



WAM Active Limited (WAA)

ABN 49 126 420 719

Annual Report

for the year ending 30 June 2011

COMPANY PARTICULARS

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

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

DIRECTORS: G. Wilson (Chairman)
M. Kidman
J. Abernethy
R. Walker
C. Cuffe (resigned 30 June 2011)

SECRETARY: K. Thorley

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

AUDITORS: Moore Stephens Sydney

COUNTRY OF INCORPORATION: Australia

REGISTERED OFFICE: Level 11, 139 Macquarie Street
Sydney NSW 2000

CONTACT DETAILS: Postal Address: GPO Box 4658
Sydney NSW 2001

Telephone: (02) 9247 6755
Fax: (02) 9247 6855
Email: info@wamfunds.com.au
Website: www.wamfunds.com.au

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

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

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

AUSTRALIAN STOCK EXCHANGE: Ordinary Shares (WAA)

CONTENTS

Chairman's Letter.....	1
Corporate Governance Statement.....	4
Directors' Report to Shareholders.....	9
Auditor's Independence Declaration.....	18
Statement of Comprehensive Income.....	19
Statement of Financial Position.....	20
Statement of Changes in Equity.....	21
Statement of Cash Flows.....	22
Notes to the Financial Statements.....	23
Directors' Declaration.....	41
Independent Auditor's Report.....	42
ASX Additional Information.....	44
Investments at Market Value.....	46

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

CHAIRMAN'S LETTER

Dear Fellow Shareholders,

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

WAM Active Limited (WAA) is now in its fourth year of operation and I am pleased with the fund's solid performance. Since listing in January 2008, the investment philosophy has been consistently applied. The fund has delivered shareholders a growing stream of fully franked dividends and preserved shareholders capital. It has been pleasing that over the last 3 ½ years since listing and the Global Financial Crisis, the investment portfolio has returned 12.9% p.a. while the S&P/ASX All Ordinaries Accumulation Index returned -4.9% p.a. The Board and the Manager continue to be confident that with the flexible investment approach and ability to take advantage of many varying trading situations, shareholders will continue to see positive returns in most market environments.

Investment Objectives and Process

Our investment objectives of WAA are as follows:

- to deliver investors a regular income stream in the form of fully franked dividends;
- provide investors with a positive return, after fees, over most periods of time; and
- to preserve capital in both the short term and long term.

To achieve these objectives the Company aims to take advantage of relative short term arbitrages and mispricings in the Australian equities market, rather than investing in any individual companies or portfolio of companies for a prolonged period of time. The Manager refers to this as its "Market Driven process" where it scours the market for trading opportunities.

The various trading opportunities employed by the Manager to fulfill its mandate include:

- participating in initial public offerings, placements, rights issues and underwritings where the immediate valuation upside appears favourable;
- participating in block trades which appear to be at below normal market values because of time constraints;
- participating in takeovers, mergers, schemes of arrangement and corporate spin-offs which appear favourably priced;
- trading oversold positions;
- short selling and option trading opportunities;
- taking advantage of listed investment company discount arbitrages;
- trading market themes and trends; and
- trading opportunities which will deliver acceptable risk adjusted returns.

These strategies are undertaken from detailed monitoring of both primary and secondary market activity, in particular monitoring new capital raisings and corporate activity. In addition, the Manager undertakes regular research, meetings and discussions with various companies listed on the Australian Securities Exchange. The Manager meets with over 700 companies each year.

In a bid to preserve shareholder's capital, the Manager spends a significant amount of time attempting to mitigate the risk associated with trading in listed securities. The following measures are taken to implement this objective:

- An investment in cash if no trades can be identified. On average the fund has held approximately 55% since listing in January 2008;
- A spread of investments;

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

CHAIRMAN'S LETTER

- A strong awareness of each investee company's liquidity;
- The ability to short sell securities in a bid to profit from a decline in a company's share price; and
- A stop loss for short term trading opportunities.

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

Performance

There are three key performance measures. The first level of performance is used to show how the investment manager has performed. This is before tax and costs and is compared to the Index which is also before tax and costs. WAA's gross portfolio increased 11.5% for the year, while the S&P/ASX All Ordinaries Accumulation Index increased by 12.2%. It must be remembered our default is to cash if we can't find an acceptable trading opportunity. During the year 55.2% of the portfolio was in cash. The return on our cash was 5.2% and the return on our equity portion of the portfolio was 19.3%. Over the course of the year the equity component of the portfolio turned over 6.9 times.

The second level of performance is the movement in underlying assets (NTA) after taxes, management fees and all other costs. This performance shows the change in the value of the assets which belong to the shareholders. Corporate tax, being 30%, is the most significant item of difference between the gross and the net asset performance. The franking credits attached to this tax paid are available to be distributed to shareholders through fully franked dividends. WAA's after tax NTA, adjusted for dividends, increased 5.6% for the 12 months to 30 June 2011. This was after payment of 3.4 cents a share in tax during the year.

The third level of performance is the share price return. The share price, adjusted for dividends rose 12.3% for the 12 months to 30 June 2011. This outperformed the NTA performance due to the closing of the discount to NTA over the 12 months.

Over the year the best performing Market Driven strategies were trades based on relative valuation arbitrages (low price to earnings ratio or discount to NTA) followed by takeovers and then capital raisings.

Top contributing stocks to performance were RHG Limited (RHG), Tower Limited (TWR), Village Roadshow Limited (VRL) and Healthscope Limited (HLN). Key detractors were Pharmaxis Limited (PXS), Symex Holdings Limited (SYM), Dyesol Limited (DYE), and Lynas Corporation Limited (LYC).

Dividends

On 2 August 2011, the Board announced a fully franked final dividend of 4.0 cent per share for the year to 30 June 2011. This brings the full year fully franked dividend to 8.0 cents per share, a 33% increase on the prior year.

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

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

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

CHAIRMAN'S LETTER

Outlook

In the first half of the year, discounted capital raisings provided significant opportunities. In the second half, as the market began to struggle, the amount of capital raisings declined and the risk reward equation increased significantly. Our current strategy has involved trading oversold positions, earnings momentum/negative surprises, discount to asset plays, short selling and takeover arbitrages.

Looking ahead we believe the subdued outlook for growth will result in a continuation of corporate activity, particularly in the smaller industrial sectors as companies take advantage of their strong balance sheets to buy growth. China's goal to increase their equity investments in resource projects will continue. As we approach Christmas, the slowing in domestic demand will lead to negative earnings surprises. The uncertainty in respect to the solving of the European debt crisis will lead to continued volatility. We are extremely well positioned for any low risk reward trading as we are holding over 68% of our assets in cash.

Shareholder Communication

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

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

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

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

We would also like to thank Chris Cuffe for his contribution to the Company as a Director since November 2007 and wish Chris every success with his new role as Chairman of UniSuper Limited. UniSuper is one of Australia's largest industry super funds and the increased time commitment for this role has resulted in Chris stepping down as director of WAA.

Thank you for your continuing support.



