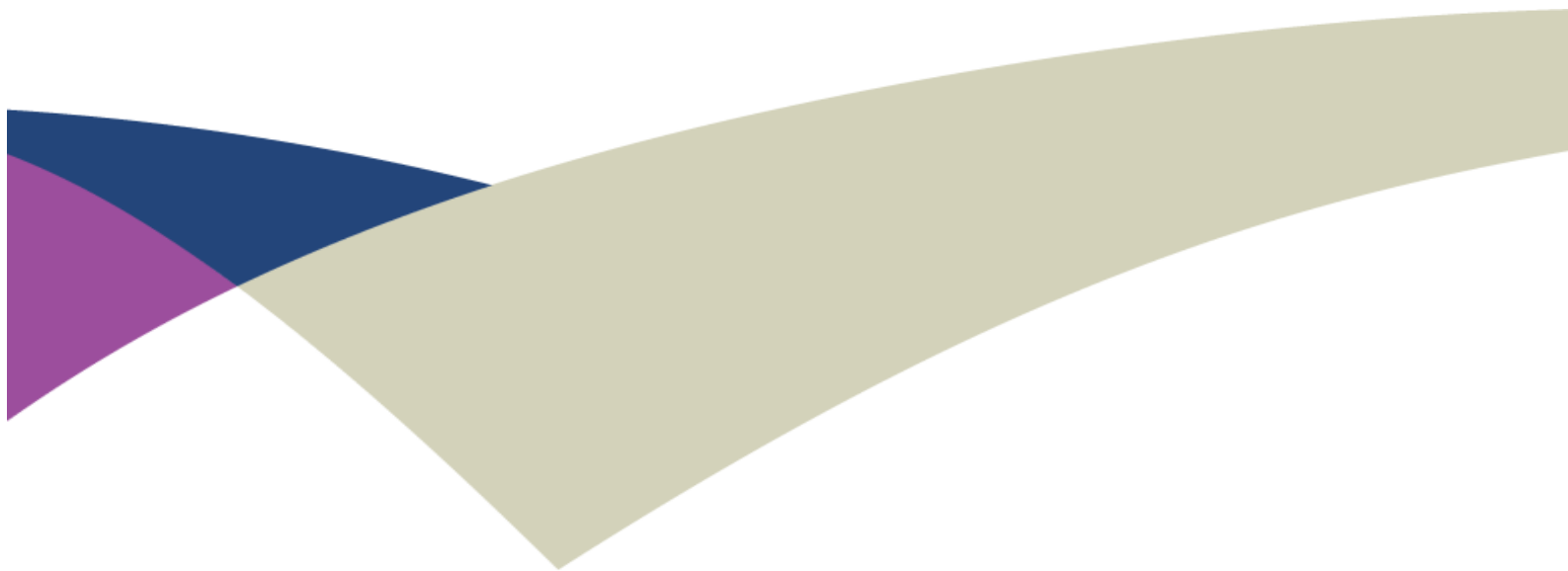




# **WAM Research Limited**

ABN 15 100 504 541

## **Annual Report** for the year ending 30 June 2013



## Company Particulars

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

<b>Directors:</b>	Geoffrey Wilson (Chairman) Matthew Kidman	John Abernethy Julian Gosse
<b>Secretary:</b>	Kate Thorley	
<b>Investment Manager:</b>	MAM Pty Limited Level 11, 139 Macquarie Street Sydney NSW 2000	
<b>Auditors:</b>	Moore Stephens Sydney	
<b>Country of Incorporation:</b>	Australia	
<b>Registered Office:</b>	Level 11, 139 Macquarie Street Sydney NSW 2000	
<b>Contact Details:</b>	Postal Address: GPO Box 4658 Sydney NSW 2001	
	Telephone: (02) 9247 6755	
	Fax: (02) 9247 6855	
	Email: info@wamfunds.com.au	
	Website: www.wamfunds.com.au	
<b>Share Registrar:</b>	Boardroom Pty Limited Level 7, 207 Kent Street Sydney NSW 2000 Telephone: (02) 9290 9600 Fax: (02) 9279 0664	
	For enquiries relating to shareholdings, dividends (including participation in the Dividend Reinvestment Plan) and related matters, please contact the share registrar.	
<b>Australian Securities Exchange:</b>	WAM Research Ordinary Shares (WAX)	

## Shareholder Presentations 2013

**Perth**  
**Thursday 14 November**  
**Presentation only**  
Rydgas Perth  
Cnr King & Hay Sts  
Perth WA 6000  
10.00am – 11.30am

### Annual General Meeting and Presentation

#### Sydney Wednesday 20 November

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



**Adelaide**  
**Thursday 21 November**  
**Presentation only**  
National Wine Centre  
Cnr Botanic & Hackney Rd  
Adelaide SA 5000  
10.00am – 12.00pm

**Melbourne**  
**Friday 22 November**  
**Presentation only**  
Morgans at 401  
401 Collins Street  
Melbourne VIC 3000  
10.00am – 12.00pm

**Canberra**  
**Monday 25 November**  
**Presentation only**  
Belconnen Premier Inn  
110 Benjamin Way  
Belconnen ACT 2617  
10.00am – 11.00am

**Brisbane**  
**Tuesday 26 November**  
**Presentation only**  
Urban Hotel  
345 Wickham Terrace  
Brisbane QLD 4000  
10.00am – 12.00pm

# Key Highlights FY2013

↑ 30.4%

Investment Portfolio Performance

↑ 7.7%

Full Year Fully Franked Dividend

↑ 25.9%

Pre Tax Net Tangible Assets (NTA)  
(adjusted for dividends)

↑ 45.1%

Total Shareholder Return

## Summary of Results FY2013

WAM Research reported an operating profit before tax of \$22,218,176 (2012: \$780,434) and operating profit after tax of \$16,684,313 (2012: \$1,956,069) for the year to 30 June 2013. The increase in profit in comparison to the previous year is a reflection of the investment portfolio returning 30.4% compared to 4.5% in FY2012.

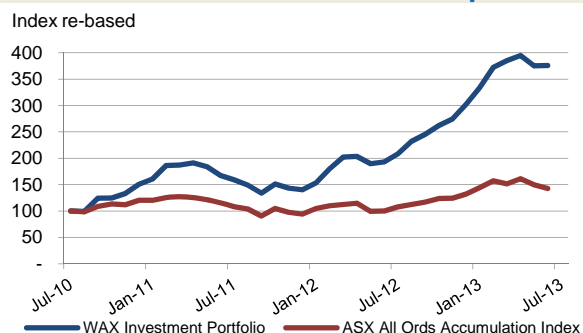
WAM Research's investment portfolio outperformed the S&P/ASX All Ordinaries Accumulation Index by 9.7% for the 12 months to 30 June 2013 with an average equity exposure of 60.0%.

The Board declared a fully franked final dividend of 3.5 cents per share which brings the full year fully franked dividend to 7.0 cents per share. This is a 7.7% increase on the previous year.

### At a glance as at 30 June 2013

Listing date	August 2003
Market cap (\$m)	\$118.9m
Share price	\$0.97
Shares on issue (WAX)	122,599,235
Net Tangible Assets (pre-tax)	\$0.98
Net Tangible Assets (post-tax)	\$0.99
Gross Assets (\$m)	\$122.7m
Fully franked dividends FY2013	7.0 cents
Fully franked dividends FY2012	6.5 cents
Fully franked annualised dividend yield	7.2%

### WAM Research's investment portfolio return since revised investment process



# CONTENTS

Objectives and Investment Process.....	1
Chairman’s Letter.....	3
Corporate Governance Statement.....	6
Directors’ Report to Shareholders.....	12
Auditor’s Independence Declaration.....	21
Income Statement.....	22
Statement of Comprehensive Income.....	23
Statement of Financial Position.....	24
Statement of Changes in Equity.....	25
Statement of Cash Flows.....	26
Notes to the Financial Statements.....	27
Directors’ Declaration.....	46
Independent Auditor’s Report.....	47
Investments at Market Value.....	49
ASX Additional Information.....	51

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## OBJECTIVES AND INVESTMENT PROCESS

### WAM Research Objectives

The investment objectives of WAM Research Limited ('WAM Research' or 'the Company') are to:

