

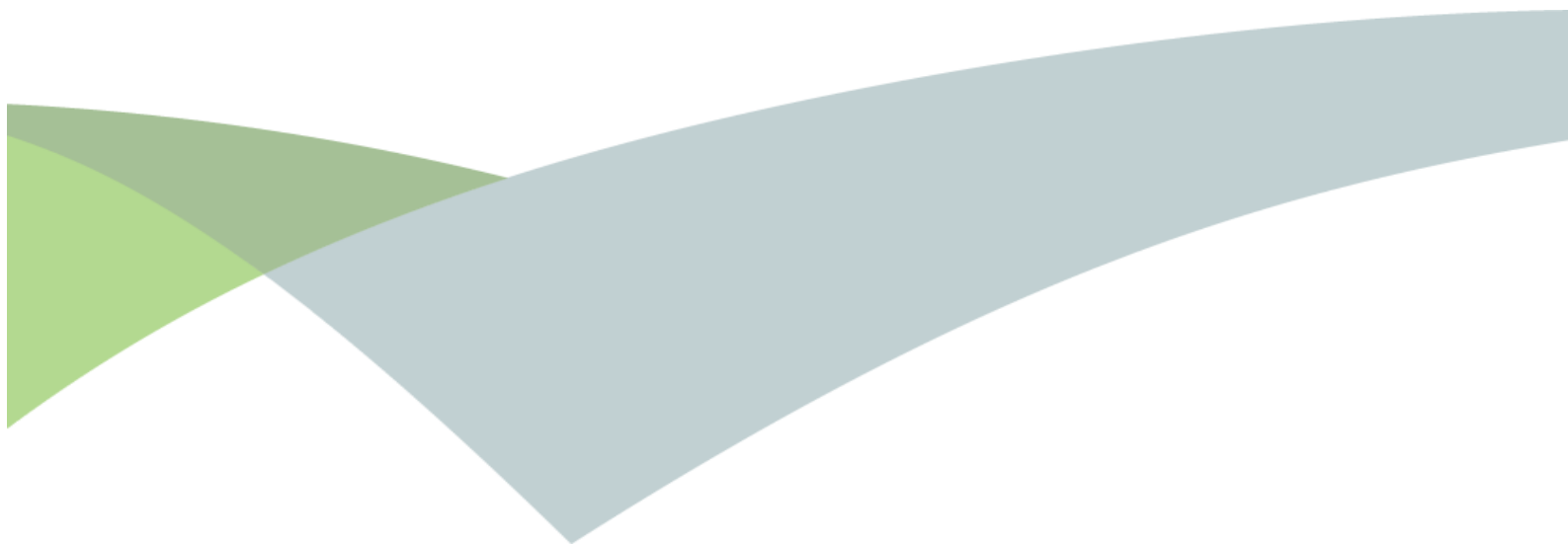


WAM Active Limited

ABN 49 126 420 719

Annual Report

for the year ending 30 June 2012



Company Particulars

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

Directors: G. Wilson (Chairman) J. Abernethy
M. Kidman R. Walker

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
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 Securities Exchange: Ordinary Shares (WAA)
Options (WAAO) \$1.08 expiry 12 December 2013

Calendar of Events 2012

Annual General Meeting and Presentation

Sydney
Wednesday 28 November

Lyceum Theatre
Wesley Centre
220 Pitt Street
Sydney NSW 2000
9.45am – 11.00am



Melbourne
Thursday 29 November
Presentation only

Morgans at 401
401 Collins Street
Melbourne VIC 3000
10.00am – 11.00am

Adelaide
Friday 30 November
Presentation only

Adelaide Town Hall
128 King William Street
Adelaide SA 5000
10.00am – 11.00am

Canberra
Monday 3 December
Presentation only

Belconnen Premier Inn
110 Benjamin Way
Belconnen ACT 2617
10.00am – 11.00am

Brisbane
Tuesday 4 December
Presentation only

RBS Morgans
L29, 123 Eagle Street
Brisbane QLD 4000
10.00am – 11.00am

Key Highlights FY2012

↑ 5.5%

Investment Portfolio Performance

↑ 12.5%

Full Year Fully Franked Dividend

↑ 2.1%

After Tax Net Tangible Assets (NTA) adjusted for dividends

↑ 9.5%

Share Price adjusted for dividends

Summary of Results FY 2012

WAM Active's operating profit before tax is \$322,300 (2011: \$1,143,352) and an operating profit after tax of \$394,535 (2011: \$1,205,441) for the year to 30 June 2012. The after tax profit was boosted by a \$72,235 income tax benefit resulting from franking credit offsets. The decrease in profit compared to the previous year is a reflection of the investment portfolio returning 5.5% compared to 11.5% in FY2011.

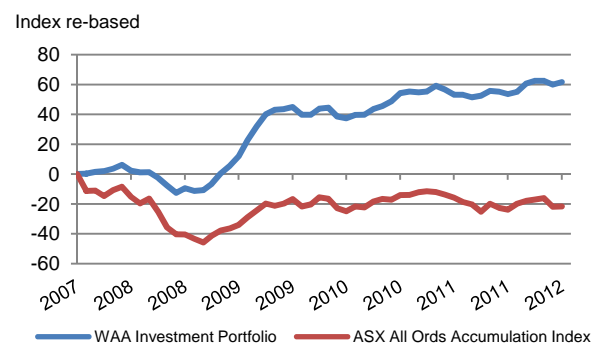
WAM Active's investment portfolio outperformed the S&P/ASX All Ordinaries Accumulation Index by 12.5% for the 12 months to 30 June 2012.

The Board declared a fully franked final dividend of 4.5 cents per share which brings the full year fully franked dividend to 9.0 cents per share. This is a 12.5% increase on the previous year.

At a glance as at 30 June 2012

Inception Date	January 2008
Market Cap (\$m)	\$17.0m
Share price at 30 June 2012	\$1.04
Shares on issue (WAA)	16,309,945
Options on issue (WAAO)	16,309,945
NTA (pre-tax)	\$1.06
NTA (post-tax)	\$1.06
Fund size (\$m)	\$17.6m
Full Year Dividend FY2012	9.0 cents
Full Year Dividend FY2011	8.0 cents
Fully franked annualised dividend yield	8.7%

WAM Active's investment portfolio return 11.3% p.a. over 4.5 years



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WAM ACTIVE LIMITED

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CHAIRMAN'S LETTER

Dear Fellow Shareholders,

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

WAM Active Limited (WAM Active) is now in its fifth year of operation and I am pleased with the Company's solid performance. Since listing in January 2008, the investment philosophy has been consistently applied and the Company has delivered shareholders a growing stream of fully franked dividends and preserved shareholders' capital. It is pleasing that over this period, the investment portfolio has returned 11.3% p.a. while the S&P/ASX All Ordinaries Accumulation Index has fallen 5.3% 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.

