
W | A | M Research

ABN 15 100 504 541

Financial Report

For the half year ended 31 December 2023

Wilson
Asset Management
Making a difference

The logo features the number '25' in a large, stylized font, with the word 'YEARS' written in a smaller font above it. The entire logo is enclosed within a circular border.

WAM Research Limited

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

Directors

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

Joint Company Secretaries

Jesse Hamilton
Linda Kiriczenko

Investment Manager

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

Auditor

Pitcher Partners

Country of Incorporation

Australia

Registered Office

Level 26, Governor Phillip Tower
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Sydney NSW 2000

Contact Details

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Share Registry

Boardroom Pty Limited
Level 8, 210 George Street
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For enquiries relating to shareholdings, dividends (including participation in the dividend reinvestment plan) and related matters, please contact the share registry.

Australian Securities Exchange

WAM Research Limited
Ordinary Shares (WAX)

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Directors' Report to shareholders for the half year ended 31 December 2023

The Directors present their report together with the financial report of WAM Research Limited for the half year ended 31 December 2023.

Directors

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

Geoff Wilson AO (Chairman – Non-independent)

Kate Thorley (Director – Non-independent)

John Abernethy (Director – Independent)

Julian Gosse (Director – Independent)

Principal activity

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

Operating and financial review

Investment operations during the half year resulted in an operating profit before tax of \$20,781,207 (2022: \$11,769,721) and an operating profit after tax of \$15,061,462 (2022: \$8,709,933). The profit for the period is reflective of the strong performance in the investment portfolio over the six months to 31 December 2023. The investment portfolio increased 13.4% in the six months to 31 December 2023, outperforming the S&P/ASX All Ordinaries Accumulation Index and the S&P/ASX Small Ordinaries Accumulation Index by 5.4% and 7.0% respectively. This outperformance was achieved with an average cash weighting of 6.3%.

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

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

WAM Research's NTA before tax increased 10.6% for the six months to 31 December 2023, including the 5.0 cents per share final dividend, partially franked at 60%, paid to shareholders during the period. This increase is after corporate tax paid of 1.3 cents per share or 1.4% of the Company's pre-tax NTA during the period. Corporate tax payments made throughout the period and performance fee accrued of 0.8%

were the major items of difference between the investment portfolio increase of 13.4% and the NTA performance. The franking credits attached to corporate tax payments are available for distribution to shareholders through franked dividends. Other items contributing to the change in the value of the assets during the period were management fees of 0.5% and other company related expenses of 0.2%, being offset by capital raising accretion of 0.1%.

The NTA before tax as at 31 December 2023 amounted to \$0.97 per share (June 2023: \$0.93). The NTA after tax was \$1.01 per share (June 2023: \$0.99). These figures are after the 5.0 cents per share final dividend, partially franked at 60%, paid to shareholders during the period.

The total shareholder return for WAM Research was 2.5% for the six months to 31 December 2023 and was driven by the investment portfolio performance of 13.4%, offset by the decline in the share price premium to NTA, which fell from 13.9% as at 30 June 2023 to 6.6% as at 31 December 2023. This measure does not value the potential benefit of franking credits distributed to shareholders through franked dividends.

Dividends

A final dividend of 5.0 cents per share, partially franked at 60%, was paid during the period and an interim dividend of 5.0 cents per share, partially franked at 60% has been declared by the Board and will be paid on 30 April 2024. Since inception, WAM Research has paid 144.0 cents per share in dividends to shareholders, 204.9 cents per share including the value of franking credits.

The Company has 3.9 years of dividend coverage, supported by the profits reserve of 39.4 cents per share as at 31 December 2023, before the payment of the interim dividend of 5.0 cents per share. The franking account balance of WAM Research at the end of the period enabled the Company to declare a partially franked interim dividend for shareholders. The level of franking in FY2024 and beyond is dependent on the performance of the investment portfolio and the payment of tax on realised profits. The WAM Research Board of Directors expects the final dividend to also be partially franked at 60%.

Rounding of amounts to nearest dollar

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

Auditor's Independence Declaration

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

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



Geoff Wilson AO
Chairman

Dated this 23rd day of February 2024

Pitcher Partners Sydney

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

In relation to the independent auditor's review of WAM Research Limited for the half year ended 31 December 2023, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.



Richard King
Partner

Pitcher Partners
Sydney

23 February 2024

Statement of comprehensive income for the half year ended 31 December 2023

	Note	December 2023 \$	December 2022 \$
Net realised and unrealised gains on financial investments		21,726,304	10,038,259
Other revenue from operating activities		2,373,512	3,272,462
Performance fees		(1,798,180)	-
Management fees		(962,053)	(996,454)
Directors fees		(40,000)	(40,000)
Brokerage expense on share purchases		(294,790)	(239,759)
Custody fees		(9,572)	(8,241)
ASX listing and CHESS fees		(50,804)	(60,042)
Share registry fees		(44,664)	(50,638)
Disbursements, mailing and printing		(29,541)	(32,877)
ASIC industry funding levy		(4,245)	(4,731)
Other expenses from ordinary activities		(84,760)	(108,258)
Profit before income tax		20,781,207	11,769,721
Income tax expense		(5,719,745)	(3,059,788)
Profit after income tax attributable to members of the Company		15,061,462	8,709,933
Other comprehensive loss			
Net unrealised losses on investments taken to equity, net of tax		(82,830)	(20,708)
Total comprehensive income for the period		14,978,632	8,689,225
Basic and diluted earnings per share		7.47 cents	4.38 cents

The accompanying notes form part of these financial statements.