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

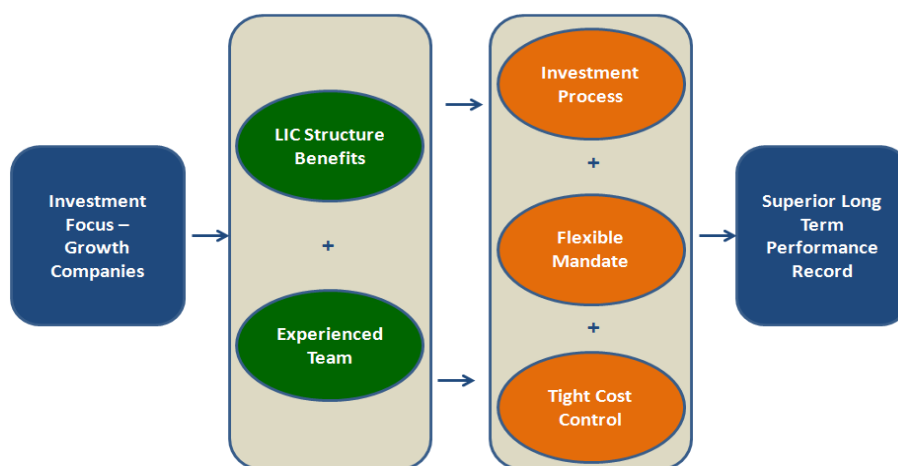
### Our Approach and Business Model

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

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

Our disciplined approach is to provide the maximum return possible while taking the minimum amount of risk. WAM Research has a relatively low risk profile for a number of reasons. If we do not identify a catalyst under our investment process, we revert to cash. The average net cash position held over the last three years, since the adoption of the revised investment strategy, is 32.0%. The Company also has a low exposure to the resources sector because we consider this sector is subject to extreme volatility and is difficult to value according to conservative accounting and investment principles.

### Business Model



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

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## OBJECTIVES AND INVESTMENT PROCESS

### Our Style

Our investment style can be summarised as:

- fundamental bottom-up approach
- absolute return focus, benchmark unaware
- quick decision making from a flat organisational structure
- increased flexibility due to the relatively small funds under management and flexible mandates
- a focus on risk adjusted returns with above average cash positions

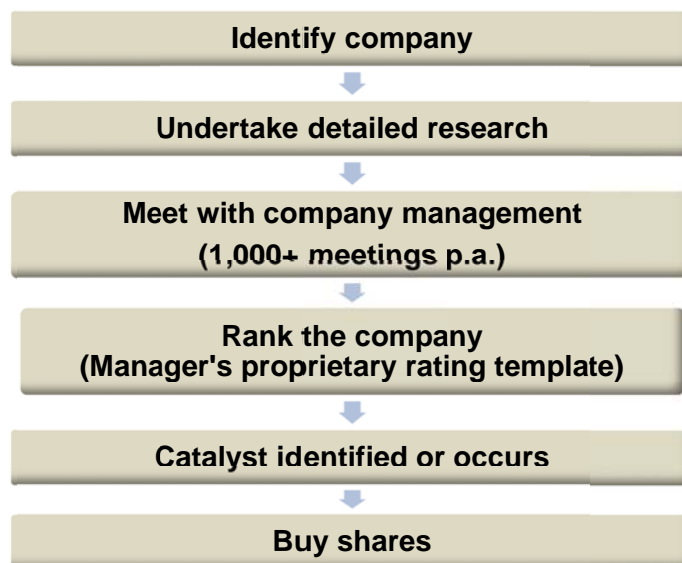
### Investment Process

We employ the following investment processes to achieve the Company's objectives:

#### ***Research Driven Investing***

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

#### Research Driven Investment Process



#### ***Investment Driven Investing***

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

#### ***Yield Arbitrage Strategies***

We also participate in investment opportunities that provide the Company with a yield that is better than our return on cash.

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## CHAIRMAN'S LETTER

Dear Fellow Shareholders,

Firstly, I would like to thank you very much for your support of WAM Research Limited in financial year 2013. I would also like to welcome all new shareholders to the Company.

WAM Research achieved a 30.4% return on the investment portfolio for the year ending 30 June 2013. The return was 9.7% greater than the benchmark S&P/ASX All Ordinaries Accumulation Index, which rose 20.7% over the same period while being on average 60.0% invested. The outperformance delivered for the year demonstrates the success of the Company's flexible mandate and revised investment strategy adopted in July 2010. We are confident of continued sound performance irrespective of market conditions.

### Performance

In evaluating the performance of the Company, we look at three key measures set out below. These performance numbers were achieved while holding an average of 40.0% in cash and term deposits with Australian banks during the year.

#### 1. How the investment manager performed

This measure is before tax and all costs and is compared to the S&P/ASX All Ordinaries Accumulation Index which is also before tax and costs. WAM Research's investment portfolio increased 30.4% for the 12 months to 30 June 2013, while the S&P/ASX All Ordinaries Accumulation Index increased by 20.7% and the S&P/ASX Small Industrials Accumulation Index increased 16.7%. This represents an outperformance of 9.7% and 13.7% respectively, while holding 40.0% of the portfolio in cash.

#### 2. The movement in net tangible assets (NTA) after taxes, management fees and other costs

This performance measure shows the change in the value of the assets which belong to the shareholders over the 12 month period. Corporate tax (being 30%) is a significant item of difference between the investment portfolio and the net asset performance. The franking credits attached to corporate tax payments are available for distribution to shareholders through fully franked dividends. WAM Research's after tax NTA, adjusted for dividends, increased 18.8% for the 12 months to 30 June 2013. This is after tax paid during the year of 1.1 cents per share.

#### 3. Total shareholder return

This measure shows the return to shareholders being the change in share price together with dividends reinvested expressed as a percentage. The total shareholder return for WAM Research for the year to 30 June 2013 was 45.1%.

### Investment Portfolio

The Company's investment portfolio performed strongly in financial year 2013. The global macro-economic outlook improved during the year and Australian equities experienced significant price earnings (P/E) ratio expansion, although earnings per share growth through the year was, and remains, muted. The best performing stocks for FY2013 were: Magellan Financial Group (MFG), AP Eagers Limited (APE) and Amcom Telecommunications (AMM). We believe opportunities are, and continue to be, available irrespective of the direction of the overall equity market. In the last six months the Company has established new positions in stocks such as: CSG Limited (CSV), M2 Telecommunications Group Limited (MTU) and Slater & Gordon Limited (SGH) while taking profits and rotating out of existing positions that have reached our valuation targets.

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## CHAIRMAN'S LETTER

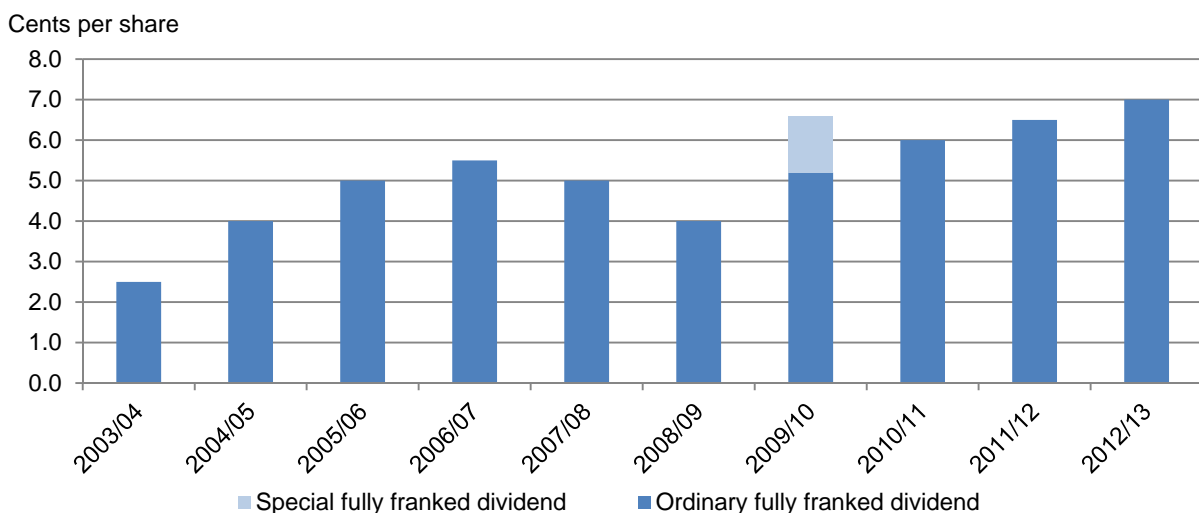
### Dividends

On 19 August 2013, the Board announced a fully franked final dividend of 3.5 cents per share. This brought the FY2013 full year dividend to 7.0 cents per share fully franked, a 7.7% increase on the previous year. The final dividend includes 1.84 cents of Listed Investment Company ('LIC') capital gain which will enable some shareholders to claim a further tax deduction.

The Board is committed to paying an increasing stream of fully franked dividends to shareholders, provided the Company has sufficient profit reserves, franking credits and it is within prudent business practices. Dividends are paid on a six-monthly basis and the dividend reinvestment plan is available to shareholders for both the interim and final dividend.