Our Objectives and Investment Process

The investment objectives of the Company are:

- To deliver investors a regular income stream in the form of fully franked dividends;
- To 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, WAM Active employs the following investment process.

Market Driven investing

We take advantage of relative short-term arbitrages and mis-pricings in the Australian equities market, rather than investing in any individual companies or portfolio of companies for a prolonged period of time. We utilise our extensive information network in the investment community to help generate investment ideas.

We scour the market for opportunities including:

- initial public offerings
- capital raisings
- block trades
- oversold positions
- takeovers
- Listed Investment Companies (LIC) arbitrage
- stocks trading at a discount to their NTA backing
- earnings momentum / surprises
- short selling
- market themes and trends

The Manager may make investments that result in the Company retaining positions in entities that have been delisted. While the Manager's mandate generally limits investment to listed entities or Initial Public Offerings (IPOs), from time to time the Board may authorise the Manager to retain such investments.

Our Approach and Business Model

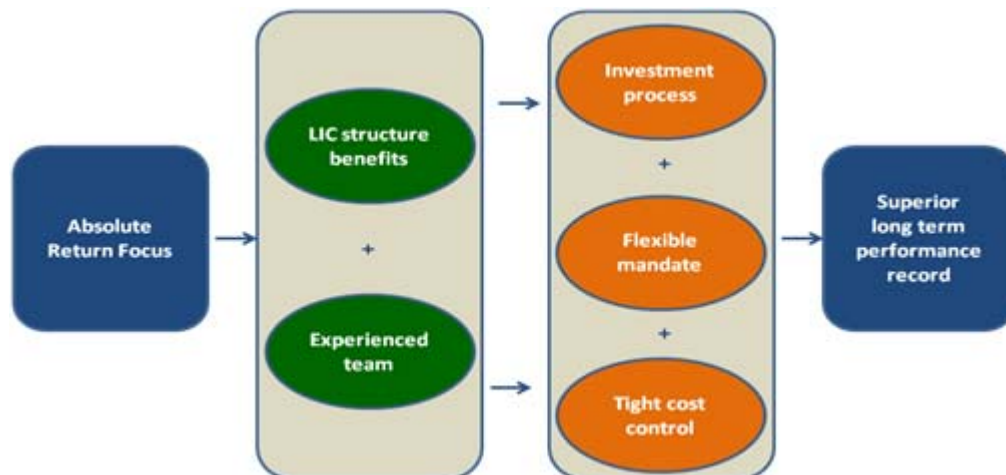
Our approach is to invest with a focus on absolute returns. An absolute return approach aims to deliver positive returns in a rising market as well as preserving capital in a falling market over the long term. Returns of absolute return funds typically tend to have a low correlation to market indices and benchmarks that represent other asset classes such as shares, property or fixed interest. This low correlation means that movements in those variables are relatively independent of each other. Investment in absolute return-focused investment entities may therefore assist investors to diversify and reduce the overall volatility of their portfolios over the long term.

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CHAIRMAN'S LETTER

Our disciplined approach is to provide the maximum return possible while taking the minimum amount of risk. WAM Active has a relatively low risk profile for a number of reasons. If we do not identify an opportunity under the Market Driven approach, we revert to cash. The average net cash position held since inception is 53.5% of assets.



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

Our Style

- Fundamental bottom up approach
- Absolute return focus, benchmark unaware
- Flat structure provides quick investment decision making
- Increased flexibility due to the relatively small funds under management
- A focus on risk adjusted returns with above average cash positions

Three key performance measures

1. How the investment manager performed

This is before all costs and is compared to the index which is also before tax and costs. WAM Active's investment portfolio increased 5.5% for the 12 months to 30 June 2012, while the S&P/ASX All Ordinaries Accumulation Index fell by 7.0%. This represents an outperformance of 12.5%.

2. 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 that belong to the shareholders over the 12 month period. Corporate tax, being 30%, is the most significant item of difference between the investment portfolio and the net asset performance. The franking credits attached to corporate tax payments are available for distribution to shareholders through fully franked dividends. WAM Active's after tax NTA, adjusted for dividends, increased 2.1% for the 12 months to 30 June 2012.

3. The share price return

The share price, adjusted for dividends rose 9.5% for the 12 months to 30 June 2012. This outperformed the NTA performance due to the closing of the discount to NTA over the 12 month period.

All the above performance numbers were achieved while holding an average of 49.8% in cash during the year. The return on our cash was 5.2% and the return on our equity portion of the portfolio was 5.9%.

WAM ACTIVE LIMITED

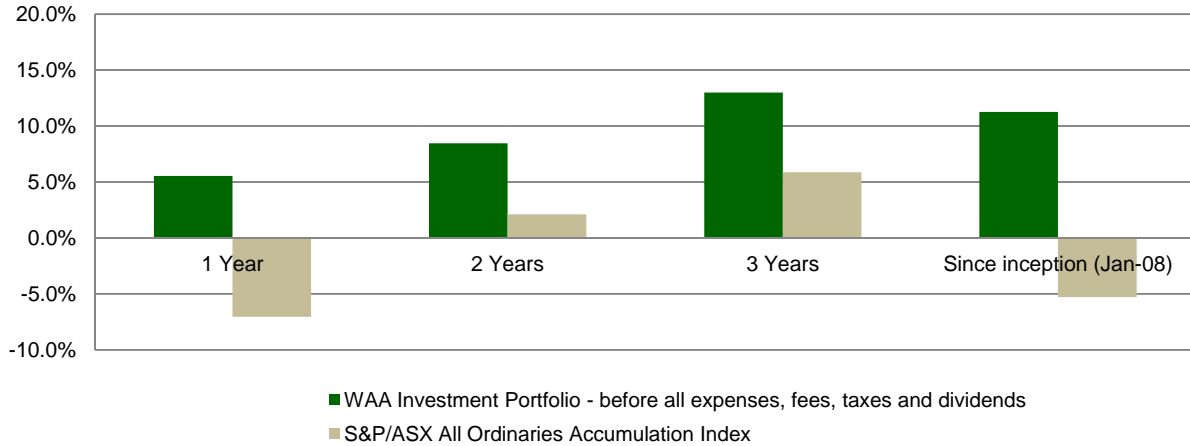
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CHAIRMAN'S LETTER

Over the course of the year, the equity component of the portfolio turned over 6.5 times and we traded in 274 individual stocks.

