

WAM RESEARCH LIMITED

ABN 15 100 504 541

Appendix 4D Half Year Report

for the half year ended 31 December 2016

Results for Announcement to the Market

All comparisons to the half year ended 31 December 2015

	\$	up/down	% mvmt
Revenue from ordinary activities	24,540,638	down	(31.2%)
Profit from ordinary activities before income tax expense	22,256,155	down	(17.9%)
Net profit from ordinary activities after income tax expense	16,366,330	down	(16.2%)

Dividend information	Cents per share	Franked amount per share	Tax rate for franking
2017 Interim dividend cents per share	4.50c	4.50c	30%
2016 Final dividend cents per share	4.25c	4.25c	30%

Interim dividend dates

Ex dividend date	6 April 2017
Record date	7 April 2017
Last election date for the DRP	11 April 2017
Payment date	21 April 2017

Dividend Reinvestment Plan

The Dividend Reinvestment Plan ('DRP') is in operation and the recommended fully franked interim dividend of 4.5 cents per share qualifies. Participating shareholders will be entitled to be allotted the number of shares (rounded to the nearest whole number) which the cash dividend would purchase at the relevant issue price. The relevant issue price will be at a 2.5% discount to the price, calculated as the VWAP (volume weighted average market price) of shares sold on the ASX on the ex date for the relevant dividend and the 3 trading days following that date.

	31 Dec 16	31 Dec 15
Net tangible asset backing (after tax) per share	\$1.26	\$1.20

This report is based on the Half Year Financial Report which has been subject to independent review by the Auditors, Pitcher Partners. All the documents comprise the information required by Listing Rule 4.2A. This information should be read in conjunction with the 30 June 2016 Annual Financial Report.

W | A | M *Research*



Financial Report

For the half year ended 31 December 2016

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 (Chairman)
Matthew Kidman
John Abernethy
Julian Gosse
Kate Thorley
Chris Stott

Company Secretary

Linda Vo

Investment Manager

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

Auditor

Pitcher Partners

Country of Incorporation

Australia

Registered Office

Level 11, 139 Macquarie Street
Sydney NSW 2000

Contact Details

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Share Registry

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

Australian Securities Exchange

WAM Research Limited
Ordinary Shares (WAX)

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Directors' Report to shareholders for the half year ended 31 December 2016

The Directors present their report together with the financial report of WAM Research Limited for the half year ended 31 December 2016.

Directors

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

- Geoff Wilson (Chairman – Non-independent)
- Matthew Kidman (Director – Independent)
- John Abernethy (Director – Independent)
- Julian Gosse (Director – Independent)
- Kate Thorley (Director – Non-independent)
- Chris Stott (Director – Non-independent)

Principal activity

The principal activity of the Company is investing 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 took place during the period or is likely in the future.

Operating and financial review

Investment operations over the half year resulted in an operating profit before tax of \$22,256,155 (2015: \$27,113,116) and an operating profit after tax of \$16,366,330 (2015: \$19,537,510). The decrease in profit is a reflection of the change in the value of the investment portfolio and the change in size of the capital base over the period. The investment portfolio, while on average 66.4% invested in equities, returned 11.3% during the 6 months to 31 December 2016 compared to 18.9% in the previous corresponding period.

Under Australian Accounting Standards, realised gains and losses on the investment portfolio 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 9.2% for the 6 months to 31 December 2016.

The NTA after tax for each share as at 31 December 2016 amounted to \$1.26 per share (2015: \$1.20). The NTA before tax was \$1.29 per share (2015: \$1.23). These figures are after the payment of 4.25 cents in fully franked dividends to shareholders during the period (2015: 4.0 cents).

The total shareholder return for the Company for the six months to 31 December 2016 was 18.3%, adjusted for dividends reinvested during the period.

In October 2016, the Company completed a Dividend Reinvestment Plan Shortfall Placement ('Placement'). This Placement raised \$12.5 million (7.93 million ordinary shares).

A final dividend of 4.25 cents per share fully franked was paid in the period to 31 December 2016 and a fully franked interim dividend of 4.50 cents per share has been declared by the Board, to be paid on 21 April 2017.