The dividend reinvestment plan will be operating at a 2.5% discount.

### WAM Research Dividends



### Equity Market Outlook

The S&P/ASX All Ordinaries Accumulation Index closed the FY2013 year up 20.7%, its strongest annual performance since the onset of the Global Financial Crisis. The new financial year has started strongly with the market up 8.2% in the first two months. Still much of Europe remains troubled by high unemployment and ongoing sovereign debt crises and we expect below-average growth from the region for many years. Positive signs continue to emerge from the United States that an economic recovery is underway following a deep and prolonged recession. While still expanding, data out of China indicates a slower pace of economic growth with the new regime indicating they will tighten monetary conditions over the medium term.

Australia's economy has been flagging in calendar year 2013 with political uncertainty dampening business and consumer confidence and delaying expenditure decisions. Reflecting the poorer trading conditions, numerous companies have announced profit downgrades in recent months with softer economic conditions making it difficult for businesses to grow earnings.

We remain optimistic about the longer term outlook for the Australian economy which is supported by strong underlying fundamentals. Australia's housing market is showing signs of a recovery, albeit patchy, with house prices in some regions up 10% in the last 12 months. We expect the Reserve Bank of Australia will make further cuts to the Official Cash Rate and we anticipate that the lower interest rate environment, coupled with rising house prices, will stimulate consumer confidence.



# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## CHAIRMAN'S LETTER

In turn, this would boost the economy and encourage cyclical stocks to rally, such as retailers and building materials companies. The softer Australian dollar will continue to have a positive impact on many businesses and generates investment opportunities in a number of sectors including tourism, manufacturing and those with an export focus. In the mining services sector, we believe there are deep value opportunities. However, we expect the full benefits of the softer dollar and near record-low interest rates will not be felt until early 2014.

### Company Outlook

The Company is benefitting from the recent introduction of the Future of Financial Advice ('FOFA') reforms, which have acted to 'level the playing field' for listed investment companies ('LICs') such as WAM Research. The reforms have had a positive impact in raising the awareness of LICs and the benefits of their structure and increased the level of interest in WAM Research.

With a conservative cash weighting, no debt and a flexible and disciplined investment approach, WAM Research is well positioned to capitalise on opportunities in the market as they arise. The investment team remains committed to identifying undervalued growth companies and providing investors with exposure to small-to-mid cap industrial companies which, over the long term, have outperformed larger companies. We are strongly of the view that we can continue to find opportunities irrespective of market conditions.

### Shareholder Communication

We take an active approach to keeping shareholders informed about WAM Research's activities and performance including, monthly investment updates and NTA announcements, yearly and half yearly profit announcements, semi-annual shareholder briefings and access to all relevant information, such as independent research reports, on our website: [www.wamfunds.com.au](http://www.wamfunds.com.au).

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

During the year we continued the successful and well-attended shareholder briefings, with presentations 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 to maintaining shareholder briefings as a semi-annual event. We invite you to attend the upcoming briefings in November 2013 – please see details at the front of this document.

We aim to provide valuable communications and we welcome all feedback on how we can improve our communication with our shareholders by calling our office on (02) 9247 6755 or sending us an email to [info@wamfunds.com.au](mailto:info@wamfunds.com.au).

Thank you for your continuing support.



**Geoff Wilson**  
Chairman

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## CORPORATE GOVERNANCE STATEMENT

The Board is committed to the Company operating 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 2013 financial year, subject to the exceptions noted below.

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

The Company has a Board but no full time employees. Subject at all times to any written guidelines issued by the Board of Directors of WAM Research Limited, the day-to-day management and investment of funds is carried out by MAM Pty Limited ('the Manager') pursuant to a management agreement. Consequently, there is no need to delegate functions to senior management or for a process to evaluate the performance of senior executives under Recommendations 1.1, 1.2 and 1.3.

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

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

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

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

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the Annual Report and their term in office are detailed in the Directors' Report on page 13 to 15.

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.

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## CORPORATE GOVERNANCE STATEMENT

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

The Chairman is not an independent Director. The Company believes that an independent Chairman, under Recommendation 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 and all shareholders' benefit. 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 with the aim of achieving the optimal mix of skills and diversity.

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

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

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

The Company has established a Directors Code of Conduct which sets out the Company's key values and how they should be applied within the workplace and in dealings with those outside of the Company. The Directors Code of Conduct can be found in the Corporate Governance section of the Company's website at [www.wamfunds.com.au](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 arises, the Board will include diversity in its nomination process. Currently, there are no women on the Board.

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

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

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

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## CORPORATE GOVERNANCE STATEMENT

The Committee's responsibilities are to:

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

The qualifications of those appointed to the Committee are detailed in the Directors' Report on pages 13 to 15.

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 2013 year are set out in the Directors' Report on page 19.

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. Scott Whiddett, a partner of Moore Stephens Sydney, is the partner responsible for the external audit of the Company for the 2013 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).

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

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

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## CORPORATE GOVERNANCE STATEMENT

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

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

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

Information is communicated to shareholders through the:

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

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

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

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 and their mitigating controls can be monitored in real time. It also ensures transparency of data and ease of reporting to the Board on the performance of its enterprise risk and compliance programs.

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

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## CORPORATE GOVERNANCE STATEMENT

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

- the declaration provided in accordance with section 295A of the *Corporations Act 2001* 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; and
- Operational risk.

### *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 Company's performance and any material actions that have occurred in the period.

### *Operational Risk*

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

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

# **WAM RESEARCH LIMITED**

**A.B.N. 15 100 504 541**

## **CORPORATE GOVERNANCE STATEMENT**

### **Remuneration of Directors (Recommendations: 8.1 to 8.4)**

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

The maximum total remuneration of the Directors of the Company has been set at \$100,000 per annum to be divided in such proportions as they agree. The scope of the Company's operations, and the frequency of Board meetings are principal determinants of the fee level. Further detail is provided in the Directors' Report on page 16.

All directors of WAM Research are non-executive directors. Accordingly, the requirement under Recommendation 8.3 to distinguish the structure of the remuneration paid to executive and non-executive directors is not applicable to the Company.

No equity based remuneration is paid to Directors. Directors do not receive bonuses nor are they issued options on securities as part of their remuneration.

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

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2013

The Directors present their report together with the financial report of WAM Research Limited ('the Company') for the financial year ended 30 June 2013.

### Principal Activity

The principal activity of the Company is making investments in listed companies. The Company's investment objectives are to achieve a high real rate of return, comprising both income and capital growth, within the risk parameters acceptable to the Directors. No change in this activity is likely in the future.

### Operating and Financial Review

Investment operations over the year resulted in an operating profit before tax of \$22,218,176 (2012: \$780,434) and an operating profit after tax of \$16,684,313 (2012: \$1,956,069). The increase in profit in comparison to the previous year is a reflection of the investment portfolio returning 30.4% compared to 4.5% in FY2012.

Under Australian Accounting Standards, realised gains and losses and dividend income are added to or reduced by the changes in the market value of WAM Research's investments. This can lead to large variations in reported profits. We believe a more appropriate measure of the results is the change in Net Tangible Asset (NTA) per share, adjusted for dividends. The after tax NTA, adjusted for dividends, increased 18.8% for the 12 months to 30 June 2013. This is after tax paid during the year of 1.1 cents per share.

Net Tangible Asset (NTA) for each ordinary share as at 30 June 2013 (calculated on market value less realisation costs and all applicable taxes and before dividends declared) amounted to 99.14 cents per share (2012: 89.37 cents per share). Net Tangible Assets after tax on realised gains, but before tax on unrealised gains was 99.14 (2012: 89.37). These figures are after the payment of 6.75 cents in fully franked dividends to shareholders during the year (2012: 6.25 cents).

Further information on the operating and financial review of the Company is contained in the Chairman's Letter on pages 3 to 5 of the Annual Report.

### Financial Position

The net asset value of the Company for the current financial year was \$121,750,967 (2012: \$108,215,410).

### 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 2013.

### Dividends Paid or Recommended

Dividends paid or declared are as follows:

Fully franked 2012 final dividend of 3.25 cents per share was paid on 19 October 2012	\$3,927,765
Fully franked 2013 interim dividend of 3.5 cents per share was paid on 19 April 2013	\$4,257,203



# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2013

Since year end the Board has declared a final dividend of 3.5 cents per share fully franked to be paid on 31 October 2013. The final dividend includes 1.84 cents of Listed Investment Company ('LIC') capital gain which will enable some shareholders to claim a further tax reduction.