Geoff Wilson
Chairman

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

CORPORATE GOVERNANCE STATEMENT

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

Role of the Board (Recommendations: 1.1 to 1.3)

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

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

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

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

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

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

The Board had two independent Director and three non-independent Directors. The name of the Director considered to be independent is:

- John Abernethy
- Christopher Cuffe (resigned 30 June 2011)

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. The criteria is in accordance with ASX Corporate Governance Council's Principles.

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

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

Code of Conduct (Recommendations: 3.1 and 3.5)

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

Diversity Policy (Recommendations: 3.2 to 3.5)

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

Audit & Risk Committee (Recommendations: 4.1 to 4.4)

The Company has formed an Audit & Risk Committee consisting of three non-executive Directors of whom two are independent as defined by the ASX Corporate Governance Council's Principles. This is considered adequate given the size of the Board (5 members) and the nature of the Company. The members of the Audit & Risk Committee are:

- | | |
|---------------------|--|
| ➤ John Abernethy | Chairman, independent director |
| ➤ Matthew Kidman | Non-Executive Director, non-independent director |
| ➤ Christopher Cuffe | Non-Executive Director, independent director (resigned 30 June 2011) |

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.
-

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

CORPORATE GOVERNANCE STATEMENT

The Audit & Risk Committee Charter can be found in the Corporate Governance section of the Company's website at www.wamfunds.com.au.

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

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

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

ASX Listing Rule Compliance (Recommendations 5.1 and 5.2)

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

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

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

Shareholder Rights & Communication (Recommendations 6.1 and 6.2)

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

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

Information is communicated to shareholders through the:

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

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

CORPORATE GOVERNANCE STATEMENT

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

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

The Communications Policy can be found in the Corporate Governance section of the Company's website at www.wamfunds.com.au.

Risk Management (Recommendations: 7.1 to 7.4)

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

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

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

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

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

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

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

- Market risk
- Operational risk

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

CORPORATE GOVERNANCE STATEMENT

Market Risk

The Manager is primarily responsible for recognising and managing market related risk as per the management agreement. The Manager provides periodic reports to the Board regarding this area of risk. By its nature, as a listed investment company, the Company will always be subject to market risk as it invests its capital in securities which are not risk free as the market price of these securities can fluctuate. However, the Company seeks to reduce and manage market risk by not being overly exposed to one investee company or one particular sector of the market. The Manager reviews the relative weightings of individual securities and the relevant market sectors regularly. The Company does not have set parameters as to a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

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

Operational Risk

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

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

Remuneration of Directors (Recommendations: 8.1 to 8.3)

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

The maximum total remuneration of the Directors of the Company has been set at \$110,000 per annum to be divided in such proportions as they agree. The scope of the Company's operations, and the frequency of Board meetings are principal determinants of the fee level. Further detail is provided in the Directors' Report.

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

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

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

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

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

Principal Activity

The principal activity of the Company is making investments in listed companies. The Company's investment objectives are to deliver a rising stream of fully franked dividends and to preserve capital in both the short term and long term. No change in this activity took place during the year or is likely in the future.

Operating and Financial Review

Investment operations over the year resulted in an operating profit before tax of \$1,143,352 (2010: \$2,854,851) and an operating profit after tax of \$1,205,441 (2010: \$2,121,460).

Under Accounting Standards, realised gains and losses and dividend income are added to or reduced by changes in the market value of the Company'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 Asset Backing (NTA), adjusted for dividends. The after tax NTA, adjusted for dividends, increased 5.6% for the year ended 30 June 2011. This was after the payment of 3.4 cents a share in tax during the year. The share price, adjusted for dividends, rose 12.3% for the year ended 30 June 2011.

Net asset backing for each ordinary share as at 30 June 2011 (calculated on market value less realisation costs and all applicable taxes and before provision for dividend) amounted to 112.67 cents per share (2010: 112.14 cents). The equivalent net asset backing before tax was 112.76 cents per share (2010: 116.14 cents). This was after the payment of 3.4 cents a share in tax during the year.

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

Financial Position

The net asset value of the company for the current financial year was \$18,131,297 (2010: \$17,519,848).

Significant changes in State of Affairs

There was no significant change in the state of affairs of the Company during the year ended 30 June 2011.

Dividends Paid or Recommended

Dividends paid or declared are as follows:

	\$
Fully franked 2010 dividend of 3.0 cents per share was paid on 24 September 2010	468,281
Fully franked 2011 interim dividend of 4.0 cents per share was paid on 31 March 2011	637,367

Since year end the Board has announced a final dividend of 4.0 cents per share fully franked to be paid on 30 September 2011. This brings the full year dividend to 8.0 cents per share fully franked.

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

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

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.B. Abernethy
R.J. Walker
C.E. Cuffe (resigned 30 June 2011)

Information on Directors

Geoffrey Wilson (Chairman – Non-independent)

Experience and expertise

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

Geoffrey Wilson has been Chairman of the Company since July 2007.

Other current directorships

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

Former directorships in the last 3 years

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

Special responsibilities

Chairman of the Board.

Interests in shares of the Company

Details of Geoffrey Wilson's interests in 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 ACTIVE LIMITED

A.B.N. 49 126 420 719

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

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

Experience and expertise

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

Matthew Kidman has been a Director of the Company since July 2007.

Other current directorships

Matthew Kidman is a Director of WAM Capital Limited (appointed March 1999), WAM Research Limited (appointed May 2002) and Incubator Capital Limited (appointed February 2000). He is also a Director of the investment management companies MAM Pty Limited and Boutique Asset Management Pty Limited.

Former directorships in the last 3 years

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

Special responsibilities

Member of the Audit & Risk Committee.

Interests in shares of the Company

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

Interests in contracts

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

John Abernethy (Non-Executive Director – Independent)

Experience and expertise

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

John Abernethy has been a Director of the Company since November 2007.

Other current directorships

John Abernethy is Chairman of Clime Capital Limited (appointed July 2009). He is Director of Clime Investment Management Limited (formerly known as Loftus Capital Partners Limited) (appointed July 2005). He is a Director of WAM Research Limited (appointed May 2002), Australian Leaders Fund Limited (formerly known as Wilson Leaders Limited) (appointed November 2003) and Jasco Holdings Limited.

Former directorships in the last 3 years

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

Special responsibilities

Chairman of the Audit & Risk Committee.

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

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

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

Interests in shares of the Company

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

Interests in contracts

John Abernethy has no interests in contracts of the Company.

Ronald J. Walker (Non-Executive Director – Non-Independent)

Experience and expertise

Ronald J Walker AC CBE has been prominent in public life for more than forty years. He was founder and Chairman of one of Australia's largest private chemicals companies between 1963 and 1976, and was co-founder and major shareholder of Hudson Conway Limited, and was co-founder and major shareholder of Crown Casino Limited. He served two terms as Lord Mayor of Melbourne from 1974 to 1976.

He is Chairman of Australian Grand Prix Corporation; Chairman of 2011 Victorian Floods Disaster Relief Fund and Chairman of Evolve Development Pty Ltd. He is a Director, Football Federation Australia; Chairman, O'Brien Foundation and O'Brien Institute at St Vincent's Hospital; Director, and also a Member of the International Formula One Commission.