The best performing strategies employed were trades based on relative value arbitrage, Listed Investment Company (LIC) discount to NTA and takeover arbitrage. The top contributing stocks for FY2012 were Signature Capital Investments Limited (SGI), Contango Capital Partners Limited (CCQ) and the Ethane Pipeline Income Fund (EPX).

Annualised Investment Portfolio Performance vs S&P/ASX All Ordinaries Accumulation Index

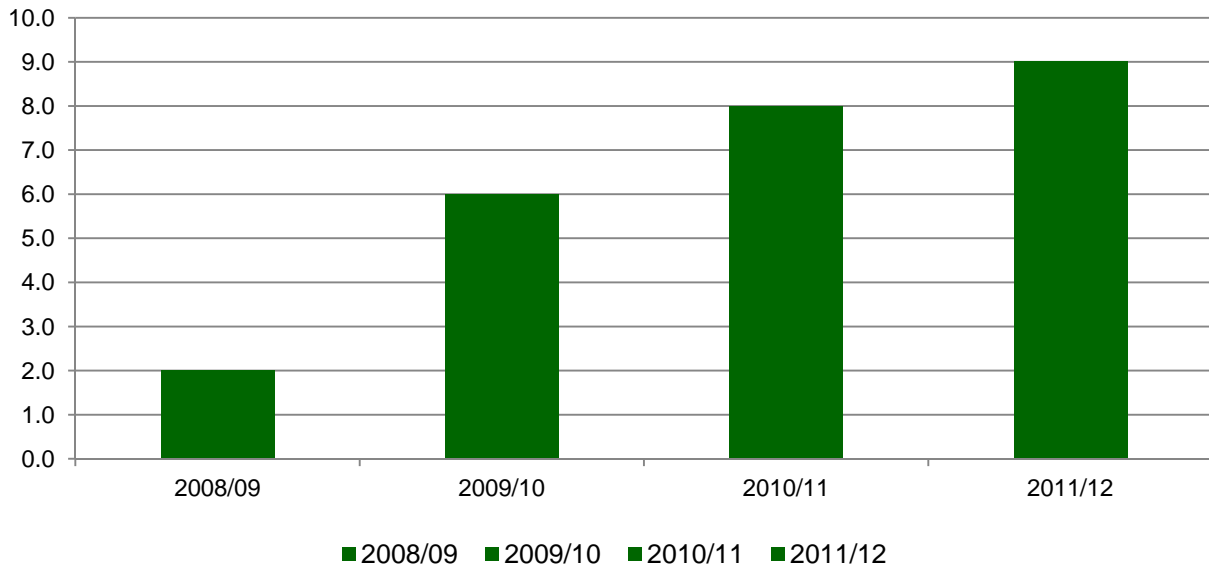


Dividends

On 10 August 2012, the Board announced a fully franked final dividend of 4.5 cent per share. This brings the FY2012 full year fully franked dividend to 9.0 cents per share, a 12.5% increase on the previous 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. Dividend payments will be paid with consideration to cash flow, cash holdings and available franking credits.

cents per share



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CHAIRMAN'S LETTER

Capital Management

On 4 May 2012, the Board announced a 1 for 1 bonus issue of Options to acquire ordinary shares in the capital of the Company. The Options have an exercise price of \$1.08 per share and can be exercised at any time on or before 12 December 2013. The Options are currently trading on the ASX under the code WAAO.

Market Outlook

While we have a conservative view on the Australian equity market for FY2013, we believe that WAM Active can continue to find trading opportunities in all market environments. WAM Active has outperformed in both up and down markets since inception. We think this current low growth environment, coupled with our prediction of further interest rate reductions by the RBA, will lead companies to look at accretive mergers and acquisitions to provide growth. These events should provide WAM Active with attractive low risk trading opportunities; a few of which have already arisen in recent months.

We continue to believe that analyst earnings estimates for companies are too high for FY13 and this will present trading opportunities around results announcements on both the long and the short side. Discount to asset plays have been a large part of our trading strategy over the course of the year. We foresee these continuing to be a source of profitable trading opportunities in the coming year, when we can identify a relevant catalyst to narrow the discount to assets.

Shareholder Communication

We take an active approach to keeping shareholders informed about WAM Active'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 which discuss important market issues and address common questions. These audios together with independent research reports and media articles are posted under the Media section on our website: www.wamfunds.com.au.

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

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

In March, shareholders were sent the latest edition of the six monthly investor newsletters. The next edition is due out in September. We hope you enjoyed the content and would encourage feedback on how we can improve this newsletter and our overall communication with our shareholders.

Thank you for your continuing support.



Geoff Wilson
Chairman

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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 2012 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 to delegate functions to senior management or for a process to evaluate the performance of senior executives under recommendations 1.1, 1.2 and 1.3.

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

- To oversee and monitor the performance of the Manager's compliance with the management agreement and to ensure that the Manager is monitoring the performance of other external service providers;
- Ensuring adequate internal controls exist and are appropriately monitored for compliance;
- Ensuring significant business risks are identified and appropriately managed;
- Approving the interim and final financial statements and related reports and 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 on pages 11-13.

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

- John Abernethy

This Director is 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 Board's level of expertise and without burdening shareholders with the additional costs associated with adding further independent Directors.

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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 with the aim of achieving the optimal mix of skills and diversity.

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

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

Code of Conduct (Recommendations: 3.1 and 3.5)

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

Diversity Policy (Recommendations: 3.2 to 3.5)

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

Audit & Risk Committee (Recommendations: 4.1 to 4.4)

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

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

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.

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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 2012 year are set out in the Directors' Report on page 16.

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

The Company's external audit is undertaken by Moore Stephens Sydney and the audit engagement partner is required to be changed at regular intervals. Scott Whiddett, a partner of Moore Stephens Sydney, is the partner responsible for the external audit of the Company for the 2012 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.

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

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

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.

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CORPORATE GOVERNANCE STATEMENT

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

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

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

Risk Management (Recommendations: 7.1 to 7.4)

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

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

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

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

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.

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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 Investor Services (custody) and Boardroom Pty Limited (share registry) and accordingly risk issues associated with these activities are handled in accordance with the service provider's policies and procedures.

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

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. Further detail is provided in the Directors' Report.

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2012

The Directors present their report together with the financial report of WAM Active Limited ("the Company") for the financial year ended 30 June 2012.