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

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

##### *Other current directorships*

Geoffrey Wilson is currently Chairman of WAM Capital Limited (appointed March 1999), WAM Active Limited (appointed July 2007) and Australian Stockbrokers Foundation. He is a Director of the Australian Leaders Fund Limited (appointed October 2003), Clime Capital Limited (appointed November 2003), Incubator Capital Limited (appointed February 2000), the Sporting Chance Cancer Foundation, the Australian Fund Managers Foundation, the Odyssey House McGrath Foundation, the Australian Children's Music Foundation, Premium Investors Pty Limited and he is a Member of the Second Bite NSW Advisory Committee. He is also a Director of investment management companies Wilson Asset Management (International) Pty Limited, MAM Pty Limited, Boutique Investment Management Pty Limited and Boutique Asset Management Pty Limited.

##### *Former directorships in the last 3 years*

Geoffrey Wilson is a former Director of Cadence Capital Limited (November 2003 to February 2013).

##### *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

A.B.N. 15 100 504 541

## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2013

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

#### *Experience and expertise*

Matthew Kidman worked as a portfolio manager at Wilson Asset Management (International) Pty Limited for 13 years between 1998 and 2011. Prior to joining Wilson Asset Management, Matthew worked as a finance journalist at the Sydney Morning Herald between the years 1994 and 1998. In 1997 he was made business editor of the paper and was charged with the responsibility of company coverage. He has degrees in Law and Economics and a Graduate Diploma in Applied Finance.

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

#### *Other current directorships*

Matthew Kidman is currently Chairman of Watermark Market Neutral Fund Limited (appointed May 2013). He is a Director of WAM Capital Limited (appointed March 1999), WAM Active Limited (appointed July 2007), Incubator Capital Limited (appointed February 2000), Centrepont Alliance Limited (appointed February 2012) and he is a Director of the investment management company Boutique Asset Management Pty Limited.

#### *Former directorships in the last 3 years*

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

#### *Special responsibilities*

Member of the Audit & Risk Committee.

#### *Interests in shares of the Company*

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

#### *Interests in contracts*

Matthew Kidman has no interests in contracts of the Company.

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

#### *Experience and expertise*

John Abernethy has over 30 years experience in funds management and corporate advisory. He spent ten years at NRMA Investments as Head of Equities managing portfolios. In 1994 he joined Poynton Corporate Limited as an Executive Director before forming Clime Investment Management Limited (formerly known as Loftus Capital Partners) in 1996. John was also appointed Chairman of Clime Capital Limited in July 2009. He has a Bachelor of Law and Commerce from University of NSW.

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

#### *Other current directorships*

John Abernethy is Chairman of Clime Capital Limited (appointed July 2009). He is Director of Clime Investment Management Limited (formerly known as Loftus Capital Partners Limited) (appointed July 2005), WAM Active Limited (appointed November 2007), Australian Leaders Fund Limited (appointed November 2003), Jasco Holdings Limited and Watermark Market Neutral Fund Limited (appointed June 2013).

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2013

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

#### *Former directorships in the last 3 years*

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

#### *Special responsibilities*

Chairman of the Audit & Risk Committee.

#### *Interests in shares of the Company*

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

#### *Interests in contracts*

John Abernethy has no interests in contracts of the Company.

### **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 Non-Executive Director 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 resigned as a Director from any 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.

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2013

### Company Secretary

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

#### **Kate Thorley – CPA, B.Comm, Grad Dip App Fin and Inv, Grad Dip App Corp Gov**

Kate Thorley has eight years experience in the funds management industry and more than 14 years of financial accounting and corporate governance experience. Kate is the Chief Executive Officer and Company Secretary of Wilson Asset Management (International) Pty Limited and is also the Company Secretary of WAM Active Limited and WAM Capital Limited. She previously held the positions of Chief Financial Officer and Financial Accountant for Wilson Asset Management (International) Pty Limited. Kate was appointed non-executive Director of Mothercare Australia Limited in August 2013. Kate was appointed Company Secretary of WAM Research in October 2008.

### Remuneration Report

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

#### a) Remuneration of Directors

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

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

The maximum total remuneration of the Directors of the Company has been set at \$100,000 per annum. 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 2013:

Director	Position	Short-term	Post-employment	Total
		employee	benefits	
		benefits	benefits	
		Directors' Fees	Superannuation	
		\$	\$	\$
G.J. Wilson	Chairman	9,174	826	10,000
M.J. Kidman	Non-Executive Director	25,229	2,271	27,500
J.B. Abernethy	Non-Executive Director	25,229	2,271	27,500
J.J. Gosse	Non-Executive Director	27,500	-	27,500
		<b>87,132</b>	<b>5,368</b>	<b>92,500</b>

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

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2013

### Remuneration Report (cont'd)

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

	2013	2012	2011	2010	2009
Operating profit after tax (\$)	16,684,313	1,956,069	9,414,300	4,004,434	2,071,677
Ordinary dividends (cents per share)	7.0	6.5	6.0	5.2	4.0
Special dividends (cents per share)	-	-	-	1.4	-
After tax net tangible asset (cents per share)	99.14	89.32	92.73	88.97	86.58
Total Directors' remuneration (\$)	92,500	92,500	75,000	75,000	75,000
Shareholders' equity (\$)	121,750,967	108,215,410	111,441,067	104,939,507	107,437,918

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

#### b) Director Related Entities Remuneration

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

Geoffrey Wilson is the Director of MAM Pty Limited, the entity appointed to manage the investment portfolio of WAM Research Limited. Entities associated with Geoffrey Wilson hold 100% of the issued shares of MAM Pty Limited. The core duties of the Manager in addition to managing the investment portfolio of WAM Research Limited include the provision of financial and administrative support to ensure the maintenance of the corporate and statutory records of the Company; liaison with the ASX with respect to compliance with the ASX Listing Rules; liaison with ASIC with respect to compliance with the *Corporations Act 2001*; liaison with the share registrar of the Company; investor relations; and the provision of information necessary for the maintenance of financial accounts of the Company to be completed. In its capacity as Manager, MAM Pty Limited was paid a management fee of 1% p.a. (plus GST) of gross assets amounting to \$1,289,324 inclusive of GST (2012: \$1,114,335). As at 30 June 2013, the balance payable to the Manager was \$339,919 inclusive of GST (2012: \$282,564).

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.

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2013

### Remuneration Report (cont'd)

No performance fee is payable in respect of any performance period where the portfolio has decreased in value over that period. For the year ended 30 June 2013, a performance fee of \$1,702,190 inclusive of GST was payable to MAM Pty Limited (2012: \$727,053).

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.

#### 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	229,826
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	3	3
M.J. Kidman	3	3
J.B. Abernethy	3	3
J.J. Gosse	3	3

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2013

### Audit & Risk Committee Meetings

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

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

### After Balance Date Events

Since year end the Company declared a final dividend of 3.5 cents per share fully franked to be paid on 31 October 2013. The final dividend includes 1.84 cents of LIC capital gain which will enable some shareholders to claim a further tax reduction.

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

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

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

### Environmental 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.

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2013

### Proceedings on behalf of the Company

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

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

### Non Audit Services

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

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

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

### 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 21 of this Annual Report.

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



**G.J Wilson**  
Chairman

Dated in Sydney this 4th day of September 2013



Level 15, 135 King Street  
Sydney NSW 2000

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

[www.moorestephens.com.au](http://www.moorestephens.com.au)

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

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of WAM Research Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.



**Moore Stephens Sydney**  
Chartered Accountants



**Scott Whiddett**  
Partner

Dated in Sydney, this 4<sup>th</sup> day of September 2013

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$	2012 \$
Proceeds from sale of investments		90,278,255	68,224,104
Cost of investments sold		<u>(75,030,107)</u>	<u>(71,417,766)</u>
Realised gains/(losses) on equity investments		15,248,148	(3,193,662)
Unrealised gains/(losses) on equity investments		4,135,196	(690,799)
Investment revenue	2	6,295,393	6,928,214
Management fees		(1,201,415)	(1,038,357)
Performance fees		(1,586,131)	(677,481)
Directors fees		(92,500)	(92,500)
Brokerage expense on share purchases		(285,200)	(134,509)
Custody fees		(32,780)	(30,627)
ASX listing and chess fees		(57,009)	(52,223)
Share registry fees		(72,292)	(69,846)
Other expenses from ordinary activities		<u>(133,234)</u>	<u>(167,776)</u>
<b>Profit before income tax</b>		<b>22,218,176</b>	<b>780,434</b>
Income tax (expense)/benefit	3(a)	<u>(5,533,863)</u>	<u>1,175,635</u>
<b>Profit attributable to members of the Company</b>	11	<b><u>16,684,313</u></b>	<b><u>1,956,069</u></b>
<b>Basic earnings per share</b>	14	<b><u>13.7 cents</u></b>	<b><u>1.6 cents</u></b>

The accompanying notes form part of these financial statements.