He has served Australia in many capacities over many years in public life including: Chairman, Cancer Institute; Chairman, Heart Foundation Appeal; Chairman, Save the Children Fund; Chairman, Aborigines Advancement League; Chairman, Australian Ballet Foundation; Chairman, Australia Business Arts Foundation; Commissioner, Melbourne 1996 Olympic Games Bid; Member, Sydney 2000 Olympic Bid; Trustee, National Gallery of Victoria for nine years; Founding Chairman, Victorian Major Events Company for ten years; and Chairman, Melbourne 2006 Commonwealth Games Corporation.

In 1977, Mr Walker was made a Commander of the Order of the British Empire (CBE) for service to the Commonwealth. He became an Officer of the Order for Australia (AO) for service to the community 1987, and was made a Companion of the Order of Australia (AC) in 2003 for services to business, arts, tourism and the community.

Ronald Walker has been a Director of the Company since March 2008.

Other current directorships

Ronald Walker is Director of Football Federation Australia Limited.

Former directorships in the last 3 years

Ronald Walker was formerly Chairman of Fairfax Media Limited from 2005 to 2009, a Director of Buka Minerals Limited from February 2004 to March 2008 and Australian Tissue Engineering Centre at St Vincent's Hospital, resigned February 2011.

Interests in shares of the Company

Details of Ronald Walker's interests in shares of the Company are included later in this report.

Interests in contracts

Ronald Walker has no interests in contracts of the Company.

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

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

Christopher Cuffe (Non-Executive Director – Independent) - Resigned 30 June 2011

Experience and expertise

Following a five year period with chartered accountants KPMG, Chris Cuffe entered the funds management industry in 1985. In 1988 he joined Colonial First State where he was CEO from 1990 until 2003. Chris took the company from a start up operation to Australia's largest investment manager. Chris joined Challenger Financial Services Group Limited in early 2003 as Chief Executive Officer and subsequently as Chief Executive of Challenger's Wealth Management business. In 2006, Chris joined non-profit organisation Social Ventures Australia (SVA) as an Executive Director, a position he held until May 2009 when he became Chairman of the SVA Future Trust. Chris is now involved in a portfolio of activities including a number of directorships, managing public and private investments and in various roles assisting the non-profit sector.

Chris holds a Bachelor of Commerce in Accounting, Finance and Systems with merit from the University of New South Wales as well as a Diploma from the Securities Institute of Australia (now the Financial Services Institute of Australasia). He is also a Fellow of the Institute of Chartered Accountants in Australia, a Fellow of the Financial Services Institute of Australasia and a Fellow of the Institute of Company Directors.

Christopher Cuffe has been a Director of the Company since November 2007 and resigned effective 30 June 2011.

Other current directorships

Christopher Cuffe is Chairman of UniSuper Limited (appointed a director in April 2007). He is also a director of Third Link Investment Managers Pty Limited (appointed December 2007), Arkx Investment Management Limited (appointed July 2008) and Centric Wealth Limited (appointed July 2009).

Former directorships in the last 3 years

Christopher Cuffe has no former directorships in the last three years.

Special responsibilities

Member of the Audit & Risk Committee (resigned 30 June 2011)

Interests in shares of the Company

Details of Christopher Cuffe's interests in shares of the Company are included later in this report.

Interests in contracts

Christopher Cuffe has no interests in contracts of the Company.

The Directors of the Company are also the key management personnel.

Company Secretary

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

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

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

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

Remuneration Report

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

a) Remuneration of Directors

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

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

Directors' base fees are presently set at a maximum of \$110,000 per annum. Non-Executive Directors do not receive bonuses nor are they issued options on securities as part of their remuneration. Directors' fees cover all main Board activities and membership of committees.

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

Director	Directors' Fees	Post-employment Superannuation	Total
	\$	\$	\$
G.J. Wilson	-	1,000	1,000
M.J. Kidman	-	1,000	1,000
J. B. Abernethy	23,761	6,239	30,000
R.J. Walker	27,523	2,477	30,000
C.E. Cuffe	-	30,000	30,000
	51,284	40,716	92,000

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

	2011	2010	2009
Operating profit after tax (\$)	1,205,441	2,121,460	641,196
Dividends (cents per share)	8.0	6.0	2.0
Net tangible asset after tax (cents per share)	112.67	112.14	103.37
Total Directors' remuneration (\$)	92,000	92,000	110,000

b) Director Related Entities Remuneration

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

Geoffrey Wilson and Matthew Kidman are Directors of MAM Pty Limited, the entity appointed to manage the investment portfolio of WAM Active Limited and manage the day-to-day operations of the Company. Entities associated with Geoffrey Wilson and Matthew Kidman hold 80% and 20% respectively of the issued shares of MAM Pty Limited.

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

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

Remuneration Report (cont'd)

b) Director Related Entities Remuneration (cont'd)

The core duties of the Manager include managing the investment portfolio; the provision of financial and administrative support to ensure the maintenance of the corporate and statutory records of the Company; liaison with the ASX with respect to compliance with the ASX Listing Rules; liaison with ASIC with respect to compliance with the Corporations Act; liaison with the share registrar of the Company; and the provision of information necessary for the maintenance of financial accounts of the Company to be completed. In its capacity as Manager, MAM Pty Limited was paid a management fee of 1% p.a (plus GST) of gross assets amounting to \$205,699 inclusive of GST (2010: \$217,545). As at 30 June 2011, the balance payable to the Manager was \$16,960 (2010: \$17,324).

In addition, MAM Pty Limited is to be paid, annually in arrears, a performance fee being 20% of the increase in the gross value of the portfolio above the high water mark:

The high water mark is the greater of the:

- The highest gross value of the portfolio as at the last day of the last performance period for which a performance fee was last paid or payable; and
- the gross proceeds raised from the issue of shares pursuant to the original prospectus.

If the gross value of the portfolio falls below a previous high water mark then no further performance fees can be accrued or paid until the loss has been fully recovered. As at 30 June 2011, a performance fee of \$320,726 inclusive of GST is payable to MAM Pty Limited (2010: \$715,174).

c) Contracts

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.

d) Remuneration of Executives

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

e) 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:

Directors	Ordinary Shares
G.J. Wilson	2,144,793
M.J. Kidman	277,872
J.B. Abernethy	60,000
R.J. Walker	1,642,300

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

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

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

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

Directors' Meetings

Director	No. eligible to attend	Attended
G.J. Wilson	8	8
M.J. Kidman	8	8
J.B. Abernethy	8	8
C.E. Cuffe	8	8
R.J. Walker	8	8

Audit & Risk Committee Meetings

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

Director	No. eligible to attend	Attended
M.J. Kidman	3	3
J.B. Abernethy	3	3
C.E. Cuffe	3	3

After Balance Date Events

Since year end the Directors have declared a fully franked final dividend of 4.0 cents per share to be paid on 30 September 2011.