Statement of financial position as at 31 December 2023

	Note	December 2023 \$	June 2023 \$
Current assets			
Cash and cash equivalents		13,347,807	11,212,328
Trade and other receivables		249,870	4,719,531
Financial assets at fair value through profit or loss	6	185,265,902	172,606,385
Total current assets		198,863,579	188,538,244
Non-current assets			
Financial assets at fair value through other comprehensive income	6	1,315,131	1,433,459
Deferred tax assets		12,182,928	13,591,029
Total non-current assets		13,498,059	15,024,488
Total assets		212,361,638	203,562,732
Current liabilities			
Trade and other payables		3,215,997	2,749,468
Current tax liabilities		3,355,430	1,676,635
Total current liabilities		6,571,427	4,426,103
Total liabilities		6,571,427	4,426,103
Net assets		205,790,211	199,136,629
Equity			
Issued capital	3	223,953,821	222,234,613
Reserves	4	59,810,271	54,875,897
Accumulated losses	5	(77,973,881)	(77,973,881)
Total equity		205,790,211	199,136,629

The accompanying notes form part of these financial statements.

Statement of changes in equity for the half year ended 31 December 2023

	Note	Issued capital \$	Accumulated losses \$	Profits reserve \$	Asset revaluation reserve \$	Other reserves \$	Total equity \$
Balance at 1 July 2022		218,646,396	(76,846,523)	76,626,019	205,488	(19,805,347)	198,826,033
Profit for the half year		-	8,709,933	-	-	-	8,709,933
Transfer to profits reserve		-	(13,921,434)	13,921,434	-	-	-
Other comprehensive loss for the half year		-	-	-	(20,708)	-	(20,708)
Transactions with owners:							
Shares issued via dividend reinvestment plan	3(b)	1,811,113	-	-	-	-	1,811,113
Dividends paid	2(a)	-	-	(9,901,937)	-	-	(9,901,937)
Balance at 31 December 2022		220,457,509	(82,058,024)	80,645,516	184,780	(19,805,347)	199,424,434
Balance at 1 July 2023		222,234,613	(77,973,881)	74,734,088	(52,844)	(19,805,347)	199,136,629
Profit for the half year		-	15,061,462	-	-	-	15,061,462
Transfer to profits reserve	4	-	(15,061,462)	15,061,462	-	-	-
Other comprehensive loss for the half year		-	-	-	(82,830)	-	(82,830)
Transactions with owners:							
Shares issued via dividend reinvestment plan	3(b)	1,719,208	-	-	-	-	1,719,208
Dividends paid	2(a)	-	-	(10,044,258)	-	-	(10,044,258)
Balance at 31 December 2023		223,953,821	(77,973,881)	79,751,292	(135,674)	(19,805,347)	205,790,211

The accompanying notes form part of these financial statements.

Statement of cash flows for the half year ended 31 December 2023

	December 2023 \$	December 2022 \$
Cash flows from operating activities		
Proceeds from sale of investments	243,474,492	198,100,553
Payments for purchase of investments	(231,177,246)	(212,080,268)
Dividends received	2,106,711	3,006,911
Interest and other income received	266,801	237,703
Management fee (GST inclusive)	(1,021,955)	(1,068,254)
Payments for administration expenses (GST inclusive)	(377,822)	(425,601)
Brokerage on share purchases (GST inclusive)	(315,140)	(256,833)
Income tax paid	(2,597,351)	(2,327,644)
GST on brokerage expense on share sales	(21,481)	(18,022)
Net GST received from the ATO	123,520	118,082
Net cash provided by/(used in) operating activities	10,460,529	(14,713,373)
Cash flows from financing activities		
Dividends paid – net of reinvestment	(8,325,050)	(8,090,824)
Net cash used in financing activities	(8,325,050)	(8,090,824)
Net increase/(decrease) in cash and cash equivalents held	2,135,479	(22,804,197)
Cash and cash equivalents at the beginning of the half year	11,212,328	37,631,176
Cash and cash equivalents at the end of the half year	13,347,807	14,826,979
Non-cash transactions:		
Shares issued via dividend reinvestment plan	1,719,208	1,811,113

The accompanying notes form part of these financial statements.

Notes to the financial statements for the half year ended 31 December 2023

1. Material accounting policies

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

The half year financial report was authorised for issue on 23 February 2024 by the Board of Directors.

Basis of preparation

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

The half year report does not include full disclosures of the type normally included in an annual financial report. It is recommended that the half year financial report be read in conjunction with the Annual Financial Report for the year ended 30 June 2023 and any public announcements made by the Company during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

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

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

The accounting policies have been consistently applied by the Company throughout the period and are consistent with those applied in the 30 June 2023 Annual Financial Report.