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	2013 \$			2012 \$		
	Revenue	Capital	Total	Revenue	Capital	Total
<b>Net profit for the year</b>	<b>16,684,313</b>	-	<b>16,684,313</b>	<b>1,956,069</b>	-	<b>1,956,069</b>
<b>Other comprehensive income</b>						
<b>Items that will not be reclassified to profit or loss</b>						
Revaluation of investment portfolio during the year	-	4,940,231	4,940,231	-	1,619,508	1,619,508
Provision for tax expense on above	-	(1,482,069)	(1,482,069)	-	(485,852)	(485,852)
<b>Total other comprehensive income for the year</b>	<b>-</b>	<b>3,458,162</b>	<b>3,458,162</b>	<b>-</b>	<b>1,133,656</b>	<b>1,133,656</b>
<b>Total comprehensive income for the year</b>	<b>16,684,313</b>	<b>3,458,162</b>	<b>20,142,475</b>	<b>1,956,069</b>	<b>1,133,656</b>	<b>3,089,725</b>

The accompanying notes form part of these financial statements.

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Note	2013 \$	2012 \$
<b>Current assets</b>			
Cash and cash equivalents	12	52,689,125	46,694,721
Trade and other receivables	6	3,967,136	4,272,414
Equity investments at fair value through Income Statement	7	63,875,542	35,499,591
Equity investments held for sale	7	4,188,944	7,716,715
<b>Total current assets</b>		<b>124,720,747</b>	<b>94,183,441</b>
<b>Non-current assets</b>			
Long term equity investments	7	-	8,297,728
Deferred tax assets	3(b)	356,830	8,355,683
<b>Total non-current assets</b>		<b>356,830</b>	<b>16,653,411</b>
<b>Total assets</b>		<b>125,077,577</b>	<b>110,836,852</b>
<b>Current liabilities</b>			
Trade and other payables	8	2,861,203	1,173,114
<b>Total current liabilities</b>		<b>2,861,203</b>	<b>1,173,114</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	3(d)	465,407	1,448,328
<b>Total non-current liabilities</b>		<b>465,407</b>	<b>1,448,328</b>
<b>Total liabilities</b>		<b>3,326,610</b>	<b>2,621,442</b>
<b>Net assets</b>		<b>121,750,967</b>	<b>108,215,410</b>
<b>Equity</b>			
Issued capital	9(a)	122,135,184	120,557,134
Reserves	10	3,674,489	(10,694,168)
Accumulated losses	11	(4,058,706)	(1,647,556)
<b>Total equity</b>		<b>121,750,967</b>	<b>108,215,410</b>

The accompanying notes form part of these financial statements.

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$	2012 \$
<b>Total equity as at 1 July</b>		<b>108,215,410</b>	<b>111,441,067</b>
Profit for the year attributable to members of the Company	<b>11</b>	16,684,313	1,956,069
Total other comprehensive income for the year	<b>10</b>	3,458,162	1,133,656
Shares issued via dividend reinvestment plan during the year	<b>9(b)</b>	1,578,050	1,160,590
		<u>129,935,935</u>	<u>115,691,382</u>
Dividends paid	<b>4(a)</b>	(8,184,968)	(7,475,972)
<b>Total equity as at 30 June attributable to members of the Company</b>		<b><u>121,750,967</u></b>	<b><u>108,215,410</u></b>

The accompanying notes form part of these financial statements.

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$	2012 \$
<b>Cash flows from operating activities</b>			
Dividends received		3,766,369	5,037,664
Interest received		2,279,860	1,798,531
Other investment income		551,697	189,533
Investment management fees (inclusive of GST)		(1,231,968)	(928,330)
Investment performance fee (inclusive of GST)		(727,053)	-
Payments for administration expenses (inclusive of GST)		(383,256)	(395,113)
Brokerage on share purchases (inclusive of GST)		(307,213)	(144,006)
GST on brokerage on share sales		(21,555)	(16,607)
Net GST received from ATO		181,028	120,458
Net income tax payment	3(c)	(1,300,017)	-
<b>Net cash provided by operating activities</b>	<b>13</b>	<b>2,807,892</b>	<b>5,662,130</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		108,423,819	78,893,411
Payments for purchase of investments		(98,630,389)	(58,663,685)
<b>Net cash provided by investing activities</b>		<b>9,793,430</b>	<b>20,229,726</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(6,606,918)	(6,315,382)
<b>Net cash used in financing activities</b>		<b>(6,606,918)</b>	<b>(6,315,382)</b>
<b>Net increase in cash and cash equivalents held</b>		<b>5,994,404</b>	<b>19,576,474</b>
Cash and cash equivalents at beginning of financial year		46,694,721	27,118,247
<b>Cash and cash equivalents at end of financial year</b>	<b>12</b>	<b>52,689,125</b>	<b>46,694,721</b>

The accompanying notes form part of these financial statements.

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 1. Summary of significant accounting policies

#### Basis of preparation

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

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

The financial report was authorised for issue on 4th September 2013 by the Board of Directors.

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

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

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

#### a) Financial assets

##### 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.

For all quoted investments, fair value is determined based on current market prices.

##### ii) *Long term equity investments and equity investments held for sale*

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

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

##### iii) *Equity investments at fair value through Income Statement*

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

For all quoted investments, fair value is determined based on current market prices.

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 1. Statement of significant accounting policies (cont'd)

#### b) Income tax

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

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

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

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

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

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

#### c) 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 or less.

#### d) Revenue and other income

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

#### e) Trade and other receivables

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

#### f) Trade and other payables

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



# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 1. Statement of significant accounting policies (cont'd)

#### g) Impairment of assets

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

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

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

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

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

#### i) Comparative figures

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

#### 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 2013. All material financial assets are valued by reference to quoted prices and therefore no significant estimates or judgements are required in respect to their valuation.

#### k) Profits reserve

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

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 1. Statement of significant accounting policies (cont'd)

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

The Australian Accounting Standards Board has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The Company has decided not to early adopt any of the new and amended pronouncements. The new and amended pronouncements that are relevant to the Company, but applicable in future reporting periods are set out below:

- i) AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 (effective January 2013). AASB 13 addresses how to measure fair value and aims to enhance fair value disclosures. The new standard will impact the type of information disclosed in the notes to the Company's financial statements. The Company is of the view that the current basis of their fair value recognition is consistent with the new standard's recognition basis, and is not expected to have a significant impact on the amounts recognised. Accordingly the Company will adopt the new standard from its operative date.
- ii) AASB 2011-4: Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement (effective 1 July 2013). Amendments to AASB 124 'Related Party' Disclosures' will remove the duplication of information relating to individual Key Management Personnel in the notes to the financial statements and the Directors' report. This standard is not expected to have a material impact on the Company's financial statements.
- iii) AASB 2012-2: Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013). AASB 2012-2 principally amends AASB 7: Financial Instruments: Disclosures to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. This Standard is not expected to significantly impact the Company as no financial assets and liabilities are offset in the financial statements.
- iv) AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014). This Standard adds application guidance to AASB 132: Financial Instruments: Presentation to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. This Standard is not expected to significantly impact the Company as no financial assets and liabilities are offset in the financial statements.

### 2. Investment revenue

	2013	2012
	\$	\$
Dividends	3,582,003	4,600,778
Interest	2,161,693	2,114,055
Trust distributions	461,843	98,080
Underwriting and other fees	89,854	19,479
Option premium income	-	95,822
	<u>6,295,393</u>	<u>6,928,214</u>

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 3. Income tax

#### a) Income tax expense/(benefit)

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

	2013	2012
	\$	\$
Prima facie tax on profit before income tax at 30% (2012: 30%)	6,665,453	234,130
Imputation credit gross up	508,483	644,380
Franking credit offset	(1,694,943)	(2,147,935)
Other non-assessable items	55,310	131,066
Over provision in prior year	(440)	(37,276)
	<u>5,533,863</u>	<u>(1,175,635)</u>

#### Total income tax expense/(benefit) results in a:

Current tax asset	5,531,693	(1,232,793)
Deferred tax liability	-	94,657
Deferred tax asset	2,610	(223)
Over provision in prior period	(440)	(37,276)
	<u>5,533,863</u>	<u>(1,175,635)</u>

#### b) Deferred tax assets

	2013	2012
	\$	\$
Tax losses	348,173	8,344,416
Provisions	6,584	7,838
Capitalised costs	2,073	3,429
	<u>356,830</u>	<u>8,355,683</u>

#### Movement in deferred tax assets

Balance at the beginning of the period	8,355,683	7,913,194
Losses recouped	(7,996,243)	-
Transfer tax losses from current tax liability	-	486,904
Deferred tax expense on gains/losses on investments	-	(81,914)
Under provision in prior year	-	37,276
Charged to the Income Statement	(2,610)	223
At reporting date	<u>356,830</u>	<u>8,355,683</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