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 \$322,300 (2011: \$1,143,352) and an operating profit after tax of \$394,535 (2011: \$1,205,441). The decrease in profit in comparison to the previous year is a reflection of the investment portfolio returning 5.5% compared to 11.5% in FY2011.

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 Tangible Assets (NTA) per share, adjusted for dividends. The after tax NTA, adjusted for dividends, increased 2.1% for the year ended 30 June 2012. The share price, adjusted for dividends, rose 9.5% for the year ended 30 June 2012.

Net asset backing for each ordinary share as at 30 June 2012 (calculated on market value less realisation costs and all applicable taxes and before provision for dividend) amounted to 106.47 cents per share (2011: 112.67 cents). Net Tangible Assets after tax on realised gains but before tax on unrealised gains was 108.02 cents per share (2011: 113.39 cents).

Further information on the operating and financial review of the Company is contained in the Chairman's Letter on pages 1 to 4 of the Annual Report.

Financial Position

The net asset value of the company for the current financial year was \$17,402,006 (2011: \$18,131,297).

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 2012.

Dividends Paid or Recommended

Dividends paid or declared are as follows:

	\$
Fully franked FY2011 final dividend of 4.0 cents per share was paid on 30 September 2011	642,666
Fully franked FY2012 interim dividend of 4.5 cents per share was paid on 24 April 2012	727,930

Since year end the Board has declared a final dividend of 4.5 cents per share fully franked to be paid on 19 October 2012.

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2012

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

Information on Directors

Geoffrey Wilson (Chairman – Non-independent)

Experience and expertise

Geoffrey Wilson has had 32 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 has been Chairman of the Company since July 2007.

Geoffrey Wilson is currently Chairman of WAM Research Limited (appointed June 2003), WAM Capital Limited (March 1999) and Australian Stockbrokers Foundation. He is a Director of Australian Leaders Fund Limited (appointed October 2003), Clime Capital Limited (appointed November 2003), Cadence Capital Limited (appointed February 2005), Incubator Capital Limited (appointed February 2000), the Sporting Chance Cancer Foundation, Australian Fund Managers Foundation, Odyssey House McGrath Foundation, Australian Children's Music Foundation and he is a Member of the Second Bite NSW Advisory Committee. He is also a Director of investment management companies Wilson Asset Management (International) Pty Limited, MAM Pty Limited, Boutique Investment Management Pty Limited and Boutique Asset Management Pty Limited.

Former directorships in the last 3 years

Geoffrey Wilson 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.

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

Experience and expertise

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

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

Other current directorships

Matthew Kidman is a Director of WAM Capital Limited (appointed March 1999), WAM Research Limited (appointed May 2002), Incubator Capital Limited (appointed February 2000) and financial planning group,

WAM ACTIVE LIMITED

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2012

Matthew Kidman (Non-Executive Director – Non-independent) (cont'd)

Centrepont Alliance Limited (appointed February 2012). He is also a Director of the investment management company Boutique Asset Management Pty Limited.

Former directorships in the last 3 years

Matthew Kidman is a former Director of Australian Leaders Fund Limited (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 30 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), WAM Research Limited (appointed May 2002), Australian Leaders Fund 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.

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.

WAM ACTIVE LIMITED

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2012

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

He is Chairman of Australian Grand Prix Corporation; and Chairman of Evolve Development Pty Ltd. He is a Director of Football Federation Australia; and also Chairman of the Formula One Promoters Association, and a Member of the International Formula One Commission.

He has served Australia in many capacities over many years in public life including: Chairman of 2012 Victorian Floods Disaster Relief Fund; 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 (appointed September 2003).

Former directorships in the last 3 years

Ronald Walker was formerly Chairman of Fairfax Media Limited from 2005 to 2009. After 20 years as Chairman of the O'Brien Foundation and O'Brien Institute at St Vincent's Hospital Melbourne, Ron Walker retired in July 2011. In February 2012, he resigned as Director of the Australian Tissue Engineering Centre.

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.

Company Secretary

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

Kate Thorley (appointed 6 November 2007). Kate is the CEO of Wilson Asset Management and the Company Secretary for WAM Capital Limited and WAM Research Limited. Kate is a CPA and holds a Bachelor of Commerce, a Graduate Diploma in Applied Finance and Investment and a Graduate Diploma of Applied Corporate Governance. Kate has worked in the funds management industry for the past 7½ years with the Wilson Asset Management Group.

WAM ACTIVE LIMITED

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2012

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 at the Annual Shareholders Meeting. 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 2012:

Director	Position	Directors' Fees \$	Post-employment Superannuation \$	Total \$
G.J. Wilson	Chairman Non-Executive	-	1,000	1,000
M.J. Kidman	Director Non-Executive	9,174	826	10,000
J. B. Abernethy	Director Non-Executive	23,762	6,238	30,000
R.J. Walker	Director Non-Executive	27,523	2,477	30,000
		60,459	10,541	71,000

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

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

	2012	2011	2010	2009
Operating profit after tax (\$)	394,535	1,205,441	2,121,460	641,196
Dividends (cents per share)	9.0	8.0	6.0	2.0
Net tangible asset after tax (cents per share)	106.47	112.67	112.14	103.37
Total Directors' remuneration (\$)	71,000	92,000	92,000	110,000

b) Director Related Entities Remuneration

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

WAM ACTIVE LIMITED

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2012

Remuneration Report (cont'd)

b) Director Related Entities Remuneration (cont'd)

Geoffrey Wilson is the Director of MAM Pty Limited, the entity appointed to manage the investment portfolio of WAM Active Limited. Entities associated with Geoffrey Wilson now also hold 100% of the issued shares of MAM Pty Limited (formerly 20% of the issued shares held by entities associated with Matthew Kidman – a former Director of MAM Pty Limited). The core duties of the Manager in addition to managing the investment portfolio include the provision of financial and administrative support to ensure the maintenance of the corporate and statutory records of the Company; liaison with the ASX with respect to compliance with the ASX Listing Rules; liaison with ASIC with respect to compliance with the Corporations Act; liaison with the share registrar of the Company; investor relations; and the provision of information necessary for the maintenance of financial accounts of the Company to be completed. In its capacity as Manager, MAM Pty Limited was paid a management fee of 1% p.a (plus GST) of gross assets amounting to \$195,772 inclusive of GST (2011: \$205,699). As at 30 June 2012, the balance payable to the Manager was \$48,497 (2011: \$16,960).

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 2012, a performance fee of \$125,542 inclusive of GST is payable to MAM Pty Limited (2011: \$320,726).