Rounding of amounts to nearest dollar

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

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
Chairman

Dated in Sydney this 15th day of February 2017

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF WAM RESEARCH LIMITED
ABN 15 100 504 541**

In relation to the independent auditor's review for the half-year ended 31 December 2016, to the best of my knowledge and belief there have been:

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

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



CHRIS CHANDRAN
Partner

PITCHER PARTNERS
Sydney

15 February 2017

Statement of comprehensive income for the half year ended 31 December 2016

	Note	December 2016 \$	December 2015 \$
Net realised and unrealised gains on financial assets		20,576,840	32,327,628
Investment revenue	2	3,963,798	3,328,458
Management fees		(1,233,879)	(1,058,723)
Performance fees		(460,212)	(6,924,172)
Directors fees		(60,000)	(56,250)
Brokerage expense on share purchases		(236,595)	(263,244)
Custody fees		(8,497)	(22,143)
ASX listing and chess fees		(93,074)	(80,825)
Share registry fees		(62,614)	(55,393)
Payroll tax		(2,453)	-
Other expenses from ordinary activities		(127,159)	(82,220)
Profit before income tax		22,256,155	27,113,116
Income tax expense		(5,889,825)	(7,575,606)
Profit for the half year attributable to members of the Company	6	16,366,330	19,537,510
Other comprehensive loss			
Net unrealised losses on investments taken to equity, net of tax		(311,368)	(122,646)
Total comprehensive income for the period		16,054,962	19,414,864
Basic earnings per share		9.23 cents	11.63 cents
Diluted earnings per share		9.23 cents	11.63 cents

The accompanying notes form part of these financial statements.

Statement of financial position as at 31 December 2016

	Note	December 2016 \$	June 2016 \$
Current assets			
Cash and cash equivalents		108,443,824	56,336,153
Trade and other receivables		682,006	10,208,279
Equity investments at fair value through Income Statement		126,445,957	160,655,091
Total current assets		235,571,787	227,199,523
Non-current assets			
Equity investments at fair value through other comprehensive income		1,448,279	2,070,634
Deferred tax assets		85,956	60,022
Total non-current assets		1,534,235	2,130,656
Total assets		237,106,022	229,330,179
Current liabilities			
Trade and other payables		798,033	14,207,053
Current tax liabilities		4,623,549	6,166,281
Total current liabilities		5,421,582	20,373,334
Non-current liabilities			
Deferred tax liabilities		33,342	188,639
Total non-current liabilities		33,342	188,639
Total liabilities		5,454,924	20,561,973
Net assets		231,651,098	208,768,206
Equity			
Issued capital	4	196,914,871	182,724,945
Reserves	5	48,294,134	34,450,744
Accumulated losses	6	(13,557,907)	(8,407,483)
Total equity		231,651,098	208,768,206

The accompanying notes form part of these financial statements.

Statement of changes in equity for the half year ended 31 December 2016

	Note	Issued Capital \$	Accumulated Losses \$	Capital profits reserve – capital account \$	Capital profits reserve – revenue account \$	Profits reserve \$	Asset revaluation reserve \$	Total equity \$
Balance at 1 July 2015		172,104,577	(8,407,483)	1,346	(19,847,541)	41,705,622	612,159	186,168,680
Profit for the half year		-	19,537,510	-	-	-	-	19,537,510
Transfer to profits reserve		-	(19,537,510)	-	-	19,537,510	-	-
Other comprehensive income for the half year		-	-	-	-	-	(122,646)	(122,646)
Transactions with owners:								
Shares issued via dividend reinvestment plan	4(b)	1,677,448	-	-	-	-	-	1,677,448
Shares issued via placement	4(b)	7,228,779	-	-	-	-	-	7,228,779
Capitalised share issue costs	4(b)	(57,470)	-	-	-	-	-	(57,470)
Dividends paid	3(a)	-	-	-	-	(6,612,254)	-	(6,612,254)
Balance at 31 December 2015		180,953,334	(8,407,483)	1,346	(19,847,541)	54,630,878	489,513	207,820,047
Balance at 1 July 2016		182,724,945	(8,407,483)	1,346	(19,847,541)	53,907,772	389,167	208,768,206
Profit for the half year		-	16,366,330	-	-	-	-	16,366,330
Transfer to profits reserve		-	(21,516,754)	-	-	21,516,754	-	-
Transfer to asset revaluation reserve		-	-	-	-	40,388	(40,388)	-
Other comprehensive income for the half year		-	-	-	-	-	(270,980)	(270,980)
Transactions with owners:								
Shares issued via dividend reinvestment plan	4(b)	1,783,099	-	-	-	-	-	1,783,099
Shares issued via DRP shortfall placement	4(b)	12,501,877	-	-	-	-	-	12,501,877
Capitalised share issue costs	4(b)	(95,050)	-	-	-	-	-	(95,050)
Dividends paid	3(a)	-	-	-	-	(7,402,384)	-	(7,402,384)
Balance at 31 December 2016		196,914,871	(13,557,907)	1,346	(19,847,541)	68,062,530	77,799	231,651,098

The accompanying notes form part of these financial statements.

