoncan Super Pty Limited (Huoncan Super Fund A/C)	1,861,312	1.6
HSBC Custody Nominees (Australia) Limited	1,475,619	1.2
Mr Erich Gustac Brosnell	1,300,000	1.1
Mrs Thelma Joan Martin-Weber	1,000,000	0.8
RBC Dexia Investor Serv. Aust. Nom. Pty Limited (MLCI A/C)	983,900	0.8
Castle Farms Pty Limited	982,687	0.8
Anchorfield Pty Limited (Brazil Family FNDN A/C)	890,000	0.7
Somoke Pty Limited (Pulman Super Fund A/C)	860,865	0.7
Kingsbrook Pty Limited (SCT A/C)	730,000	0.6
Mr Ross Ian Thompson (Thompson Family A/C)	627,586	0.5
Mr Vincent Paul Godfrey Cotterell (Vincot A/C)	566,912	0.5
Noonbah Pty Ltd (Noonbah S/F A/C)	550,000	0.5
R B & S J Baxter Pty Limited (Super Fund A/C)	550,000	0.5
Mrs Jean Plummer	500,000	0.4
Viking Management Services Pty Ltd (VHK Super Fund A/C)	500,000	0.4
UBS Wealth Management Australia Nominees Pty Ltd	454,479	0.4
Cantala Pty Limited	450,000	0.4
Pineross Pty Limited	420,000	0.4
	<b>23,451,199</b>	<b>19.6</b>

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

**ASX ADDITIONAL INFORMATION**

**Securities Exchange Listing**

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

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## INVESTMENTS AT MARKET VALUE AS AT 30 JUNE 2011

Company Name	Code	Units	Market Value \$	%
<b>Consumer Discretionary</b>				
Ainsworth Game Technology Limited	AGI	1,307,351	470,648	0.5
AP Eagers Limited	APE	348,997	3,559,769	3.4
ARB Corporation Limited	ARP	289,864	2,194,270	2.1
Ardent Leisure Group	AAD	1,439,481	1,835,338	1.7
Breville Group Limited	BRG	865,704	2,856,823	2.7
Corporate Travel Management Limited	CTD	605,442	1,180,612	1.1
Fantastic Holdings Limited	FAN	483,459	962,083	0.9
Integrated Legal Holdings Limited	IAW	1,830,244	201,327	0.2
IPGA Limited	IPP	1,530,347	1,461,481	1.4
Navitas Limited	NVT	497,083	2,003,244	1.9
Prime Media Group Limited	PRT	1,321,764	905,408	0.9
RCG Corporation Limited	RCG	444,942	275,864	0.3
STW Communications Group Limited	SGN	2,804,465	2,874,577	2.7
Thorn Group Limited	TGA	783,547	1,488,739	1.4
			<b>22,270,183</b>	<b>21.2</b>
<b>Financials</b>				
Australia and New Zealand Banking Group Limited*	ANZ	132,500	2,915,000	2.8
Cedar Woods Properties Limited	CWP	216,775	867,100	0.8
Centrepoint Alliance Limited	CAF	1,800,450	1,620,405	1.5
Clime Investment Management Limited	CIW	3,836,143	1,649,541	1.6
Folkestone Limited	FLK	2,083,333	218,750	0.2
IMF (Australia) Ltd 10.25% Sec Red Conv Note Maturity 31/12/14 Deferred	IMFG	521,136	914,594	0.9
MyState Limited	MYS	916,910	3,218,354	3.1
National Australia Bank Limited*	NAB	230,000	5,892,600	5.6
RHG Limited	RHG	1,200,452	582,219	0.6
Westpac Banking Corporation*	WBC	212,500	4,730,250	4.5
Wide Bay Australia Limited	WBB	396,247	3,368,100	3.2
			<b>25,976,913</b>	<b>24.8</b>
<b>Industrials</b>				
Alesco Corporation Limited	ALS	458,640	1,252,087	1.2
Coffey International Limited	COF	260,000	154,700	0.1
Credit Corp Group Limited	CCP	554,873	2,635,647	2.5
McMillan Shakespeare Limited	MMS	639,023	6,121,840	5.8
RCR Tomlinson Limited	RCR	812,587	1,324,517	1.3
Reece Australia Limited	REH	45,711	944,389	0.9
Resource Equipment Limited	RQL	1,271,536	921,864	0.9
SAI Global Limited	SAI	476,715	2,264,396	2.1
Service Stream Limited	SSM	2,194,245	1,075,180	1
Seven Network Limited Preference shares	SVWPA	15,000	1,350,000	1.3
Skilled Group Limited	SKE	915,480	2,050,675	1.9
			<b>20,095,295</b>	<b>19.0</b>

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

**INVESTMENTS AT MARKET VALUE  
AS AT 30 JUNE 2011**

<b>Company Name</b>	<b>Code</b>	<b>Units</b>	<b>Market Value \$</b>	<b>%</b>
<b>Health Care</b>				
Blackmores Limited	BKL	68,931	1,840,458	1.7
			<b>1,840,458</b>	<b>1.7</b>
<b>Consumer Staples</b>				
CRW Holdings Limited	CRW	81,083	-	0.0
			-	<b>0.0</b>
<b>Information Technology</b>				
IRESS Market Technology Limited	IRE	144,508	1,302,017	1.2
Reckon Limited	RKN	1,025,867	2,338,977	2.2
			<b>3,640,994</b>	<b>3.4</b>
<b>Materials</b>				
Colorpak Limited	CKL	1,024,259	716,981	0.7
Thorn Group Limited Rights	TGAN	105,265	200,004	0.2
Willmott Forests Limited	WFL	2,735,040	-	0.0
			<b>916,985</b>	<b>0.9</b>
<b>Telecommunication Services</b>				
Amcom Telecommunication Limited	AMM	4,559,067	1,686,855	1.6
Macquarie Telecom Limited	MAQ	65,291	665,968	0.6
			<b>2,352,823</b>	<b>2.2</b>
<b>Utilities</b>				
Australian Power and Gas Company Limited	APK	506,805	278,743	0.3
			<b>278,743</b>	<b>0.3</b>
<b>Total Long Portfolio</b>			<b>\$77,372,394</b>	<b>73.5%</b>
<b>Total Cash, Income receivable and net outstanding settlements</b>			<b>\$27,964,970</b>	<b>26.5%</b>
<b>Gross Portfolio</b>			<b>\$105,337,365</b>	<b>100.0%</b>

\*Indicates that options were outstanding against the holding.



**WILSON**  
ASSET MANAGEMENT

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