2. Dividends

a) Ordinary dividends paid during the period

	December 2023 \$	December 2022 \$
Final dividend FY2023: 5.0 cents per share partially franked at 60% (30% tax rate), paid 16 October 2023 (Final dividend FY2022: 5.0 cents per share fully franked)	10,044,258	9,901,937

b) Dividends not recognised at period end

	December 2023 \$	December 2022 \$
Since the end of the period, the Directors have declared an interim dividend of 5.0 cents per share, partially franked at 60%, payable on 30 April 2024 (Interim dividend FY2023: 5.0 cents per share fully franked).	10,126,607	9,971,589

3. Issued capital

a) Paid-up capital

	December 2023 \$	June 2023 \$
202,532,134 ordinary shares fully paid (June 2023: 200,885,140)	223,953,821	222,234,613

b) Ordinary shares

	For the 6 months to December 2023 \$	For the 12 months to June 2023 \$
Balance at the beginning of the period 200,885,140 ordinary shares fully paid (June 2022: 198,038,747 shares)	222,234,613	218,646,396
1,646,994 ordinary shares issued on 16 October 2023 under a dividend reinvestment plan	1,719,208	-
1,393,035 ordinary shares issued on 17 October 2022 under a dividend reinvestment plan	-	1,811,113
1,453,358 ordinary shares issued on 21 April 2023 under a dividend reinvestment plan	-	1,777,104
At reporting date	223,953,821	222,234,613

4. Reserves

	December 2023 \$	June 2023 \$
Profits reserve	79,751,292	74,734,088
Asset revaluation reserve	(135,674)	(52,844)
Capital profits reserve – capital account	42,194	42,194
Capital profits reserve – revenue account	(19,847,541)	(19,847,541)
	59,810,271	54,875,897

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

4. Reserves (cont'd)

	For the 6 months to December 2023 \$	For the 12 months to June 2023 \$
Movement in profits reserve		
Balance at the beginning of the period	74,734,088	76,626,019
Transfer of profits during the period	15,061,462	17,981,595
Final dividend paid (refer Note 2(a))	(10,044,258)	(9,901,937)
Interim dividend paid	-	(9,971,589)
At reporting date	79,751,292	74,734,088
Movement in asset revaluation reserve		
Balance at the beginning of the period	(52,844)	205,488
Other comprehensive loss	(82,830)	(258,332)
At reporting date	(135,674)	(52,844)

5. Accumulated losses

	For the 6 months to December 2023 \$	For the 12 months to June 2023 \$
Balance at the beginning of the period	(77,973,881)	(76,846,523)
Profit for the period attributable to members of the Company	15,061,462	16,854,237
Transfer to profits reserve	(15,061,462)	(17,981,595)
At reporting date	(77,973,881)	(77,973,881)

6. Financial instruments measured at fair value

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

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

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

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

Included within Level 1 of the hierarchy are listed investments. The fair value of these financial assets and liabilities have been based on the closing quoted last prices at the end of the reporting period, excluding transaction costs. The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature. Included within Level 2 of the hierarchy is an unlisted investment which has been valued using the last sale price to determine fair value.

6. Financial instruments measured at fair value (cont'd)

There were no transfers between Level 1 and Level 2 during the period (June 2023: nil).

The following table presents the Company's financial assets measured and recognised at fair value at 31 December 2023:

31 December 2023	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss	185,265,902	-	-	185,265,902
Financial assets at fair value through comprehensive income	1,005,790	309,341	-	1,315,131
Total	186,271,692	309,341	-	186,581,033

30 June 2023	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss	172,606,385	-	-	172,606,385
Financial assets at fair value through comprehensive income	1,124,118	309,341	-	1,433,459
Total	173,730,503	309,341	-	174,039,844

7. Segment reporting

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

8. Capital commitments

There were no capital commitments for the Company as at 31 December 2023 (June 2023: nil).

9. Contingent liabilities

There were no contingent liabilities for the Company as at 31 December 2023 (June 2023: nil).

10. Events subsequent to reporting date

Since the end of the period, the Directors declared an interim dividend of 5.0 cents per share, partially franked at 60%, to be paid on 30 April 2024.

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

Directors' Declaration

The Directors of WAM Research Limited declare that:

- 1) The financial statements and notes as set out in pages 7 to 14, are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b) giving a true and fair view of the financial position of the Company as at 31 December 2023 and of its performance for the half year ended on that date.
- 2) At the date of this declaration, in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Geoff Wilson AO
Chairman

Dated this 23rd day of February 2024

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

Report on the Half-Year Financial Report**Conclusion**

We have reviewed the half-year financial report of WAM Research Limited ("the Company") which comprises the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of material accounting policies and other explanatory information, and the directors' declaration.

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

- a) giving a true and fair view of the Company's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



Richard King
Partner



Pitcher Partners
Sydney

23 February 2024



Wilson Asset Management

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