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 investment manager of the Company 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	Options
G.J. Wilson	2,144,793	2,144,793
M.J. Kidman	301,702	301,702
J.B. Abernethy	60,000	60,000
R.J. Walker	1,642,300	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.

WAM ACTIVE LIMITED

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2012

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.

Directors' Meetings

Director	No. eligible to attend	Attended
G.J. Wilson	8	8
M.J. Kidman	8	8
J.B. Abernethy	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 6 to 7 of the Annual Report.

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

After Balance Date Events

Since year end the Company declared a final dividend of 4.5 cents per share fully franked to be paid on 19 October 2012.

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

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2012

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 4th day of September 2012

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Sydney NSW 2000

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

As lead auditor for the review of WAM Active Limited for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

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

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



Moore Stephens Sydney
Chartered Accountants



Scott Whiddett
Partner

Dated in Sydney this 4th day of September 2012

WAM ACTIVE LIMITED

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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 \$	2011 \$
Proceeds from sale of investments		57,904,913	58,504,927
Cost of investments sold		<u>(58,655,083)</u>	<u>(58,107,167)</u>
Realised (losses)/gains on financial assets		(750,170)	397,760
Unrealised gains/(losses) on financial assets		578,854	(253,391)
Other revenue from operating activities	2	1,319,547	2,021,956
Performance fees		(116,982)	(298,859)
Management fees		(182,424)	(191,674)
Directors fees		(71,000)	(92,000)
Custody fees		(50,320)	(69,765)
ASX listing and chess fees		(30,568)	(30,069)
Share registry fees		(24,933)	(26,972)
Brokerage expense on share purchases		(178,650)	(169,287)
Option issue expenses		(36,836)	-
Other expenses from ordinary activities		<u>(134,218)</u>	<u>(144,347)</u>
Profit before income tax		322,300	1,143,352
Income tax benefit	3(a)	<u>72,235</u>	<u>62,089</u>
Profit attributable to members of the Company	12	<u>394,535</u>	<u>1,205,441</u>
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>394,535</u>	<u>1,205,441</u>
Basic earnings per share	15	<u>2.4 cents</u>	<u>7.5 cents</u>

The accompanying notes form part of these financial statements.

WAM ACTIVE LIMITED

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	2012 \$	2011 \$
Assets			
Cash and cash equivalents	13	9,569,918	10,732,711
Trade and other receivables	6	836,698	1,087,172
Financial assets	7	8,826,054	7,271,171
Deferred tax assets	3(b)	293,181	83,701
Total Assets		19,525,851	19,174,755
Liabilities			
Financial liabilities	8	502,082	162,104
Trade and other payables	9	1,367,861	764,696
Deferred tax liabilities	3(d)	253,902	116,658
Total Liabilities		2,123,845	1,043,458
Net Assets		17,402,006	18,131,297
Equity			
Issued capital	10(a)	16,195,624	15,948,854
Reserves	11	1,331,155	2,009,070
Retained earnings	12	(124,773)	173,373
Total Equity		17,402,006	18,131,297

The accompanying notes form part of these financial statements.

WAM ACTIVE LIMITED

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 \$	2011 \$
Total equity as at 1 July		18,131,297	17,519,848
Profit for the year attributable to members of the Company	12	394,535	1,205,441
Shares issued via DRP during the year	10(b)	246,770	182,420
Shares issued via exercise of options during the year	10(d)	-	329,236
Dividends paid	4(a)	<u>(1,370,596)</u>	<u>(1,105,648)</u>
Total equity as at 30 June attributable to members of the Company		<u>17,402,006</u>	<u>18,131,297</u>

The accompanying notes form part of these financial statements.

WAM ACTIVE LIMITED

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 \$	2011 \$
Cash flows from Operating Activities			
Dividends and trust distributions received		661,218	1,415,834
Interest received		480,473	557,819
Other investment income received		157,659	74,960
Investment management fees (inclusive of GST)		(164,236)	(206,063)
Investment performance fees (inclusive of GST)		(320,726)	(715,175)
Brokerage expense on share purchases (inclusive of GST)		(192,558)	(181,674)
Payments for administration expenses (inclusive of GST)		(286,954)	(406,721)
GST on brokerage expense on share sales		(10,798)	(13,090)
Net GST received from the ATO		71,954	99,381
Income tax refund/(paid)		17,697	(546,113)
Net cash provided by operating activities	14	413,729	79,158
Cash flows from Investing Activities			
Proceeds from sale of investments		58,140,447	60,349,009
Payments for purchase of investments		(58,593,143)	(61,481,015)
Net cash used in investing activities		(452,696)	(1,132,006)
Cash Flows from Financing Activities			
Dividends paid – net of reinvestment		(1,123,826)	(923,228)
Proceeds from option exercise		-	329,236
Net cash used in financing activities		(1,123,826)	(593,992)
Net decrease in cash and cash equivalents held		(1,162,793)	(1,646,840)
Cash and cash equivalents at beginning of financial year		<u>10,732,711</u>	<u>12,379,551</u>
Cash and cash equivalents at end of financial year	13	9,569,918	10,732,711

The accompanying notes form part of these financial statements.

WAM ACTIVE LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 4 September 2012 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 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.

iii. Financial Assets At Fair Value through Profit or Loss

Financial assets are classified "at fair value through the profit or loss" 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 period in which they arise.

WAM ACTIVE LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

a) Financial Instruments (cont'd)

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 the 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, including 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.

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.

WAM ACTIVE LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

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.

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 2012.

k) Profits Reserve

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

WAM ACTIVE LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

l) New Standards and Interpretations not yet Adopted

The Australian Accounting Standards Board has issued a number of new and amended Accounting Standards that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The Company has decided not to adopt any of the new and amended pronouncements. The new and amended pronouncements that are assessed as being relevant to the Company in future reporting periods are AASB 9: Financial Instruments and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 and AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13. These standards do not materially impact the Company.

