

WAM ACTIVE LIMITED

ABN 49 126 420 719

Appendix 4D Half Year Report

for the half year ended 31 December 2019

Results for Announcement to the Market

All comparisons to the half year ended 31 December 2018

	\$	up/down	% mvmt
Revenue from ordinary activities	4,768,861	up	243.9%
Profit from ordinary activities before income tax expense	3,326,784	up	185.8%
Net profit from ordinary activities after income tax expense	2,431,450	up	197.8%

Dividend information	Cents per share	Franked amount per share	Tax rate for franking
2020 Interim dividend cents per share	3.0c	3.0c	30%
2019 Final dividend cents per share	2.95c	2.95c	30%

Interim dividend dates

Ex dividend date	15 April 2020
Record date	16 April 2020
Last election date for the DRP	20 April 2020
Payment date	28 April 2020

Dividend Reinvestment Plan

The Dividend Reinvestment Plan ("DRP") is in operation and the recommended fully franked interim dividend of 3.0 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 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 three trading days following that date.

	31 Dec 19	31 Dec 18
Net tangible asset backing (after tax) per share	\$1.07	\$1.01

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 2019 Annual Report.



W | A | M *Active*

Financial Report

For the half year ended 31 December 2019

ABN 49 126 420 719

WAM Active Limited

WAM Active Limited (WAM Active 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)
Emma Ruge-Price
Karina Kwan
Kate Thorley

Company Secretary

Linda Vo

Investment Manager

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

Auditor

Pitcher Partners

Country of Incorporation

Australia

Registered Office

Level 26, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Contact Details

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E: info@wilsonassetmanagement.com.au
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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 Active Limited
Ordinary Shares (WAA)

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Directors' Report to shareholders for the half year ended 31 December 2019

The Directors present their report together with the financial report of WAM Active Limited for the half year ended 31 December 2019.

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)

Emma Rugge-Price (Director – Independent)

Karina Kwan (Director – Independent)

Kate Thorley (Director – Non-independent)

Principal activity

The principal activity of the Company is making investments in listed companies. The Company's investment objectives are to deliver a regular income stream of fully franked dividends, provide a positive return with low volatility and preserve capital. No change in this activity took place during the period or is likely in the future.

Operating and financial review

Investment operations during the half year resulted in an operating profit before tax of \$3,326,784 (2018: operating loss before tax of \$3,876,135) and an operating profit after tax of \$2,431,450 (2018: operating loss after tax of \$2,485,416). The profit for the period is reflective of the solid performance of the investment portfolio over the six months to 31 December 2019. The investment portfolio increased 9.8% in the six months to 31 December 2019, while being on average 81.2% invested in equities.

WAM Active employs Wilson Asset Management's market-driven investment process, which is focused on delivering absolute returns in all market cycles. The Bloomberg AusBond Bank Bill Index, representing the return on cash, increased 0.5% during the period. The S&P/ASX All Ordinaries Accumulation Index rose 3.6% in the six months to 31 December 2019.

The operating profit for the period includes unrealised gains or losses arising from changes in the market value of the investments held in the portfolio during the period. This movement in the market 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. Due to this treatment under the Accounting Standards, this 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 should be understood in 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 Active's before tax NTA increased 5.8% for the six months to 31 December 2019, including the 2.95 cents per share fully franked dividend paid to shareholders during the period. This increase is after corporate tax paid of 1.2 cents per share or 1.2%. Corporate tax payments made throughout the period, together with the performance fee accrued of 1.8%, were the major items of difference between the investment portfolio performance of 9.8% and the NTA performance. The franking credits attached to corporate tax payments are available for distribution to shareholders through fully franked dividends. Other items contributing to the change in value of the assets during the period were management fees of 0.5% and other company related expenses of 0.5%.

The NTA before tax as at 31 December 2019 amounted to \$1.07 per share (June 2019: \$1.04). The NTA after tax was \$1.07 per share (June 2019: \$1.04). These figures are after the 2.95 cents per share fully franked dividend paid to shareholders during the period.

The total shareholder return for the Company for the period to 31 December 2019 was 12.5%. This was reflective of WAM Active's solid investment portfolio performance and the increase in the share price relative to NTA. As at 31 December 2019, WAM Active's share price premium to NTA was 2.1%, after commencing the period at a 4.1% discount. This measure does not value the potential benefit of franking credits distributed to shareholders through fully franked dividends.

A final dividend of 2.95 cents per share fully franked was paid during the period and an interim dividend of 3.0 cents per share fully franked has been declared by the Board and will be paid on 28 April 2020.