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

Future Developments

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

Environmental Issues

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

Indemnification and Insurance of Officers or Auditors

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

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

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

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

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 provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external auditor's independence for the following reasons:

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

Auditor's Independence Declaration

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

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



G.J. Wilson
Chairman

Dated at Sydney this 29th day of September 2011

Level 7, 20 Hunter Street
Sydney NSW 2000

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

www.moorestephens.com.au

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

In accordance with the requirements of section 307C of the *Corporations Act 2001*, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been:

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

Moore Stephens Sydney

Moore Stephens Sydney
Chartered Accountants

J Webster

Jenelle Webster
Partner

Dated in Sydney, this 29th day of September 2011

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 \$	2010 \$
Proceeds from sale of investments		58,504,927	69,785,105
Cost of investments sold		<u>(58,107,167)</u>	<u>(64,691,462)</u>
Realised gains on financial assets		397,760	5,093,643
Unrealised loss on financial assets		(253,391)	(1,649,829)
Other revenue	2	2,021,956	826,649
Performance fees		(298,859)	(666,412)
Management fees		(191,674)	(202,712)
Directors fees		(92,000)	(92,000)
Custody fees		(69,765)	(64,281)
ASX listing and chess fees		(30,069)	(53,893)
Share registry fees		(26,972)	(30,479)
Brokerage expense on share purchases		(169,287)	(177,252)
Other expenses from ordinary activities		<u>(144,347)</u>	<u>(128,583)</u>
Profit before income tax		1,143,352	2,854,851
Income tax benefit/(expense)	3(a)	<u>62,089</u>	<u>(733,391)</u>
Profit attributable to members of the Company	12	<u>1,205,441</u>	<u>2,121,460</u>
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>1,205,441</u>	<u>2,121,460</u>
Basic earnings per share	15	<u>7.52 cents</u>	<u>13.66 cents</u>
Diluted earnings per share	15	<u>7.52 cents</u>	<u>13.66 cents</u>

The accompanying notes form part of these financial statements.

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Notes	2011 \$	2010 \$
Assets			
Cash and cash equivalents	13	10,732,711	12,379,551
Trade and other receivables	6	1,087,172	2,968,212
Financial assets	7	7,271,171	4,385,351
Deferred tax assets	3c)	83,701	37,057
Total Assets		19,174,755	19,770,171
Liabilities			
Financial liabilities	8	162,104	666,238
Trade and other payables	9	764,696	923,567
Current tax liability	3d)	-	528,415
Deferred tax liabilities	3e)	116,658	132,103
Total Liabilities		1,043,458	2,250,323
Net Assets		18,131,297	17,519,848
Equity			
Issued capital	10a)	15,948,854	15,437,198
Reserves	11	2,009,070	-
Retained earnings	12	173,373	2,082,650
Total Equity		18,131,297	17,519,848

The accompanying notes form part of these financial statements.

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 \$	2010 \$
Total Equity as at 1 July		17,519,848	15,967,655
Profit for the year attributable to members of the Company	12	1,205,441	2,121,460
Shares issued via DRP during the year	10b)	182,420	202,335
Shares issued via exercise of options during the year	10b)	329,236	2,875
GST adjustment to float costs	10b)	-	(1,798)
Dividends paid	4a)	<u>(1,105,648)</u>	<u>(772,679)</u>
Total equity as at 30 June attributable to members of the Company		<u>18,131,297</u>	<u>17,519,848</u>

The accompanying notes form part of these financial statements.

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$	2010 \$
Cash flows from Operating Activities		
Dividends and trust distributions received	1,415,834	465,481
Interest received	557,819	248,627
Other Income	74,960	45,771
Investment management fees (inclusive of GST)	(206,063)	(255,808)
Performance fees (inclusive of GST)	(715,175)	(234,290)
Brokerage expense on share purchases (inclusive of GST)	(181,674)	(190,222)
Payments for administration expenses (inclusive of GST)	(406,721)	(384,846)
GST on brokerage expense on share sales	(13,090)	(18,641)
Net GST payments to the ATO	99,381	65,930
Income tax paid	(546,113)	(249,057)
Net cash provided/(used in) operating activities	14 79,158	(507,055)
Cash flows from Investing Activities		
Proceeds from sale of investments	60,349,009	67,622,067
Payments for purchase of investments	(61,481,015)	(58,565,822)
Net cash (used in)/provided by investing activities	(1,132,006)	9,056,245
Cash Flows from Financing Activities		
Proceeds from option exercise	329,236	2,875
Payments for float costs (GST adjustment)	-	(1,798)
Dividends paid – net of reinvestment	(923,228)	(570,344)
Net cash used in financing activities	(593,992)	(569,267)
Net (decrease)/increase in cash and cash equivalents held	(1,646,840)	7,979,923
Cash and cash equivalents at beginning of financial year	12,379,551	4,399,628
Cash and cash equivalents at end of financial year	13 10,732,711	12,379,551

The accompanying notes form part of these financial statements.

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

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

1. Statement 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 financial report was authorised for issue on 29th September 2011 by the Board of Directors.

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

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

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

a) Financial Instruments

i. Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by market convention. Trade date is the date on which the Company commits to purchase or sell the assets.

Financial instruments are initially measured at fair value. Transaction costs related to instruments classified "at fair value through profit or loss" are expensed to the Statement of Comprehensive Income immediately. Financial instruments are classified and measured as set out below.

ii. Classification and Subsequent Measurement

Investments consist of shares in publicly listed and unlisted companies, exchange traded call and put options and investments in fixed interest securities.

It is considered that the information needs of shareholders in a company of this type are better met by stating investments at fair value rather than historical cost and by presenting the Statement of Financial Position on a liquidity basis.

The Company may short sell securities in anticipation of a decline in the market value of that security, or it may short sell securities for various arbitrage transactions. Short sales or borrowed stock are classified as a financial liability and are revalued to fair value through the Statement of Comprehensive Income.

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

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

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

a) Financial Instruments (cont'd)

iii. *Financial assets "at fair value through profit or loss"*

Financial assets are classified "at fair value through the profit or loss" Statement of Comprehensive Income 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 Statement of Comprehensive Income in the year in which they arise. Unrealised gains and losses are then transferred to an asset revaluation reserve, net of the potential tax charges that may arise from the future sale of the investments, where they are above cost.

iv. *Financial Liabilities*

Borrowed stock is classified "at fair value through profit or loss". Realised and unrealised gains and losses arising from changes in fair value are included in Income Statement period in which they arise.

v. *Fair Value*

Fair value is determined based on current market prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, include recent arm's length transactions and reference to similar instruments.

vi. *Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party, whereby the Company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the Statement of Comprehensive Income.

b) Income Tax

The charge of 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 Statement of Financial Position liability method in respect of temporary difference 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 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.

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

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

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

b) Income Tax (cont'd)

Current tax assets and liabilities are offset only 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 other 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 initially recognised at fair value. They are subsequently stated at their amortised cost less the provision for impairment losses [refer Note 1(g)].

f) Trade and Other Payables

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

g) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible 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 Statement of Comprehensive Income.

h) Goods and Services Tax (GST)

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

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

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

i) Comparative Figures

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

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

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

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

j) Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and the 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 or judgements that have a material impact on the financial results of the Company for the year ended 30 June 2011.

k) Realised Profits Reserve

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

l) New Standards and Interpretations not yet Adopted

The Australian Accounting Standards Board has issued a new accounting standard AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 that has a mandatory application date for future reporting periods. The Company has decided against early adoption of this standard. This standard does not materially impact the Company.