2. Other Revenue

	2012	2011
	\$	\$
Australian sourced dividends	666,887	1,402,016
Interest	498,280	545,909
Trust distributions	152,332	74,065
Underwriting fees	2,048	17,217
Loss from options trading	-	(17,251)
	<u>1,319,547</u>	<u>2,021,956</u>

3. Taxation

a) Income Tax Benefit

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

	2012	2011
	\$	\$
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2011: 30%)	96,690	343,005
Imputation credit gross up	74,309	177,875
Franking credit offset	(243,234)	(592,917)
Other non-assessable items	-	9,948
	<u>(72,235)</u>	<u>(62,089)</u>

	2012	2011
	\$	\$
Total income tax (benefit)/expense results in a:		
Current tax asset	(215,973)	(59,983)
Deferred tax liability	137,244	(15,445)
Deferred tax asset	6,494	13,339
	<u>(72,235)</u>	<u>(62,089)</u>

WAM ACTIVE LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

3 Taxation (cont'd)

b) Deferred Tax Assets

	2012 \$	2011 \$
Tax losses	275,957	59,983
Provisions	7,342	7,920
Option Issue costs	8,841	-
Capitalised float costs	-	14,313
Capitalised legal fees	1,041	1,485
	<u>293,181</u>	<u>83,701</u>

Movement in Deferred Tax Assets

Balance at the beginning of the year	83,701	37,057
Transfer tax losses from current tax liability	215,973	59,983
Credited to the Statement of Comprehensive Income	(6,494)	(13,339)
Under provision in prior period	1	-
At reporting date	<u>293,181</u>	<u>83,701</u>

c) Current Tax Liabilities

	2012 \$	2011 \$
Balance at the beginning of the year	-	528,415
Current year income tax (benefit)/expense on operating profit	(215,973)	(59,983)
Net income tax paid	-	(546,113)
Income tax refund due	-	17,698
Transfer tax losses to deferred tax asset	215,973	59,983
At reporting date	<u>-</u>	<u>-</u>

d) Deferred Tax Liabilities

	2012 \$	2011 \$
Fair value adjustments	229,267	98,347
Income provisions	24,635	18,311
	<u>253,902</u>	<u>116,658</u>

	2012 \$	2011 \$
Movement in Deferred Tax liabilities		
Balance at the beginning of the year	116,658	132,103
Credited to the Statement of Comprehensive Income	137,244	(15,445)
At reporting date	<u>253,902</u>	<u>116,658</u>

WAM ACTIVE LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

4. Dividends

a) Ordinary Dividends Paid during the Year

	2012 \$	2011 \$
Final Dividend FY2011: 4.0 cents per share fully franked at 30% tax rate paid 30 September 2011 (Final dividend FY2010: 3.0 cents per share fully franked)	642,666	468,281
Interim Dividend FY2012: 4.5 cents per share fully franked at 30% tax rate paid 24 April 2012 (Interim dividend FY2011: 4.0 cents per share fully franked)	<u>727,930</u>	<u>637,367</u>
Dividends paid by the Company	<u>1,370,596</u>	<u>1,105,648</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 2012 of 4.5 cents per share fully franked at 30% tax rate payable 19 October 2012.

<u>733,948</u>	<u>642,666</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.

478,290	840,152
---------	---------

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

<u>(314,549)</u>	<u>(275,428)</u>
------------------	------------------

<u>163,741</u>	<u>564,724</u>
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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 \$253,902 (2011: \$116,658).

5. Auditor's Remuneration

Remuneration of the auditor of the Company for:

	2012 \$	2011 \$
Auditing or reviewing the financial report	32,012	30,849
Other services provided by a related practice of the auditor:		
Taxation Services	<u>3,300</u>	<u>11,539</u>
	<u>35,312</u>	<u>42,388</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.

WAM ACTIVE LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

6. Trade and Other Receivables

	2012 \$	2011 \$
Outstanding settlements	690,590	926,124
Income receivable	126,932	106,735
GST receivable	19,176	36,615
Tax refund	-	17,698
	<u>836,698</u>	<u>1,087,172</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

	2012 \$	2011 \$
Listed investments at fair value	7,976,700	7,197,804
Unlisted investments at fair value	580,254	-
Unlisted investments at cost	269,100	73,367
	<u>8,826,054</u>	<u>7,271,171</u>

The market values of individual investments as at 30 June 2012 are disclosed on pages 44 to 45 of the Annual Report.

8. Financial Liabilities

	2012 \$	2011 \$
Borrowed stock	<u>502,082</u>	<u>162,104</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.

9. Trade and Other Payables

	2012 \$	2011 \$
Outstanding settlements	1,070,438	372,447
Management fee payable	48,497	16,960
Performance fee payable	125,542	320,726
Sundry payables	123,384	54,563
	<u>1,367,861</u>	<u>764,696</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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

10. Issued Capital

a) Paid-up Capital

	2012 \$	2011 \$
16,309,945 ordinary shares fully paid (2011: 16,066,653)	<u>16,195,624</u>	<u>15,948,854</u>

b) Ordinary Shares

Balance at the beginning of the year	15,948,854	15,437,198
109,560 ordinary shares issued on 30 September 2011 under a dividend reinvestment plan	107,057	-
133,732 ordinary shares issued on 24 April 2012 under a dividend reinvestment plan	139,713	-
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
At reporting date	<u>16,195,624</u>	<u>15,948,854</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.

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

During the year to 30 June 2012, the Company issued 16,309,945 options to acquire fully paid ordinary shares exercisable at \$1.08 per option. The options were allotted on the 25 June 2012 and are listed on the Australian Securities Exchange (ASX Code: WAAO). As at the 30 June 2012, no options had been exercised. The options are due to expire on 12 December 2013.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

11. Reserves

	2012 \$	2011 \$
Profits Reserve	<u>1,331,155</u>	<u>2,009,070</u>

The profits reserve details an amount preserved for future dividend payments as outlined in accounting policy Note 1(k).

Movement in Profits Reserve

	2012 \$	2011 \$
Balance at the beginning of the year	2,009,070	-
Transfer from retained earnings	692,681	2,009,070
Final dividend FY2011 paid (refer to note 4a)	(642,666)	-
Interim dividend FY2012 paid (refer to note 4a)	(727,930)	-
At reporting date	<u>1,331,155</u>	<u>2,009,070</u>

12. Retained Earnings

	2012 \$	2011 \$
Balance at the beginning of the year	173,373	2,082,650
Transfer to profits reserve	(692,681)	(2,009,070)
Profit for the year attributable to members of the Company	394,535	1,205,441
Dividends paid (refer Note 4a)	-	(1,105,648)
At reporting date	<u>(124,773)</u>	<u>173,373</u>

13. Cash and Cash Equivalents

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

	2012 \$	2011 \$
Cash at bank and on hand	1,858,378	1,559,286
Fixed interest securities	<u>7,711,540</u>	<u>9,173,425</u>
	<u>9,569,918</u>	<u>10,732,711</u>

The weighted average interest rate for cash and fixed interest securities as at 30 June 2012 is 5.05% (2011: 5.90%). The fixed interest securities have an average maturity of 59 days (2011: 118 days). The majority of fixed interest securities are invested with institutions that have a Standard & Poor's A-1+ rating. The fixed interest securities include the cash collateral for the borrowed stock (refer Note 8).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