**3. Income tax (cont'd)**

<b>c) Current tax liabilities</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>Movement in current tax liabilities</b>		
Balance at the beginning of the year	-	-
Current year income tax expense/(benefit) on taxable income	5,531,693	(1,232,793)
Income tax expense on realised gains on investments	2,328,647	745,889
PAYG instalments paid	(1,300,017)	-
Income tax refund due	1,300,017	-
Losses recouped	(7,996,243)	-
Transfer tax losses to deferred tax asset	-	486,904
Under provision in prior year	135,903	-
At reporting date	<u>-</u>	<u>-</u>

<b>d) Deferred tax liabilities</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Fair value adjustments	465,407	1,311,985
Income provisions	-	136,343
	<u><b>465,407</b></u>	<u><b>1,448,328</b></u>

<b>Movement in deferred tax liabilities</b>		
Balance at the beginning of the year	1,448,328	1,695,622
Charged to the Statement of Comprehensive Income	(846,578)	(247,294)
Over provision in prior year	(136,343)	-
At reporting date	<u><b>465,407</b></u>	<u><b>1,448,328</b></u>

**4. Dividends**

<b>a) Ordinary dividends paid during the year</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Final dividend FY2012: 3.25 cents per share fully franked at 30% tax rate paid 19 October 2012 (Final dividend FY2011: 3.0 cents per share fully franked)	3,927,765	3,576,516
Interim dividend FY2013: 3.5 cents per share fully franked at 30% tax rate paid 19 April 2013 (Interim dividend FY2012: 3.25 cents per share fully franked)	<u>4,257,203</u>	<u>3,899,456</u>
	<u><b>8,184,968</b></u>	<u><b>7,475,972</b></u>

The final fully franked dividend of 3.25 cents per share paid 19 October 2012 includes 0.4 cents in Listed Investment Company ('LIC') capital gain dividends paid out of the capital profits reserve.

The interim fully franked dividend of 3.5 cents per share paid 19 April 2013 includes 1.1 cents in Listed Investment Company ('LIC') capital gain dividends paid out of the capital profits reserve.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

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

<b>b) Dividends not recognised at year end</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
In addition to the above dividends, since the end of the year, the Directors have declared a 3.5 cent per share fully franked dividend which has not been recognised as a liability at the end of the financial year:	<u><b>4,290,973</b></u>	<u><b>3,927,762</b></u>

The final dividend for 30 June 2013 is a fully franked dividend of 3.5 cents per share and includes 1.84 cents in Listed Investment Company ('LIC') capital gain dividends to be paid out of the capital profits reserve.

<b>c) Dividend franking account</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Balance of franking account at year end	<u><b>267,721</b></u>	<u><b>778,465</b></u>
<b>d) Adjustments to franking account after year end</b>		
Balance of franking account at year end	267,721	778,465
Estimated income tax refund due	(1,300,017)	-
Franking credits on dividends receivable	9,700	-
Subsequent to year end, the franking account would be reduced by the proposed dividend disclosed in b) above as follows:	<u>(1,838,989)</u>	<u>(1,683,327)</u>
	<u><b>(2,861,585)</b></u>	<u><b>(904,862)</b></u>

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

The balance of the franking account does not include the tax to be paid on unrealised investment gains and accrued income currently recognised as a deferred tax liability of \$465,407 (2012: \$1,448,328).

**5. Auditor's remuneration**

Remuneration of the auditor for:	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Auditing or reviewing the financial report	31,735	31,000
Other services provided by a related practice of the auditor:		
Taxation services	<u>7,810</u>	<u>7,150</u>
	<u><b>39,545</b></u>	<u><b>38,150</b></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.

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 6. Trade and other receivables

	2013	2012
	\$	\$
Outstanding settlements	2,152,656	3,532,491
Income receivable	358,945	661,478
GST receivable	155,518	78,445
Income tax refund due	1,300,017	-
	<u>3,967,136</u>	<u>4,272,414</u>

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

### 7. Financial assets

	2013	2012
	\$	\$
Current:		
Equity investments at fair value through Income Statement	63,875,542	35,499,591
Equity investments held for sale	<u>4,188,944</u>	<u>7,716,715</u>
Non-current:		
Long term equity investments	<u>-</u>	<u>8,297,728</u>

The market values of equity investments held for sale at the end of the reporting period are disclosed in note 22. The details of all equity investments are disclosed on pages 49 to 50.

### 8. Trade and other payables

	2013	2012
	\$	\$
Outstanding settlements	721,552	81,080
Management fee payable	339,919	282,564
Performance fee payable	1,702,190	727,053
Sundry creditors	97,542	82,417
	<u>2,861,203</u>	<u>1,173,114</u>

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

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 9. Issued capital

a) Paid-up capital	2013 \$	2012 \$
122,599,235 ordinary shares fully paid (2012: 120,854,228)	<u>122,135,184</u>	<u>120,557,134</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 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) Ordinary shares	2013 \$	2012 \$
Balance at the beginning of the year	120,557,134	119,396,544
780,029 ordinary shares issued on 19 October 2012 under a dividend reinvestment plan	634,909	-
964,978 ordinary shares issued on 19 April 2013 under a dividend reinvestment plan	943,141	-
765,953 ordinary shares issued on 21 October 2011 under a dividend reinvestment plan	-	521,595
871,060 ordinary shares issued on 23 April 2012 under a dividend reinvestment plan	-	638,995
At reporting date	<u>122,135,184</u>	<u>120,557,134</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 through the management of the level of distributions to shareholders, share and option issues as well as the use of share buy-backs. These capital management initiatives will be used when deemed appropriate by the Board. There have been no changes in the strategy adopted by the Board to control the capital of the Company since the prior year. The Company is not subject to any externally imposed capital requirements.

### 10. Reserves

	2013 \$	2012 \$
Capital profits reserve – capital account	2,257,172	518,049
Capital profits reserve – revenue account	(19,847,541)	(19,847,541)
Profits reserve	20,178,907	5,574,026
Asset revaluation reserve	1,085,951	3,061,298
	<u>3,674,489</u>	<u>(10,694,168)</u>

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

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 10. Reserves (cont'd)

	2013 \$	2012 \$
<b>Movement in capital profits reserve – capital account</b>		
Balance at the beginning of the year	518,049	1,777,220
Final dividend FY2012 paid (refer Note 4a)	(483,417)	-
Interim dividend FY2013 paid (refer Note 4a)	(1,337,977)	(2,999,579)
Transfer from asset revaluation reserve	3,560,517	1,740,408
At reporting date	<u>2,257,172</u>	<u>518,049</u>

### Movement in capital profits reserve – revenue account

Balance at the beginning of the year	(19,847,541)	(17,892,851)
Transfer from/(to) asset revaluation reserve	-	(1,954,690)
At reporting date	<u>(19,847,541)</u>	<u>(19,847,541)</u>

### Movement in profits reserve

Balance at the beginning of the year	5,574,026	5,095,595
Transfer from retained earnings	19,095,463	4,954,824
Transfer from asset revaluation reserve	1,872,992	-
Final dividend FY2012 paid (refer Note 4a)	(3,444,348)	(3,576,516)
Interim dividend FY2013 paid (refer Note 4a)	(2,919,226)	(899,877)
At reporting date	<u>20,178,907</u>	<u>5,574,026</u>

### Movement in asset revaluation reserve

Balance at the beginning of the year	3,061,298	2,476,269
Transfer to capital profits reserve – capital account	(3,560,517)	(1,740,408)
Transfer (to)/from capital profits reserve – revenue account	-	1,954,690
Transfer to profits reserve	(1,872,992)	-
Transfer to retained earnings	-	(762,909)
Other comprehensive income	3,458,162	1,133,656
At reporting date	<u>1,085,951</u>	<u>3,061,298</u>

### 11. Accumulated losses

	2013 \$	2012 \$
Balance at the beginning of the year	(1,647,556)	588,290
Profit for the year attributable to members of the Company	16,684,313	1,956,069
Transfer to profits reserve	(19,095,463)	(4,954,824)
Transfer from asset revaluation reserve	-	762,909
	<u>(4,058,706)</u>	<u>(1,647,556)</u>



# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 12. Cash and cash equivalents

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

	2013 \$	2012 \$
Cash at bank and on hand	779,187	994,721
Fixed interest securities	51,909,938	45,700,000
	<u>52,689,125</u>	<u>46,694,721</u>

The weighted average interest rate for cash and fixed interest securities as at 30 June 2013 is 3.89% (2012: 5.38%). The fixed interest securities have an average maturity of 90 days (2012: 78 days). The majority of fixed interest securities are invested in term deposits with Australian major banks and their banking subsidiaries institutions that have a Standard & Poor's A-1+ rating.