2. Other Revenue

	2011	2010
	\$	\$
Interest	545,909	313,095
Australian sourced dividends	1,402,016	388,659
Foreign sourced dividends	-	14,127
Trust distributions	74,065	60,995
Underwriting fees	17,217	41,728
(Loss)/gain from options trading	(17,251)	8,045
	<u>2,021,956</u>	<u>826,649</u>

3. Taxation

a) Income Tax (Benefit)/Expense

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

	2011	2010
	\$	\$
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2010: 30%)	343,005	856,456
Imputation credit gross up	177,875	45,091
Franking credit offset	(592,917)	(150,304)
Other non-assessable items	9,948	(3,198)
Over provision in prior year	-	(14,654)
	<u>(62,089)</u>	<u>733,391</u>

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

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

3. Taxation (cont'd)

b) Income Tax (Benefit)/Expense (cont'd)

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

Current tax asset	(59,983)	1,198,019
Deferred tax liability	(15,445)	(462,065)
Deferred tax asset	13,339	12,091
Over provision in prior year	-	(14,654)
	(62,089)	733,391

c) Deferred Tax Assets

	2011 \$	2010 \$
Tax losses	59,983	-
Provisions	7,920	7,260
Capitalised float costs	14,313	28,626
Capitalised legal fees	1,485	1,171
	83,701	37,057

Movement in deferred tax assets

Balance at the beginning of the year	37,057	466,592
Transfer tax losses from current tax liability	59,983	(420,547)
Credited to the Statement of Comprehensive Income	(13,339)	(12,091)
Under provision in prior period	-	3,103
At reporting date	83,701	37,057

d) Current Tax Liabilities

	2011 \$	2010 \$
Balance at the beginning of the year	528,415	-
Current year income tax (benefit)/expense on operating profit	(59,983)	1,198,019
Net income tax paid	(546,113)	(249,057)
Income tax refund due	17,698	-
Transfer tax losses to/from deferred tax asset	59,983	(420,547)
At reporting date	-	528,415

e) Deferred Tax liabilities

	2011 \$	2010 \$
Fair value adjustments	98,347	108,097
Income provisions	18,311	24,006
	116,658	132,103

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

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

3. Taxation (cont'd)

e) Deferred Tax liabilities

Movement in deferred tax liabilities

Balance at the beginning of the year	132,103	605,719
Credited to the Statement of Comprehensive Income	(15,445)	(462,065)
Over provision in prior year	-	(11,551)
At reporting date	<u>116,658</u>	<u>132,103</u>

4. Dividends

a) Ordinary Dividends Paid during the Year

	2011 \$	2010 \$
Final Dividend FY2010: 3.0 cents per share fully franked at 30% tax rate paid 24 September 2010 (2010: 2.0 cents)	468,281	308,002
Interim Dividend FY2011: 4.0 cents per share fully franked at 30% tax rate paid 31 March 2011 (2010: 3.0 cents)	<u>637,367</u>	<u>464,677</u>
Dividends paid by the Company	<u>1,105,648</u>	<u>772,679</u>

b) Dividends not recognised at Year End

In addition to the above dividends, since the end of the year, the Directors have declared the following dividend which has not been recognised as a liability at the end of the financial year:

Final dividend for the year ended 30 June 2011 of 4.0 cents per share fully franked at 30% tax rate payable 30 September 2011.	<u>642,666</u>	<u>468,144</u>
--	----------------	----------------

c) Dividend Franking Account

Balance of franking account at year end adjusted for franking credits, arising from payment of provision for income tax and dividends recognised as receivables and franking credits that may be prevented from distribution in subsequent financial years.

840,152	703,386
---------	---------

Subsequent to the reporting period, the franking account would be reduced by the proposed dividend disclosed in b) above as follows:

<u>(275,428)</u>	<u>(200,633)</u>
------------------	------------------

<u>564,724</u>	<u>502,753</u>
----------------	----------------

The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from investments and the Company paying 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 \$116,658 (2010: \$132,103).

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

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

5. Auditors remuneration

Remuneration of the auditor of the Company for:	2011 \$	2010 \$
Auditing or reviewing the financial report	30,849	28,571
Non-audit services	-	-
Other services provided by a related practice of the auditor:		
Taxation Services	11,539	8,400
	<u>42,388</u>	<u>36,971</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 audit related tax compliance services provided by a related entity of the audit firm, to ensure that they do not compromise independence.

6. Trade and Other Receivables

	2011 \$	2010 \$
Outstanding settlements	926,124	2,770,206
Income receivable	106,735	133,392
Tax refund	17,698	-
GST receivable	36,615	64,614
	<u>1,087,172</u>	<u>2,968,212</u>

Outstanding settlements are on the terms of operating in the securities industry. These are non-interest bearing and require the settlement within three days of the date of a transaction. Income receivable relates to interest, sub-underwriting fees, dividend, and trust distributions receivable at the end of the reporting period.

7. Financial Assets

	2011 \$	2010 \$
Listed investments at fair value	7,197,804	4,281,314
Unlisted investments at cost	73,367	87,717
Exchange traded options at fair value	-	16,320
	<u>7,271,171</u>	<u>4,385,351</u>

8. Financial Liabilities

	2011 \$	2010 \$
Borrowed stock	<u>162,104</u>	<u>666,238</u>

Borrowed stock is carried at fair value. The Company provides cash collateral backing of 105% of the fair value of the borrowed stock to the stock lender. The level of borrowed stock plus other borrowings cannot exceed 50% of the gross value of the Portfolio of the Company as outlined in the Company's Management Agreement.

WAM ACTIVE LIMITED
A.B.N. 49 126 420 719

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

9. Trade and Other Payables

	2011 \$	2010 \$
Outstanding settlements	372,447	102,949
Management fee payable	16,960	17,324
Performance fee payable	320,726	715,174
Sundry payables	54,563	88,120
	<u>764,696</u>	<u>923,567</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.

10. Issued Capital

a) Paid-up Capital

	2011 \$	2010 \$
16,066,653 ordinary shares fully paid (2010: 15,604,808)	<u>15,948,854</u>	<u>15,437,198</u>

b) Ordinary Shares

Balance at the beginning of the year	15,437,198	15,233,786
286,292 ordinary shares issued from the exercise of options allotted July 2010 to June 2011 exercise price \$1.15	329,236	-
73,481 ordinary shares issued on 24 September 2010 under a dividend reinvestment plan	76,319	-
102,072 ordinary shares issued on 31 March 2011 under a dividend reinvestment plan	106,101	-
2,500 ordinary shares issued from the exercise of options allotted 26 May 2010 exercise price \$1.15	-	2,875
113,089 ordinary shares issued on 26 February 2010 under a dividend reinvestment plan	-	129,268
89,118 ordinary shares issued on 20 July 2009 under a dividend reinvestment plan	-	73,067
GST adjustment to float costs	-	(1,798)
At reporting date	<u>15,948,854</u>	<u>15,437,198</u>

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

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

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

10. Issued Capital (cont'd)

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 the belief that shareholder value should be preserved. Shareholder value will be preserved through the management of the level of distributions to shareholders, share and options issues as well as the use of share buy-backs. These capital management initiatives will be used when deemed appropriate by the Board.

d) Options

In the prior year the Company issued 15,489,219 options to acquire fully paid ordinary shares exercisable at \$1.15 per option. During the year to 30 June 2011 286,292 options were exercised (2010: 2,500). The remaining unexercised options expired worthless on 30 April 2011.