On 19 February 2020, the WAM Active Board of Directors announced a Share Purchase Plan (SPP). The SPP offers existing shareholders the opportunity to acquire up to \$30,000 worth of ordinary, fully paid WAM Active shares without incurring any brokerage. The SPP will be offered to existing shareholders at the fixed price of \$1.086 per share. Shareholders who participate will be entitled to the fully franked interim dividend of 3.0 cents per share on shares issued under the SPP. Shareholders on the WAM Active register as at 7:00pm (Sydney time) on Tuesday, 18 February 2020 with a registered address in Australia or New Zealand will be entitled to participate in the SPP.

The Board of Directors currently intends to offer existing WAM Active professional and sophisticated investors* the ability to participate in a Placement at \$1.086 per share, the same fixed price as the SPP. The Placement is currently expected to occur in the first week of April 2020.

On 13 December 2019, WAM Active announced its intention to make a conditional off-market cash offer to acquire all ordinary shares in listed investment company Keybridge Capital Limited (ASX: KBC) at 6.5 cents per share. The offer is currently scheduled to close at 7.00pm (Sydney time) on 3 March 2020 unless extended or withdrawn. If successful, WAM Active would acquire a minimum of 50.1% of KBC. This bid follows WAM Active's previous offers announced on 28 June 2019 and 13 October 2019, which were withdrawn following a number of defeating conditions being triggered by KBC.

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, unless otherwise indicated.

*These terms are defined in the Corporations Act and refer to individuals with net assets greater than \$2.5 million, or those who earn gross income of \$250,000, or a Superannuation Fund with net assets of at least \$10 million.

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 7 of this Financial Report.

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



Geoff Wilson AO
Chairman

Dated in Sydney this 19th day of February 2020

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Sydney NSW 2000

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**Auditor's Independence Declaration
To the Directors of WAM Active Limited
ABN 49 126 420 719**

In relation to the independent auditor's review of WAM Active Limited for the half year ended 31 December 2019, 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.



S M Whiddett
Partner

Pitcher Partners
Sydney

19 February 2020

Statement of comprehensive income for the half year ended 31 December 2019

	Note	December 2019 \$	December 2018 \$
Net realised and unrealised gains/(losses) on financial assets		4,128,575	(4,411,226)
Other revenue from operating activities	2	640,286	1,097,612
Management fees		(257,559)	(245,402)
Performance fees		(853,177)	-
Directors fees		(40,000)	(40,000)
Brokerage expense on share purchases		(110,900)	(105,149)
Custody fees		(2,185)	(2,344)
Expenses paid on borrowed stock		(1,563)	(6,387)
ASX listing and chess fees		(46,427)	(47,852)
Share registry fees		(14,082)	(22,733)
ASIC industry funding levy		(2,889)	-
Other expenses from ordinary activities		(113,295)	(92,654)
Profit/(loss) before income tax		3,326,784	(3,876,135)
Income tax (expense)/benefit		(895,334)	1,390,719
Profit/(loss) after income tax attributable to members of the Company	6	2,431,450	(2,485,416)
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income/(loss) for the period		2,431,450	(2,485,416)
Basic and diluted earnings/(loss) per share		5.25 cents	(5.62) cents

The accompanying notes form part of these financial statements.

Statement of financial position as at 31 December 2019

	Note	December 2019 \$	June 2019 \$
Current assets			
Cash and cash equivalents		7,278,544	12,145,370
Trade and other receivables		206,821	1,879,613
Financial assets	7	43,315,321	36,350,037
Total current assets		50,800,686	50,375,020
Non-current assets			
Deferred tax assets		18,728	573,086
Total non-current assets		18,728	573,086
Total assets		50,819,414	50,948,106
Current liabilities			
Financial liabilities	7	-	741,903
Trade and other payables		1,160,658	1,622,751
Current tax liabilities		39,618	230,492
Total current liabilities		1,200,276	2,595,146
Non-current liabilities			
Deferred tax liabilities		-	10,232
Total non-current liabilities		-	10,232
Total liabilities		1,200,276	2,605,378
Net assets		49,619,138	48,342,728
Equity			
Issued capital	4	47,989,006	47,780,906
Profits reserve	5	3,249,433	2,181,123
Accumulated losses	6	(1,619,301)	(1,619,301)
Total equity		49,619,138	48,342,728

The accompanying notes form part of these financial statements.