Statement of cash flows for the half year ended 31 December 2016

	Note	December 2016 \$	December 2015 \$
Cash flows from operating activities			
Proceeds from sale of investments		170,676,588	94,873,673
Payments for purchase of investments		(111,742,274)	(90,872,730)
Dividends received		2,868,304	2,067,975
Trust distributions received		186,784	-
Interest received		1,081,905	1,077,251
Other investment income		25,305	11,573
Management fee (inclusive of GST)		(1,312,090)	(1,271,913)
Performance fee (inclusive of GST)		(9,063,588)	(5,116,440)
Payments for administration expenses (inclusive of GST)		(381,125)	(308,726)
Brokerage on share purchases (inclusive of GST)		(253,469)	(282,505)
GST on brokerage on share sales		(24,739)	(13,110)
Net GST received from the ATO		756,183	461,580
Net income tax paid		(7,456,919)	(5,725,088)
Net cash provided/(used in) by operating activities		45,360,865	(5,098,460)
Cash flows from financing activities			
Proceeds from issue of shares		12,501,877	7,228,779
Dividends paid – net of reinvestment		(5,619,285)	(4,934,806)
Payments for issue of shares		(135,786)	(82,100)
Net cash provided by financing activities		6,746,806	2,211,873
Net increase/(decrease) in cash and cash equivalents held		52,107,671	(2,886,587)
Cash and cash equivalents at the beginning of the half year		56,336,153	91,456,954
Cash and cash equivalents at the end of half year		108,443,824	88,570,367

The accompanying notes form part of these financial statements.

Notes to the financial statements for the half year ended 31 December 2016

1. Summary of significant accounting policies

These condensed 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 15 February 2017 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*, Australian Accounting Standard AASB 134: *Interim Financial Reporting*, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

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 2016 and any public announcements made by the Company during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

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

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

There are no new and revised accounting requirements significantly affecting the half year financial statements. The accounting policies have been consistently applied by the Company throughout the period and are consistent with those applied in the 30 June 2016 Annual Financial Report.

2. Investment revenue

	December 2016 \$	December 2015 \$
Dividends	2,877,478	2,201,019
Interest	883,223	1,068,509
Trust distributions	177,792	47,358
Underwriting and other fees	25,305	11,572
	3,963,798	3,328,458

3. Dividends

a) Ordinary dividends paid during the year

	December 2016 \$	December 2015 \$
Final dividend FY2016: 4.25 cents per share fully franked at 30% tax rate paid 28 October 2016 (Final dividend FY2015: 4.0 cents per share fully franked)	7,402,384	6,612,254

b) Dividends not recognised at year end

	December 2016 \$	December 2015 \$
Since the end of the half year, the Directors have declared an interim fully franked dividend of 4.50 cents per share payable on 21 April 2017 (Interim dividend FY2016: 4.25 cents per share fully franked).	8,245,346	7,342,740

4. Issued capital

a) Paid-up capital

	December 2016 \$	June 2016 \$
183,229,919 ordinary shares fully paid (June 2016: 174,169,283)	196,914,871	182,724,945

b) Ordinary shares

	December 2016 \$	June 2016 \$
Balance at the beginning of the period	182,724,945	172,104,577
1,130,992 ordinary shares issued on 28 October 2016 under a dividend reinvestment plan	1,783,099	-
7,929,644 ordinary shares issued under the placement on 28 October 2016	12,501,877	-
Share issue costs (net of tax)	(95,050)	-
1,405,831 ordinary shares issued on 23 October 2015 under a dividend reinvestment plan	-	1,677,448
6,058,313 ordinary shares issued under the placement on 27 October 2015	-	7,228,779
1,401,163 ordinary shares issued on 29 April 2016 under a dividend reinvestment plan	-	1,771,793
Share issue costs (net of tax)	-	(57,652)
At reporting date	196,914,871	182,724,945

5. Reserves

	December 2016 \$	June 2016 \$
Profits reserve	68,062,530	53,907,772
Asset revaluation reserve	77,799	389,167
Capital profits reserve – capital account	1,346	1,346
Capital profits reserve – revenue account	(19,847,541)	(19,847,541)
	48,294,134	34,450,744

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

	December 2016 \$	June 2016 \$
Movement in capital profits reserve – capital account		
Balance at the beginning of the period	1,346	1,346
At reporting date	1,346	1,346
Movement in capital profits reserve – revenue account		
Balance at the beginning of the period	(19,847,541)	(19,847,541)
At reporting date	(19,847,541)	(19,847,541)
Movement in profits reserve		
Balance at the beginning of the period	53,907,772	41,705,622
Transfer from retained earnings	21,516,754	26,157,144
Transfer from asset revaluation reserve	40,388	-
Final dividend paid (refer Note 3a)	(7,402,384)	(6,612,254)
Interim dividend paid (refer Note 3b)	-	(7,342,740)
At reporting date	68,062,530	53,907,772
Movement in asset revaluation reserve		
Balance at the beginning of the period	389,167	612,159
Transfer to profit reserve	(40,388)	-
Other comprehensive loss	(270,980)	(222,992)
At reporting date	77,799	389,167

6. Accumulated losses

	December 2016 \$	June 2016 \$
Balance at the beginning of the period	(8,407,483)	(8,407,483)
Profit for the year attributable to members of the Company	16,366,330	26,157,144
Transfer to profits reserve	(21,516,754)	(26,157,144)
	(13,557,907)	(8,407,483)

7. Financial instruments measured at fair value

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

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

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

Level 3: Inputs for the asset or liability which 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.