11. Reserves

	2011 \$	2010 \$
Asset Revaluation Reserve	-	-
Realised Profits Reserve	2,009,070	-
At reporting date	<u>2,009,070</u>	<u>-</u>

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 1a) iii). The realised profits reserve details an amount preserved for future dividend payments as outlined in accounting policy note 1k.

Movement in Asset Revaluation Reserve

	2011 \$	2010 \$
Balance at the beginning of the year	-	1,043,109
Transfer to retained earnings	-	(1,043,109)
At reporting date	<u>-</u>	<u>-</u>

Movement in Realised Profits Reserve

	2011 \$	2010 \$
Balance at the beginning of the year	-	-
Transfer from retained earnings	2,009,070	-
Interim dividend FY2011 paid (refer to note 4a)	-	-
At reporting date	<u>2,009,070</u>	<u>-</u>

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

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

12. Retained Earnings

	2011	2010
	\$	\$
Balance at the beginning of the year	2,082,650	(309,240)
Transfer from asset revaluation reserve	-	1,043,109
Transfer to realised profits reserve	(2,009,070)	-
Profit for the year attributable to members of the Company	1,205,441	2,121,460
Dividends paid (refer Note 4)	(1,105,648)	(772,679)
At reporting date	<u>173,373</u>	<u>2,082,650</u>

13. Cash and Cash Equivalents

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

	2011	2010
	\$	\$
Cash at bank and on hand	1,559,286	554,895
Fixed interest securities	<u>9,173,425</u>	<u>11,824,656</u>
	<u>10,732,711</u>	<u>12,379,551</u>

The weighted average interest rate for cash and fixed interest securities as at 30 June 2011 is 5.90% (2010: 5.47%). The fixed interest securities have an average maturity of 118 days (2010: 85 days). The majority of fixed interest securities are invested with institutions that have a Standard & Poor's AA rating. The fixed interest securities include the cash collateral for the borrowed stock (refer Note 8).

14. Cash Flow Information

	2011	2010
	\$	\$
Reconciliation of Operating Profit after Income Tax:		
Cash Flow from operations after income tax	1,205,441	2,121,460
Less items classified as investing/financing activities:		
Realised loss on sale of investments	(397,760)	(5,093,643)
Revenue from options trading	-	(8,557)
Add non-cash items:		
Unrealised loss on investments	253,391	1,649,829
Changes in assets and liabilities:		
Decrease/(increase) in receivables	54,656	(94,330)
Decrease in deferred tax assets	13,339	429,535
(Decrease)/increase in payables	(428,369)	433,852
(Decrease)/Increase in current tax liabilities	(606,096)	528,415
Decrease in deferred tax liabilities	(15,444)	(473,616)
Cash flow from operating activities	<u>79,158</u>	<u>(507,055)</u>

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

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

15. Earnings Per Share

	2011	2010
	\$	\$
Profit after income tax used in the calculation of basic earnings per share	<u>1,205,441</u>	<u>2,121,460</u>
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	<u>16,029,455</u>	<u>15,526,798</u>
Weighted average number of ordinary shares outstanding during the year used in calculating diluted earnings per share	<u>16,029,455</u>	<u>15,526,798</u>

16. Financial Risk Management

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

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

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

a) Credit Risk

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

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

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

The Company is not materially exposed to credit risk on its fixed interest securities as the majority of cash and fixed interest securities are held with Australian banks who have a Standard and Poor's short rating of A-1+ and long term rating of AA. Also the majority of maturities are within four months.

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

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

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

16. Financial Risk Management (cont'd)

b) Liquidity Risk

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

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

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

The Manager monitors the Company's cash-flow requirements daily by reference to known sales and purchases of securities, dividends and interest to be paid or received. Should these decrease by a material amount the Company can alter its cash outflows 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 tradeable securities which if liquidity is available, can be sold on market if necessary.

The table following analyses the Company's liabilities in relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date to the year end date. The amounts in the following table are contractual undiscounted cash flows.

30 June 2011	>1 month	<1 months	Total
	\$	\$	\$
Financial liabilities	-	162,104	162,104
Trade and other payables	-	764,696	764,696
Deferred tax liabilities	116,658	-	116,658
Total Liabilities	116,658	926,800	1,043,458

30 June 2010	>1 month	<1 months	Total
	\$	\$	\$
Financial liabilities	-	666,238	666,238
Trade and other payables	-	923,567	923,567
Current tax liability	-	528,415	528,415
Deferred tax liabilities	132,103	-	132,103
Total Liabilities	132,103	2,118,220	2,250,323

c) Market Risk

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

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

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

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

16. Financial Risk Management (cont'd)

c) Market Risk (cont'd)

The Manager seeks to manage and reduce the market risk of the Company by diversification of the investment portfolio across numerous stocks and multiple industry sectors. The relative weightings of the individual securities and market sectors are reviewed daily and the risk managed on a 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:

Industry Sector	2011 %	2010 %
Financials	13.0%	14.6%
Consumer Discretionary	6.8%	0.1%
Health Care	5.6%	2.5%
Industrials	3.2%	2.0%
Information Technology	2.9%	1.2%
Telecommunication Services	2.9%	0.0%
Materials	2.5%	2.6%
Consumer Staples	2.1%	0.0%
Energy	0.4%	0.1%
	<hr/>	<hr/>
	39.4%	23.1%

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

Company Name	2011 (%)
Signature Capital Investments Ltd	5.6%

Company Name	2010 (%)
N/A	N/A

d) Interest Rate Risk

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

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

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

16. Financial Risk Management (cont'd)

d) Interest Rate Risk (cont'd)

As at 30 June 2011, the Company's exposure to interest rate risk and the effective weighted average interest rate is set out in the following table:

	Weighted average interest rate (% pa)	Interest bearing \$	Non-interest bearing \$	Total \$
30 June 2011				
Assets				
Cash and cash equivalents	5.90%	10,732,711	-	10,732,711
Trade and other receivables		-	1,087,172	1,087,172
Financial assets		-	7,271,171	7,271,171
Deferred tax assets		-	83,701	83,701
Total		10,732,711	8,442,044	19,174,755
Liabilities				
Financial liabilities		-	162,104	162,104
Trade and other payables		-	764,696	764,696
Deferred tax liabilities		-	116,658	116,658
Total		-	1,043,458	1,043,458