### 13. Cash flow information

	2013 \$	2012 \$
<b>Reconciliation of profit after tax to cash flow from operations:</b>		
Profit after income tax	16,684,313	1,956,069
<b>Cash flows excluded from profit attributable to operating activities:</b>		
Realised (gains)/losses on sale of investments	(15,248,148)	3,097,840
<b>Non-cash flow items in profit:</b>		
Unrealised (gains)/losses on investments	(4,135,196)	690,799
<b>Changes in assets and liabilities:</b>		
Decrease in receivables	225,460	149,412
Decrease/(increase) in deferred tax assets	5,533,863	(1,270,292)
Increase in deferred tax liabilities	-	94,657
Increase in payables	1,047,617	943,645
Decrease in current tax liabilities	(1,300,017)	-
<b>Cash flow from operating activities</b>	<u>2,807,892</u>	<u>5,662,130</u>

### 14. Earnings per share

	2013 \$	2012 \$
Profit after income tax used in the calculation of basic earnings per share	<u>16,684,313</u>	<u>1,956,069</u>
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	<u>121,659,015</u>	<u>119,967,515</u>

There are no securities on issue that are potentially dilutive in nature.

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 15. Financial risk management

The Company's financial instruments consist of listed and unlisted investments, trade receivables and trade payables. The risks exposed to through these financial instruments are discussed below and include credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantive changes in the types of risks the Company is exposed to, how these risks arise, or the Board's objective, policies and processes for managing or measuring the risks from the previous period.

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

#### a) Credit risk

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

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

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

Credit risk is not considered to be a major risk to the Company as any cash and fixed interest securities held by the Company or in its portfolios are invested with financial institutions that have a Standard and Poor's short rating of A-1+ and long term rating of AA-. Also the majority of maturities are within three months.

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

#### 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.

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

#### b) Liquidity Risk (cont'd)

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

30 June 2013	>1 month \$	<1 month \$	Total \$
<b>Liabilities</b>			
Total trade and other payables	-	2,861,203	2,861,203
<b>Total</b>	<b>-</b>	<b>2,861,203</b>	<b>2,861,203</b>

30 June 2012	>1 month \$	<1 month \$	Total \$
<b>Liabilities</b>			
Total trade and other payables	-	1,173,114	1,173,114
<b>Total</b>	<b>-</b>	<b>1,173,114</b>	<b>1,173,114</b>

#### c) Market risk

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

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

#### (i) Interest rate risk

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

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

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

##### i) Interest rate risk (cont'd)

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

30 June 2013	Weighted average interest rate (% pa)	Interest bearing \$	Non- interest bearing \$	Total \$
<b>Assets</b>				
Cash and cash equivalents	3.89%	52,689,125	-	52,689,125
Trade and other receivables		-	3,967,136	3,967,136
Financial assets		-	68,064,486	68,064,486
<b>Total</b>		<b>52,689,125</b>	<b>72,031,622</b>	<b>124,720,747</b>
<b>Liabilities</b>				
Trade and other payables		-	2,861,203	2,861,203
<b>Total</b>		<b>-</b>	<b>2,861,203</b>	<b>2,861,203</b>

30 June 2012	Weighted average interest rate (% pa)	Interest bearing \$	Non- interest bearing \$	Total \$
<b>Assets</b>				
Cash and cash equivalents	5.38%	46,694,721	-	46,694,721
Trade and other receivables		-	4,272,414	4,272,414
Financial assets		-	51,514,034	51,514,034
<b>Total</b>		<b>46,694,721</b>	<b>55,786,448</b>	<b>102,481,169</b>
<b>Liabilities</b>				
Trade and other payables		-	1,173,114	1,173,114
<b>Total</b>		<b>-</b>	<b>1,173,114</b>	<b>1,173,114</b>

##### (ii) Other price risk

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

As the majority of the Company's investments are carried at fair value with fair value changes recognised in the Statement of Comprehensive Income, all changes in market conditions will directly affect net investment income.

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

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

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

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

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

<b>Industry sector</b>	<b>2013</b>	<b>2012</b>
	<b>%</b>	<b>%</b>
Consumer Discretionary	12.9%	16.5%
Information Technology	9.0%	4.0%
Telecommunications Services	9.0%	3.7%
Financials	8.1%	11.2%
Consumer Staples	7.4%	0.5%
Industrials	7.3%	11.7%
Health Care	1.2%	1.4%
Materials	0.3%	0.5%
Energy	0.3%	-
Utilities	-	0.8%
	<u>55.5%</u>	<u>50.3%</u>

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

<b>Company name</b>	<b>2013 (%)</b>
Graincorp Limited	6.1%

<b>Company name</b>	<b>2012 (%)</b>
AP Eagers Limited	5.9%

#### **Sensitivity analysis**

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

Investments represent 55.5% (2012: 50.3%) of gross assets at year end. A 5% movement in the market value of each of the investments within the portfolio would result in a 2.8% (2012: 2.5%) movement in the net assets after tax. This would result in the net asset backing after tax moving by 2.7 cents per share using the 30 June 2013 numbers (2012: 2.2 cents per share).

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

#### d) Financial instruments measured at fair value

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

- Level 1:** Quoted prices in active markets for identical assets or liabilities.  
**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).  
**Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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 2013</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	67,737,486	327,000	-	68,064,486
<b>Total</b>	<b>67,737,486</b>	<b>327,000</b>	<b>-</b>	<b>68,064,486</b>

<b>30 June 2012</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	51,514,034	-	-	51,514,034
<b>Total</b>	<b>51,514,034</b>	<b>-</b>	<b>-</b>	<b>51,514,034</b>

### 16. Investment transactions

The total number of contract notes that were issued for transactions in securities during the financial year was 1,951 (2012: 1,104). Each contract note could involve multiple transactions. The total brokerage paid on these contract notes was \$591,947 (2012: \$368,941).

### 17. Segment reporting

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

### 18. Key management personnel compensation

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

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

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 18. Key management personnel compensation (cont'd)

#### a) Remuneration

There are no executives that are paid by the Company.

Individual Directors' remuneration disclosures are provided in the Remuneration Report of the Directors' Report on page 16, as permitted by Corporations Regulation 2M.3.03 and 2M.6.04.

	Short-term employee benefits Directors' Fees \$	Post-employment benefits Superannuation \$	Total \$
Total Directors' remuneration paid by the Company for the year ended 30 June 2013	87,132	5,368	92,500
Total Directors' remuneration paid by the Company for the year ended 30 June 2012	74,518	17,982	92,500

#### b) Share holdings

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

##### Ordinary Shares held

	Balance at 30 June 2012	Acquisitions	Disposals	Balance at 30 June 2013
<b>Directors</b>				
G.J. Wilson	5,632,839	-	-	5,632,839
M.J. Kidman	215,511	14,315	-	229,826
J.B. Abernethy	60,000	-	-	60,000
J.J. Gosse	-	-	-	-
	<b>5,908,350</b>	<b>14,315</b>	-	<b>5,922,665</b>

##### Ordinary Shares held

	Balance at 30 June 2011	Acquisitions	Disposals	Balance at 30 June 2012
<b>Directors</b>				
G.J. Wilson	5,632,839	-	-	5,632,839
M.J. Kidman	200,146	15,365	-	215,511
J.B. Abernethy	60,000	-	-	60,000
J.J. Gosse	-	-	-	-
	<b>5,892,985</b>	<b>15,365</b>	-	<b>5,908,350</b>

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

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

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 19. Related party transactions

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

Geoffrey Wilson is the Director of MAM Pty Limited, the entity appointed to manage the investment portfolio of WAM Research Limited. Entities associated with Geoffrey Wilson hold 100% of the issued shares of MAM Pty Limited. The core duties of the Manager in addition to managing the investment portfolio of WAM Research Limited include the provision of financial and administrative support to ensure the maintenance of the corporate and statutory records of the Company; liaison with the ASX with respect to compliance with the ASX Listing Rules; liaison with ASIC with respect to compliance with the *Corporations Act 2001*; liaison with the share registrar of the Company; investor relations; and the provision of information necessary for the maintenance of financial accounts of the Company to be completed. In its capacity as Manager, MAM Pty Limited was paid a management fee of 1% p.a. (plus GST) of gross assets amounting to \$1,289,324 inclusive of GST (2012: \$1,114,335). As at 30 June 2013, the balance payable to the Manager was \$339,919 inclusive of GST (2012: \$282,564).

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 2013, a performance fee of \$1,702,190 inclusive of GST was payable to MAM Pty Limited (2012: \$727,053).

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 2013 (2012: \$38,500). Wilson Asset Management (International) Pty Limited is owned by an entity associated with Geoffrey Wilson.