The following table presents the Company's financial assets and liabilities measured and recognised at fair value at 31 December 2016:

31 December 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	127,753,626	140,610	-	127,894,236
Total	127,753,626	140,610	-	127,894,236
30 June 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	162,725,725	-	-	162,725,725
Total	162,725,725	-	-	162,725,725

8. Segment reporting

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

9. Contingent liabilities

There were no contingent liabilities as at 31 December 2016 (June 2016: nil).

10. Capital commitments

There were no capital commitments entered into by the Company before period end which settle after period end (June 2016: nil).

11. Events subsequent to reporting date

Since the end of the half year, the Board declared an interim dividend of 4.5 cents per share fully franked to be paid on 21 April 2017.


No other matter or circumstance has arisen since the end of the period 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 report as set out in pages 7 to 15, are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b) giving a true and fair view of the financial position of the Company as at 31 December 2016 and of its performance for the half year ended on that date.
- 2) In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Geoff Wilson
Chairman

Dated in Sydney this 15th day of February 2017

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of WAM Research Limited ("the company"), which comprises the statement of financial position as at 31 December 2016, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies, other selected explanatory notes and the directors' declaration of the company.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *"Review of a Financial Report Performed by the Independent Auditor of the Entity"*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *"Interim Financial Reporting"* and the *Corporations Regulations 2001*. As the auditor of WAM Research Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (i) giving a true and fair view of the company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.

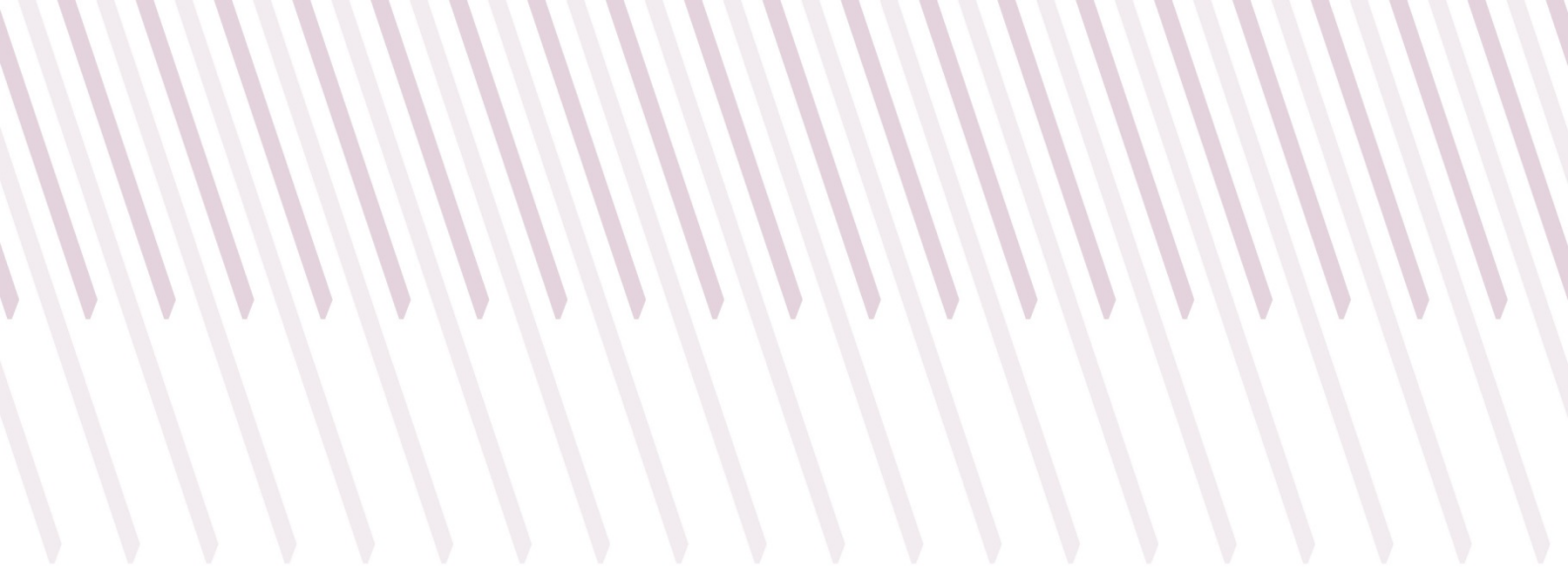


CHRIS CHANDRAN
Partner



PITCHER PARTNERS
Sydney

15 February 2017



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