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

	Weighted average interest rate (% pa)	Interest bearing \$	Non-interest bearing \$	Total \$
30 June 2010				
Assets				
Cash and cash equivalents	5.47%	12,379,551	-	12,379,551
Trade and other receivables		-	2,968,212	2,968,212
Financial assets		-	4,385,351	4,385,351
Deferred tax assets		-	37,057	37,057
Total		12,379,551	7,390,620	19,770,171
Liabilities				
Financial liabilities		-	666,238	666,238
Trade and other payables		-	923,567	923,567
Current tax liability		-	528,415	528,415
Deferred tax liabilities		-	132,103	132,103
Total		-	2,250,323	2,250,323

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

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

16. Financial Risk Management (cont'd)

e) Sensitivity Analysis

Investments represent 39% (2010: 22%) of gross assets at year end. A 5% movement in the market value of each of the companies within the portfolio would result in a 1.9% (2010: 1.1%) movement in the net assets after tax. This would result in the net asset backing after tax moving by 2.1 cents per share using the 30 June 2011 numbers (2010: 1.2 cents per share).

f) Financial Instruments Measured at Fair Value

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

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

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

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

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

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

30 June 2011	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets	7,197,804	73,367	-	7,271,171
Financial liabilities	(162,104)	-	-	(162,104)
Total	7,035,700	73,367	-	7,109,067

30 June 2010	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets	4,297,634	87,717	-	4,385,351
Financial liabilities	(666,238)	-	-	(666,238)
Total	3,631,396	87,717	-	3,719,113

17. Events Subsequent to Reporting Date

Since year end the Directors have declared a fully franked final dividend of 4.0 cents per share to be paid on 30 September 2011.

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

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

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

18. Investment Transactions

The total number of contract notes that were issued for transactions in securities during the financial year was 2,955 (2010: 2,732). Each contract note could involve multiple transactions. The total brokerage paid on these contract notes was \$343,807 (2010: \$463,622).

19. Segment Reporting

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

20. Capital Commitments

There are no capital commitments as at 30 June 2011. (2010: \$36,519).

21. Contingent Liabilities

There are no outstanding contingent liabilities as at 30 June 2011 (2010: nil).

22. 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
R.J. Walker	Non-Executive Director
C.E. Cuffe	Non-Executive Director (resigned 30 June 2011)

a) Remuneration

There are no executives that are paid by the Company. MAM Pty Limited, the Manager of the Company, remunerated Geoff Wilson and Matthew Kidman as Directors of MAM Pty Limited during the year to 30 June 2011. The Manager is also contracted to provide day-to-day management of the Company and is remunerated as outlined in Directors' Report.

Individual directors' remuneration disclosures are provided in the Remuneration Report of the Directors' Report on pages 14 and 15, as permitted by Corporations Regulation 2M.3.03 and 2M.6.04.

	Directors' Fees	Post-employment Superannuation	Total
	\$	\$	\$
Total Directors remuneration paid by the Company for the year ended 30 June 2011	51,284	40,716	92,000
Total Directors remuneration paid by the Company for the year ended 30 June 2010	85,046	6,954	92,000

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

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

22 Key Management Personnel Compensation (cont'd)

b) Share and Option holdings

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

Ordinary Shares held

Directors	Balance at 30 June 2010	Acquisitions	Disposals	Balance at 30 June 2011
G.J. Wilson	2,120,814	23,979	-	2,144,793
M.J. Kidman	260,065	17,807	-	277,872
J.B. Abernethy	60,000	-	-	60,000
R.J. Walker	1,642,300	-	-	1,642,300
C.E. Cuffe	100,000	-	-	100,000
	4,183,179	41,786	-	4,224,965

Options held

Directors	Balance at 30 June 2010	Options Granted	Lapsed	Balance at 30 June 2011
G.J. Wilson	2,064,861	-	2,604,861	-
M.J. Kidman	253,414	-	253,414	-
J.B. Abernethy	60,000	-	60,000	-
R.J. Walker	1,642,300	-	1,642,300	-
C.E. Cuffe	100,000	-	100,000	-
	4,120,575	-	4,120,575	-

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

Ordinary Shares held

Directors	Balance at 30 June 2009	Acquisitions	Disposals	Balance at 30 June 2010
G.J. Wilson	1,893,501	227,313	-	2,120,814
M.J. Kidman	200,000	60,065	-	260,065
J.B. Abernethy	60,000	-	-	60,000
R.J. Walker	1,542,000	100,300	-	1,642,300
C.E. Cuffe	100,000	-	-	100,000
	3,795,501	387,678	-	4,183,179

Options held

Directors	Balance at 30 June 2009	Options Granted	Lapsed	Balance at 30 June 2010
G.J. Wilson	-	2,064,861	-	2,064,861
M.J. Kidman	-	253,414	-	253,414
J.B. Abernethy	-	60,000	-	60,000
R.J. Walker	-	1,642,300	-	1,642,300
C.E. Cuffe	-	100,000	-	100,000
	-	4,120,575	-	4,120,575

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

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

23. Related Party Transactions

All transactions with related entities were made on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Geoffrey Wilson and Matthew Kidman are Directors of MAM Pty Limited, the entity appointed to manage the investment portfolio of WAM Active Limited and manage the day-to-day operations of the Company. Entities associated with Geoffrey Wilson and Matthew Kidman hold 80% and 20% respectively of the issued shares of MAM Pty Limited. The core duties of the Manager include managing the investment portfolio; the provision of financial and administrative support to ensure the maintenance of the corporate and statutory records of the Company; liaison with the ASX with respect to compliance with the ASX Listing Rules; liaison with ASIC with respect to compliance with the Corporations Act; liaison with the share registrar of the Company; and the provision of information necessary for the maintenance of financial accounts of the Company to be completed. In its capacity as Manager, MAM Pty Limited was paid a management fee of 1%p.a (plus GST) of gross assets amounting to \$205,699 inclusive of GST (2010: \$217,545). As at 30 June 2011, the balance payable to the Manager was \$16,960 inclusive of GST (2010: \$17,324).

In addition, MAM Pty Limited is to be paid, annually in arrears, a performance fee being 20% of the increase in the gross value of the portfolio above the high water mark:

The high water mark is the greater of the:

- The highest gross value of the portfolio as at the last day of the last performance period for which a performance fee was last paid or payable; and
- the gross proceeds raised from the issue of shares pursuant to the original prospectus.

If the gross value of the portfolio falls below a previous high water mark then no further performance fees can be accrued or paid until the loss has been fully recovered. As at 30 June 2011, a performance fee of \$320,726 inclusive of GST is payable to MAM Pty Limited (2010: \$715,174).

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

These amounts are in addition to the above Directors' remuneration.

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

WAM ACTIVE LIMITED
A.B.N. 49 126 420 719

DIRECTOR'S DECLARATION

The Directors of WAM Active Limited declare that:

- 1) The financial report as set out in pages 19 to 40 and the additional disclosures included in the Directors' Report designated as "Remuneration Report", as set out on pages 14 and 15, are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
 - b) giving a true and fair view of the financial position of the company as at 30 June 2011 and of its performance, as represented by the results of the operations and the cashflows, for the year ended on that date; and
- 2) The Director of the Manager, MAM Pty Limited has declared that:
 - a) the financial records of the company for the financial year have been properly maintained in accordance with the Section 286 of the *Corporations Act 2001*;
 - b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c) the financial statements and notes for the financial year give a true and fair view.
- 3) At the date of this declaration, in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



G.J. Wilson, Chairman

Dated at Sydney this 29th day of September 2011.