Statement of changes in equity for the half year ended 31 December 2019

	Note	Issued capital \$	Accumulated losses \$	Profits reserve \$	Total equity \$
Balance at 1 July 2018		42,553,037	(1,317,759)	3,866,177	45,101,455
Loss for the half year		-	(2,485,416)	-	(2,485,416)
Transfer to profits reserve		-	(974,675)	974,675	-
Other comprehensive income for the half year		-	-	-	-
Transactions with owners:					
Shares issued via dividend reinvestment plan	4(b)	244,442	-	-	244,442
Shares issued via exercise of options	4(b)	4,749,361	-	-	4,749,361
Dividends paid	3(a)	-	-	(1,303,630)	(1,303,630)
Balance at 31 December 2018		47,546,840	(4,777,850)	3,537,222	46,306,212
Balance at 1 July 2019		47,780,906	(1,619,301)	2,181,123	48,342,728
Profit for the half year		-	2,431,450	-	2,431,450
Transfer to profits reserve	5	-	(2,431,450)	2,431,450	-
Other comprehensive income for the half year		-	-	-	-
Transactions with owners:					
Shares issued via dividend reinvestment plan	4(b)	208,100	-	-	208,100
Dividends paid	3(a)	-	-	(1,363,140)	(1,363,140)
Balance at 31 December 2019		47,989,006	(1,619,301)	3,249,433	49,619,138

The accompanying notes form part of these financial statements.

Statement of cash flows for the half year ended 31 December 2019

	December 2019 \$	December 2018 \$
Cash flows from operating activities		
Proceeds from sale of investments	85,330,217	87,876,232
Payments for purchase of investments	(88,395,279)	(83,259,492)
Dividends received	458,256	836,735
Other investment income received	111,738	212,668
Interest received	66,495	139,217
Management fees (GST inclusive)	(274,270)	(265,321)
Performance fees (GST inclusive)	(134,109)	(1,255,324)
Brokerage expense on share purchases (GST inclusive)	(118,862)	(112,766)
Payments for administration expenses (GST inclusive)	(250,177)	(269,500)
Income tax paid	(542,081)	(730,247)
GST on brokerage expense on share sales	(7,519)	(8,196)
Net GST received from the ATO	43,805	121,392
Net cash (used in)/provided by operating activities	(3,711,786)	3,285,398
Cash flows from financing activities		
Shares issued via exercise of options	-	4,749,361
Dividends paid – net of reinvestment	(1,155,040)	(1,059,188)
Net cash (used in)/provided by financing activities	(1,155,040)	3,690,173
Net (decrease)/increase in cash and cash equivalents held	(4,866,826)	6,975,571
Cash and cash equivalents at the beginning of the half year	12,145,370	14,274,476
Cash and cash equivalents at end of the half year	7,278,544	21,250,047
Non-cash transactions:		
Shares issued via dividend reinvestment plan	208,100	244,442

The accompanying notes form part of these financial statements.

Notes to the financial statements for the half year ended 31 December 2019

1. Summary of significant accounting policies

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

The half year financial report was authorised for issue on 19 February 2020 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 2019 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 costs except for financial assets and certain other 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 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 2019 Annual Financial Report.

2. Other revenue

	December 2019 \$	December 2018 \$
Australian sourced dividends	434,008	836,735
Trust distributions	137,324	118,331
Interest	61,410	138,891
Underwriting fees	7,544	3,655
	640,286	1,097,612

3. Dividends

a) Ordinary dividends paid during the period

	December 2019 \$	December 2018 \$
Final Dividend FY2019: 2.95 cents per share fully franked at 30% tax rate paid 18 October 2019 (Final dividend FY2018: 2.85 cents per share fully franked)	1,363,140	1,303,630

b) Dividends not recognised at period end

	December 2019 \$	December 2018 \$
Since the end of the period, the Directors have declared a fully franked interim dividend of 3.0 cents per share, payable on 28 April 2020 (Interim dividend FY2019: 2.95 cents per share fully franked)	1,392,002	1,356,099

4. Issued capital

a) Paid-up capital

	December 2019 \$	June 2019 \$
46,400,066 ordinary shares fully paid (June 2019: 46,208,095)	47,989,006	47,780,906

b) Ordinary shares

	December 2019 \$	June 2019 \$
Balance at the beginning of the period	47,780,906	42,553,037
191,971 ordinary shares issued on 18 October 2019 under a dividend reinvestment plan	208,100	-
228,036 ordinary shares issued on 26 October 2018 under a dividend reinvestment plan	-	244,442
238,662 ordinary shares issued on 26 April 2019 under a dividend reinvestment plan	-	234,066
4,166,107 ordinary shares issued from the exercise of options at \$1.14	-	4,749,361
At reporting date	47,989,006	47,780,906

5. Profits reserve

	December 2019 \$	June 2019 \$
Profits reserve	3,249,433	2,181,123

The profits reserve is made up of amounts transferred from current period profits which are preserved for future dividend payments.