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

### 20. Contingent liability

There are no contingent liabilities as at 30 June 2013 (2012: nil).

### 21. Capital commitments

There are no capital commitments as at 30 June 2013 (2012: nil).



# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 22. Holdings at fair value through other comprehensive income

	2013	2012
	\$	\$
AP Eagers Limited	1,505,176	6,028,812
ARB Corporation Limited	-	2,637,762
Clime Investment Management Limited	2,683,768	1,687,903
McMillan Shakespeare Limited	-	3,090,375
MyState Limited	-	1,746,793
Reece Australia Limited	-	822,798
Total	<u>4,188,944</u>	<u>16,014,443</u>

### 23. Events subsequent to reporting date

Since year end, the Board declared a final dividend of 3.5 cents per share fully franked to be paid on 31 October 2013. The final dividend includes 1.84 cents of Listed Investment Company ('LIC') capital gain which will enable some shareholders to claim a further tax reduction.

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

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## DIRECTORS' DECLARATION

The Directors of WAM Research Limited declare that:

- 1) The financial report as set out in pages 22 to 45 and the additional disclosures included in the Directors' Report designated as "Remuneration Report", as set out on pages 16 to 18, are in accordance with the *Corporations Act 2001*, including:
  - a) complying with Australian Accounting Standards, which, as stated in Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
  - b) giving a true and fair view of the financial position of the Company as at 30 June 2013 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 in Sydney this 4th day of September 2013.

Level 15, 135 King Street  
Sydney NSW 2000

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

[www.moorestephens.com.au](http://www.moorestephens.com.au)

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

**Report on the Financial Report**

We have audited the accompanying financial report of WAM Research Limited ('the company'), which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

*Director's Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

*Independence*

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

*Opinion*

In our opinion:

- a. the financial report of WAM Research Limited is in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the remuneration report included in pages 16 to 18 of the directors' report for the year ended 30 June 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

**Matters Relating to the Electronic Publication of the Audited Financial Report**

This auditor's report relates to the financial report for the year ended 30 June 2013 included on WAM Research Limited's website. The Company's directors are responsible for the integrity of WAM Research Limited's website. We have not been engaged to report on the integrity of the WAM Research Limited's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information, which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.



**Moore Stephens Sydney**  
Chartered Accountants



**Scott Whiddett**  
Partner

Dated in Sydney this 4<sup>th</sup> day of September 2013

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## INVESTMENTS AT MARKET VALUE AS AT 30 JUNE 2013

Company name	Code	Market value	
		\$	%
<b>Consumer Discretionary</b>			
Automotive Holdings Group Limited	AHE	1,594,054	1.3%
AP Eagers Limited	APE	1,505,176	1.2%
G8 Education Limited	GEM	1,230,022	1.0%
RCG Corporation Limited	RCG	719,400	0.6%
Slater & Gordon Limited	SGH	3,785,932	3.1%
STW Communications Group Limited	SGN	2,458,301	2.0%
Shine Corporate Limited	SHJ	1,679,678	1.4%
Village Roadshow Limited	VRL	2,864,447	2.3%
		<b>15,837,010</b>	<b>12.9%</b>
<b>Telecommunication Services</b>			
M2 Telecommunications Group Limited	MTU	4,267,130	3.5%
NEXTDC Limited	NXT	1,782,901	1.5%
TPG Telecom Limited	TPM	2,750,880	2.2%
Vocus Communications Limited	VOC	2,231,072	1.8%
		<b>11,031,983</b>	<b>9.0%</b>
<b>Information Technology</b>			
CSG Limited	CSV	3,311,509	2.7%
Donaco International Limited	DNA	596,329	0.5%
Empired Limited	EPD	760,193	0.6%
GBST Holdings Limited	GBT	1,082,441	0.9%
iProperty Group Limited	IPP	1,538,447	1.3%
Nearmap Limited	NEA	2,427,466	2.0%
RXP Services Limited	RXP	1,249,197	1.0%
		<b>10,965,582</b>	<b>9.0%</b>
<b>Financials</b>			
Centrepoint Alliance Limited	CAF	627,300	0.5%
Clime Investment Management Limited	CIW	2,683,769	2.2%
IMF (Australia) Limited 10.25% Conv Note Dec 2014	IMFG	927,622	0.7%
Money3 Corporation Limited	MNY	551,941	0.3%
RHG Limited	RHG	477,625	0.4%
SFG Australia Limited	SFW	2,703,290	2.2%
Westpac Stapled Preferred Securities	WBCPA	582,683	0.5%
Yellow Brick Road Holdings Limited	YBR	1,420,628	1.1%
		<b>9,974,858</b>	<b>7.9%</b>
<b>Consumer Staples</b>			
Graincorp Limited	GNC	7,417,142	6.1%
Gage Roads Brewing Co Limited	GRB	1,321,138	1.1%
Private Branded Beverages Limited	PBBL	327,000	0.3%
		<b>9,065,280</b>	<b>7.5%</b>
<b>Industrials</b>			
Australian Infrastructure Fund	AIX	215,635	0.2%
Chandler Macleod Group Limited	CMG	1,293,270	1.1%
Logicamms Limited	LCM	1,492,377	1.2%
RCR Tomlinson Limited	RCR	2,806,886	2.3%
Royal Wolf Holdings Limited	RWH	2,029,673	1.7%
Skilled Group Limited	SKE	1,092,078	0.9%
		<b>8,929,919</b>	<b>7.4%</b>

# WAM RESEARCH LIMITED

A.B.N. 15 100 504 541

## INVESTMENTS AT MARKET VALUE AS AT 30 JUNE 2013

Company name	Code	Market value	
		\$	%
<b>Health Care</b>			
Medical Developments International Limited	MVP	442,916	0.4%
Virtus Health Limited	VRT	1,024,712	0.8%
		<b>1,467,628</b>	<b>1.2%</b>
<b>Energy</b>			
Titan Energy Services Limited	TTN	387,374	0.3%
		<b>387,374</b>	<b>0.3%</b>
<b>Materials</b>			
Bisalloy Steel Group Limited	BIS	404,852	0.3%
		<b>404,852</b>	<b>0.3%</b>
<b>Total equity investments</b>		<b>68,064,486</b>	<b>55.5%</b>
<b>Total cash and cash equivalents, income receivable and net outstanding settlements</b>		<b>54,634,692</b>	<b>44.5%</b>
<b>Gross assets</b>		<b>122,699,178</b>	

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

**ASX ADDITIONAL INFORMATION**

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

**Shareholdings**

**Substantial shareholders (as at 31 July 2013)**

There are currently no substantial shareholders of WAM Research Limited.

**Distribution of shareholders (as at 31 July 2013)**

Category	No. of shareholders	
	Ordinary Shares	Options
1 – 1,000	256	-
1,001 – 5,000	963	-
5,001 – 10,000	901	-
10,001 – 100,000	1,987	-
100,001 and over	180	-
	<b>4,287</b>	-

The number of shareholdings held in less than marketable parcels is 104.

**Twenty largest shareholders – Ordinary shares (as at 31 July 2013)**

Name	Number of ordinary shares held	Percentage of issued capital held
Entities associated with Geoffrey Wilson	5,612,597	4.6
Mr Victor John Plummer	3,200,000	2.6
Mrs Thelma Joan Martin-Weber	1,000,000	0.8
Pineross Pty Limited	925,207	0.8
Anchorfield Pty Limited (Brazil Family FNDN A/C)	890,000	0.7
Navigator Australia Limited <MLC Investment Sett A/C>	888,219	0.7
Somoke Pty Limited (Pulman Super Fund A/C)	860,865	0.7
R B & S J Baxter Pty Limited (Super Fund A/C)	800,000	0.7
Dr and Mrs English (N English SF No 1 A/C)	763,720	0.6
Pollywam Pty Limited (DPS Superannuation Fund A/C)	713,666	0.6
Citicorp Nominees Pty Limited	698,362	0.6
VBS Investments Pty Limited	653,361	0.5
Mr and Mrs O'Brien (MA & A O'Brien Super Fund A/C)	564,754	0.5
Mr and Mrs Tonkin (Tonkin Family S/F A/C)	501,929	0.4
Mr Erich Gustav Brosell	500,000	0.4
Mrs Jean Plummer	500,000	0.4
Noonbah Pty Limited (Noonbah A/C)	445,000	0.4
Mr and Mrs Antaw (Petavic Super Fund A/C)	444,097	0.4
Charanda Nominee Company Pty Limited (The Amanchar A/C)	444,000	0.4
UBS Wealth Management Australia Nominees Pty Limited	440,000	0.4
	<b>20,845,777</b>	<b>17.2</b>

**Securities exchange listing**

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



**WILSON**  
ASSET MANAGEMENT

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