Level 7, 20 Hunter Street
Sydney NSW 2000

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

www.moorestephens.com.au

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF WAM ACTIVE LIMITED
ABN 34 086 587 395**

We have audited the accompanying financial report of WAM Active Limited ("the Company"), which comprises the statement of financial position as at 30 June 2011, 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.

Directors' Responsibility for the Financial Report

The Directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Accounting Standard AASB101: 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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*.

Auditor's Opinion

In our opinion:

- (a) the financial report of WAM Active Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; 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 14 to 16 of the Directors' Report for the year ended 30 June 2011. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

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

Moore Stephens Sydney

Moore Stephens Sydney
Chartered Accountants

J Webster

Jenelle Webster
Partner

Dated in Sydney this 29th day of September 2011

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

ASX ADDITIONAL INFORMATION

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

Shareholdings

Substantial shareholders (as at 31 August 2011)

Mr Geoffrey James Wilson and Associated Entities 13.3% of the issued share capital

Huntingfield Investments Pty Limited (the RJW Super Fund A/C) 10.2% of the issued share capital

Clodene Pty Limited 5.1% of the issued share capital

On-market buy back (as at 31 August 2011)

There is no current on-market buy back.

Distribution of shareholders (as at 31 August 2011)

Category	No. of shareholders	
	Ordinary Shares	Options
1 – 1,000	30	-
1,001 – 5,000	207	-
5,001 – 10,000	131	-
10,001 – 100,000	245	-
100,001 and over	17	-
	630	-

The number of shareholdings held in less than marketable parcels is 11.

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

Name	Number of ordinary shares held	Percentage of issued capital held
Entities associated with Mr Geoffrey Wilson	2,144,793	13.3%
Entities associated with Mr Ronald Walker	1,642,300	10.2%
Clodene Pty Limited	811,744	5.1%
Mr Richard Tooher	340,541	2.1%
VBS Investments Pty Limited	303,600	1.9%
Entities associated with Mr Matthew Kidman	277,872	1.7%
Sanolu Pty Limited	274,864	1.7%
Charanda Nominee Company Pty Limited (The Amanchar A/C)	209,165	1.3%
Mr & Mrs Brown (Bendaro Super Fund A/C)	200,000	1.2%
Mr Victor John Plummer	200,000	1.2%
Trophy Components Distributors Pty Limited	200,000	1.2%
Harlow Trading Pty Limited	175,000	1.1%
Malcolm Superannuation Pty Limited (The Malcolm Super Fund A/C)	112,327	0.7%
Bond Street Custodians Limited (FMACDO –003084 A/C)	109,651	0.7%
Mr & Mrs Stuer	109,450	0.7%
Mr & Mrs MacDonald (61 Mor Super Fund A/C)	102,072	0.6%
Uplands Holdings Pty Limited (Media Five Partners S/F A/C)	100,000	0.6%
Dr Dinh Hoang Nguyen	100,000	0.6%
Dr. & Mrs Vohra (Vohra S/Fund A/C)	100,000	0.6%
Selman Pty Limited (Toni Sharp Super Fund A/C)	100,000	0.6%
	7,613,379	47.1%

Stock Exchange Listing

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

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

INVESTMENTS AT MARKET VALUE

As At 30 June 2011

Company Name	Code	Quantity	Market Value \$	% of Gross Portfolio
Consumer Discretionary				
Austar United Communications Limited	AUN	568,500	764,633	4.1%
Flight Centre Limited	FLT	9,000	194,580	1.1%
Centrebet International Limited	CIL	67,332	133,991	0.7%
Village Roadshow Limited	VRL	22,532	92,156	0.5%
On The House Limited	OTH	105,000	70,875	0.4%
			1,256,235	6.8%
Consumer Staples				
Maryborough Sugar Factory Limited (The)	MSF	111,366	388,667	2.1%
			388,667	2.1%
Industrials				
Credit Corp Group Limited	CCP	62,962	299,070	1.6%
Coventry Group Limited	CYG	62,915	144,705	0.8%
Spotless Group Limited	SPT	60,000	139,800	0.7%
			583,575	3.1%
Financials				
Signature Capital Investments Limited	SGI	3,845,733	1,038,348	5.6%
IMF (Australia) Limited 10.25% Sec Red Convertible Note Maturing 31/12/14	IMFG	88,636	155,556	0.8%
ING Real Estate Community Loving Group	ILF	1,123,812	129,238	0.7%
Trafalgar Corporate Group	TGP	144,002	126,722	0.7%
Ask Funding Limited	AKF	212,099	30,754	0.2%
Contango Capital Partners Limited	CCQ	484,248	365,607	2.0%
Everest Financial Group Limited	EFG	577,427	69,291	0.4%
Rock Building Society Limited (The)	ROK	48,170	105,974	0.6%
Investorfirst Limited	INQ	1,196,546	105,296	0.6%
Thakral Holdings Group	THG	157,143	84,857	0.5%
Ariadne Australia Limited	ARA	69,053	21,061	0.1%
Wentworth Holdings Limited	WWM	319,911	14,396	0.1%
RHG Limited	RHG	344,058	166,868	0.9%
			2,413,968	13.2%
Energy				
Australian Renewable Fuels Limited	ARW	3,397,529	74,746	0.4%
Oil Basins Limited 4c Option Expiring 30/6/14	OBLOB	106,486	1,597	0.0%
			76,343	0.4%
Health Care Equipment & Services				
Isoft Group Limited	ISF	3,566,463	570,634	3.1%
Starpharma Holdings Limited	SPL	195,000	292,500	1.6%
Reva Medical Inc	RVA	165,534	165,534	0.9%
			1,028,668	5.6%

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

INVESTMENTS AT MARKET VALUE

As At 30 June 2011

Company Name	Code	Quantity	Market Value \$	% of Gross Portfolio
Materials				
Symex Holdings Limited	SYM	895,435	358,174	1.9%
Drill Torque Limited unlisted as at 30/6/11	DTQ	318,750	63,750	0.3%
Exterra Resources Limited	EXC	375,000	36,000	0.2%
			457,924	2.4%
Information Technology				
Melbourne IT Limited	MLB	104,993	180,588	1.0%
UXC Limited	UCX	311,242	178,964	1.0%
Webfirm Group Limited	WFM	1,307,692	117,692	0.6%
Eservglobal Limited	ESV	69,048	50,060	0.3%
MatrixView Limited		601,063	9,617	0.1%
			536,921	3.0%
Telecommunication Services				
Telstra Corporation Limited	TLS	183,000	528,870	2.9%
			528,870	2.9%
Total Long Portfolio			7,271,171	39.4%
Total Cash, income receivable and net outstanding settlements			11,393,123	60.6%
Total Short Portfolio			(162,104)	
Gross Assets			18,502,190	



WILSON
ASSET MANAGEMENT

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