14. Cash Flow Information

	2012 \$	2011 \$
Reconciliation of Operating Profit after Income Tax:		
Cash Flow from operations after income tax	394,535	1,205,441
(Less)/add items classified as investing/financing activities:		
Realised gains/(losses) on sale of investments	750,170	(397,760)
Add non-cash items:		
Unrealised gains/(losses) on investments	(578,854)	253,391
Changes in assets and liabilities:		
(Increase)/decrease in receivables	(2,758)	54,656
Decrease in deferred tax assets	6,494	13,339
Decrease in payables	(94,826)	(428,369)
Decrease in current tax liabilities	(198,276)	(606,096)
Increase/(decrease) in deferred tax liabilities	137,244	(15,444)
Cash flow from operating activities	<u>413,729</u>	<u>79,158</u>

15. Earnings Per Share

	2012 \$	2011 \$
Profit after income tax used in the calculation of basic earnings per share	<u>394,535</u>	<u>1,205,441</u>
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	<u>16,185,458</u>	<u>16,029,455</u>

16. Financial Risk Management

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

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

a) Credit Risk

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

WAM ACTIVE LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

16. Financial Risk Management (cont'd)

a) Credit Risk (cont'd)

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

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

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

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

b) Liquidity Risk

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

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

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

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 following table 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

16. Financial Risk Management (cont'd)

b) Liquidity Risk (cont'd)

30 June 2012	>1 month \$	<1 months \$	Total \$
Financial liabilities	-	502,082	502,082
Trade and other payables	-	1,367,861	1,367,861
Deferred tax liabilities	253,902	-	253,902
Total Liabilities	253,902	1,869,943	2,123,845

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

c) Market Risk

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

By its nature, as a listed investment company that invests in 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.

(i) Interest Rate Risk

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

WAM ACTIVE LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

16. Financial Risk Management (cont'd)

c) Market Risk (cont'd)

(i) Interest Rate Risk (cont'd)

As at 30 June 2012, 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 2012				
Assets				
Cash and cash equivalents	5.05%	9,569,918	-	9,569,918
Trade and other receivables		-	836,698	836,698
Financial assets		-	8,826,054	8,826,054
Deferred tax assets		-	293,181	293,181
Total		9,569,918	9,955,933	19,525,851
Liabilities				
Financial liabilities		-	502,082	502,082
Trade and other payables		-	1,367,861	1,367,861
Deferred tax liabilities		-	253,902	253,902
Total		-	2,123,845	2,123,845

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

16. Financial Risk Management (cont'd)

c) Market Risk (cont'd)

(ii) Other Price Risk

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

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

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	2012	2011
Financials	20.4%	13.0%
Industrials	11.7%	3.2%
Utilities	4.8%	0.0%
Materials	3.6%	2.5%
Consumer Staples	2.9%	2.1%
Consumer Discretionary	2.8%	6.8%
Telecommunication Services	1.8%	2.9%
Health Care	1.6%	5.6%
Information Technology	0.3%	2.9%
Energy	0.0%	0.4%
	49.9%	39.4%

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

Company Name	2012 (%)
N/A	N/A
Company Name	2011 (%)
Signature Capital Investments Limited (SGI)	5.6%

Sensitivity Analysis

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

Investments represent 49.9% (2011: 39.4%) 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 2.5% (2011: 1.9%) movement in the net assets after tax. This would result in the 30 June 2012 net asset backing after tax moving by 2.6 cents per share (2011: 2.1 cents per share).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

16. Financial Risk Management (cont'd)

d) Financial Instruments Measured at Fair Value

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

- Level 1:** Quoted prices in active markets for identical assets or liabilities
- Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).
- Level 3:** Inputs for the asset or liability 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 bid prices at the end of the reporting period, excluding transaction costs.

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

30 June 2012	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets	7,976,700	849,354	-	8,826,054
Financial liabilities	(502,082)	-	-	(502,082)
Total	7,474,618	849,354	-	8,323,972

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

17. Events Subsequent to Reporting Date

Since year end the Board has declared a final dividend of 4.5 cents per share fully franked to be paid on 19 October 2012.

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.

18. Investment Transactions

The total number of contract notes that were issued for transactions in securities during the financial year was 2,565 (2011: 2,955). Each contract note could involve multiple transactions. The total brokerage paid on these contract notes was \$326,250 (2011: \$343,807).

19. Segment Reporting

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

20. Capital Commitments

There are no capital commitments as at 30 June 2012 (2011: nil).

21. Contingent Liabilities

There are no outstanding contingent liabilities as at 30 June 2012 (2011: nil).

22. Key Management Personnel Compensation

The names and positions held by 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

a) Remuneration

There are no executives that are paid by the Company. MAM Pty Limited, the Manager of the Company, remunerated Geoff Wilson as a Director of MAM Pty Limited during the year to 30 June 2012.

Individual Directors' remuneration disclosures are provided in the Remuneration Report of the Directors' Report on page 14, as permitted by Corporations Regulations 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 2012	60,459	10,541	71,000
Total Directors remuneration paid by the Company for the year ended 30 June 2011	51,284	40,716	92,000

b) Share and Option holdings

As at 30 June 2012 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 2011	Acquisitions	Disposals	Balance at 30 June 2012
G.J. Wilson	2,144,793	-	-	2,144,793
M.J. Kidman	277,872	23,830	-	301,702
J.B. Abernethy	60,000	-	-	60,000
R.J. Walker	1,642,300	-	-	1,642,300
	4,124,965	23,830	-	4,148,795

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

22. Key Management Personnel Compensation (cont'd)

b) Share and Option holdings (cont'd)

Options held

Directors	Balance at 30 June 2011	Options Granted	Lapsed	Balance at 30 June 2012
G.J. Wilson	-	2,144,793	-	2,144,793
M.J. Kidman	-	301,702	-	301,702
J.B. Abernethy	-	60,000	-	60,000
R.J. Walker	-	1,642,300	-	1,642,300
	-	4,148,795	-	4,148,795

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 (resigned 30/6/11)	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	-	2,064,861	-
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 (resigned 30/6/11)	100,000	-	100,000	-
	4,120,575	-	4,120,575	-

23. Related Party Transactions

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

Geoffrey Wilson is the Director of MAM Pty Limited, the entity appointed to manage the investment portfolio of WAM Active Limited. Entities associated with Geoffrey Wilson holds 100% of the issued shares of MAM Pty Limited (formerly 20% of the issued shares were held by entities associated with Matthew Kidman – a former Director of MAM Pty Limited). The core duties of the Manager in addition to managing the investment portfolio include the provision of financial and administrative support to ensure the maintenance of the corporate and statutory records of the Company; liaison with the ASX with respect to compliance with the ASX Listing Rules; liaison with ASIC with respect to compliance with the Corporations Act; liaison with the share registrar of the Company; investor relations; and the provision of information necessary for the maintenance of financial accounts of the Company to be completed.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

23. Related Party Transactions (cont'd)

In its capacity as Manager, MAM Pty Limited was paid a management fee of 1% p.a (plus GST) of gross assets amounting to \$195,772 inclusive of GST (2011: \$205,699). As at 30 June 2012, the balance payable to the Manager was \$48,497 (2011: \$16,960).