	December 2019 \$	June 2019 \$
Movement in profits reserve		
Balance at the beginning of the period	2,181,123	3,866,177
Transfer of profits during the period	2,431,450	974,675
Final dividend paid (refer to note 3(a))	(1,363,140)	(1,303,630)
Interim dividend paid (refer to note 3(b))	-	(1,356,099)
At reporting date	3,249,433	2,181,123

6. Accumulated losses

	December 2019 \$	June 2019 \$
Balance at the beginning of the period	(1,619,301)	(1,317,759)
Profit for the period attributable to members of the Company	2,431,450	673,133
Transfer to profits reserve	(2,431,450)	(974,675)
At reporting date	(1,619,301)	(1,619,301)

7. Financial instruments measured at fair value

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

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

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

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

Included within Level 1 of the hierarchy are listed investments. The fair values 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.

Included within Level 2 of the hierarchy are unlisted investments which have been valued using valuation techniques such as comparisons to similar investments for which market observable prices are available, the net asset backing per share or the last price to determine fair value.

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

The following table presents the Company's financial assets and liabilities measured and recognised at fair value at 31 December 2019:

31 December 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	43,270,987	44,334	-	43,315,321
Financial liabilities	-	-	-	-
Total	43,270,987	44,334	-	43,315,321

30 June 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	36,226,263	123,774	-	36,350,037
Financial liabilities	(733,407)	(8,496)	-	(741,903)
Total	35,492,856	115,278	-	35,608,134

There were no transfers between Level 1 and Level 2 during the period (June 2019: two investments were transferred from Level 1 to Level 2 as a result of the investments becoming delisted during the year).

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.

8. Segment reporting

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

9. Capital commitments

There were no capital commitments entered into by the Company before period end which settle after period end (June 2019: nil).

10. Contingent liabilities

There were no contingent liabilities for the Company as at 31 December 2019 (June 2019: nil).

11. Events subsequent to reporting date

Since the end of the period, the Directors declared a fully franked interim dividend of 3.0 cents per share to be paid on 28 April 2020.

On 19 February 2020, the WAM Active Board of Directors announced a Share Purchase Plan (SPP). The SPP offers existing shareholders the opportunity to acquire up to \$30,000 worth of ordinary, fully paid WAM Active shares without incurring any brokerage. The SPP will be offered to existing shareholders at the fixed price of \$1.086 per share. Shareholders who participate will be entitled to the fully franked interim dividend of 3.0 cents per share on shares issued under the SPP. Shareholders on the WAM Active register as at 7:00pm (Sydney time) on Tuesday, 18 February 2020 with a registered address in Australia or New Zealand will be entitled to participate in the SPP.

The Board of Directors currently intends to offer existing WAA professional and sophisticated investors* the ability to participate in a Placement at \$1.086 per share, the same fixed price as the SPP. The Placement is currently expected to occur in the first week of April 2020.

On 13 December 2019, WAM Active announced its intention to make a conditional off-market cash offer to acquire all ordinary shares in listed investment company Keybridge Capital Limited (ASX: KBC) at 6.5 cents per share. The offer is currently scheduled to close at 7.00pm (Sydney time) on 3 March 2020 unless extended or withdrawn. If successful, WAM Active would acquire a minimum of 50.1% of KBC. This bid follows WAM Active's previous offers announced on 28 June 2019 and 13 October 2019, which were withdrawn following a number of defeating conditions being triggered by KBC.

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.

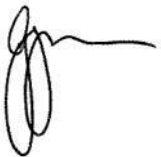
*These terms are defined in the Corporations Act and refer to individuals with net assets greater than \$2.5 million, or those who earn gross income of \$250,000, or a Superannuation Fund with net assets of at least \$10 million.

Directors' Declaration

The Directors of WAM Active Limited declare that:

1. The financial statements and notes, as set out on pages 8 to 16, 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 2019 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 AO
Chairman

Dated in Sydney this 19th day of February 2020

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201 Sussex Street
Sydney NSW 2000

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Sydney NSW 2001

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**Independent Auditor's Review Report
to the Members of WAM Active Limited
ABN 49 126 420 719**

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of WAM Active Limited (“the Company”), which comprises the statement of financial position as at 31 December 2019, 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.

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 controls 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 2019 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 Active 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 Active 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 2019 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*.



S M Whiddett
Partner

19 February 2020



Pitcher Partners
Sydney

Wilson Asset Management

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