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 2012, a performance fee of \$125,542 inclusive of GST is payable to MAM Pty Limited (2011: \$320,726).

Wilson Asset Management (International) Pty Limited employs 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 2012 (2011: \$38,500). Wilson Asset Management (International) Pty Limited is owned by an entity associated with Geoffrey Wilson.

These amounts are in addition to the Directors' remuneration detailed in note 22(a).

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.

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A.B.N. 49 126 420 719

DIRECTORS' 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 2012 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 4th day of September 2012

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF WAM ACTIVE LIMITED
ABN 49 126 420 719**

We have audited the accompanying financial report of WAM Active Limited ("the Company"), which comprises the statement of financial position as at 30 June 2012, 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 2012 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 2012. 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 2012 complies with section 300A of the *Corporations Act 2001*.



Moore Stephens Sydney
Chartered Accountants



Scott Whiddett
Partner

Dated in Sydney this 4th day of September 2012

WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

INVESTMENTS AT MARKET VALUE AS AT 30 JUNE 2012

Company Name	Code	Quantity	Market Value \$	% of Gross Portfolio
Consumer Discretionary				
Funtastic Limited	FUN	537,931	78,000	0.4%
JB Hi-Fi Limited	JBH	23,400	207,324	1.1%
Noni B Limited	NBL	204,967	136,303	0.8%
Wotif.Com Holdings Limited	WTF	18,261	76,879	0.4%
			498,506	2.7%
Consumer Staples				
Metcash Limited	MTS	54,600	191,100	1.1%
Select Harvests Limited	SHV	243,082	316,007	1.7%
			507,107	2.8%
Financials				
Ask Funding Limited	AKF	212,099	31,815	0.2%
CBA Perpetual Exchangeable Resale Listed Sec –PERLS IV	CBAPB	2,559	511,800	2.8%
Contango Capital Partners Limited	CCQ	610,794	580,254	3.2%
IMF (Australia) Limited 10.25% Sec Red Convertible Note Maturing 31/12/14	IMFG	88,636	153,340	0.8%
ING Private Equity Access Limited	IPE	220,553	72,782	0.4%
Ingenia Communities Group	INA	2,075,357	404,695	2.2%
Keybridge Capital Limited	KBC	421,707	52,713	0.3%
Merricks Capital Special Opportunity Fund Limited	MEF	103,512	46,580	0.3%
Platinum Capital Limited	PMC	300,199	289,692	1.6%
Premium Investors Limited	PRV	461,774	295,535	1.6%
RHG Limited	RHG	816,962	330,870	1.8%
Signature Capital Investments Limited	SGI	40,076	10,620	0.1%
Sunland Group Limited	SDG	562,563	523,184	2.9%
Thakral Holdings Group	THG	145,912	110,893	0.6%
Trafalgar Corporate Group	TGP	278,260	144,695	0.8%
Wentworth Holdings Limited	WWM	319,911	17,275	0.1%
Westoz Investment Company Limited	WIC	16,002	15,042	0.1%
			3,591,785	19.8%
Health Care Equipment & Services				
Australian Pharmaceutical Industries Limited	API	468,000	163,800	0.9%
Reva Medical Inc	RVA	61,740	38,279	0.2%
Vision Eye Institute Limited	VEI	265,873	82,421	0.5%
			284,499	1.6%
Industrials				
Australian Infrastructure Fund	AIX	172,300	413,520	2.3%
Chandler Macleod Group Limited	CMG	164,803	70,041	0.4%
Clarius Group Limited	CND	494,414	212,598	1.2%
Clough Limited	CLO	457,617	340,925	1.9%
Coventry Group Limited	CYG	172,608	457,411	2.5%
Dolomatrix International Limited	DMX	2,280,658	25,087	0.1%
Norfolk Group Limited	NFK	84,110	85,372	0.5%
Service Stream Limited	SSM	42,830	14,991	0.1%
Spotless Group Limited	SPT	74,100	188,955	1.0%
Talent2 International Limited	TWO	345,008	262,206	1.4%
			2,071,106	11.4%

WAM ACTIVE LIMITED

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INVESTMENTS AT MARKET VALUE AS AT 30 JUNE 2012

Company Name	Code	Quantity	Market Value \$	% of Gross Portfolio
Information Technology				
Dyesol Limited	DYE	462,529	50,878	0.3%
			50,878	0.3%
Materials				
Dragon Mountain Gold Limited	DMG	603,471	343,978	1.9%
Murchison Metals Limited	MMX	613,672	288,426	1.6%
Tribune Resources Limited	TBR	17,149	20,579	0.1%
			652,983	3.6%
Telecommunication Services				
iiNet Limited	IIN	101,426	312,392	1.7%
			312,392	1.7%
Utilities				
Challenger Infrastructure Fund	CIF	312,145	408,910	2.3%
Ethane Pipeline Income Fund	EPX	197,307	447,887	2.4%
			856,797	4.7%
Total Long Portfolio			8,826,054	48.6%
Total Cash, income receivable and net outstanding settlements			9,344,259	51.4%
Total Short Portfolio			(502,082)	
Gross Assets			<u>\$17,668,231</u>	

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 July 2012)

Mr Geoffrey James Wilson and Associated Entities 13.0% of the issued share capital
Huntingfield Investments Pty Limited (the RJW Super Fund A/C) 10.1% of the issued share capital
Clodene Pty Limited 5.0% of the issued share capital

On-market buy back (as at 31 July 2012)

There is no current on-market buy back.

Distribution of shareholders (as at 31 July 2012)

Category	No. of shareholders	
	Ordinary Shares	Options
1 – 1,000	34	32
1,001 – 5,000	207	202
5,001 – 10,000	151	148
10,001 – 100,000	264	252
100,001 and over	15	20
	671	654

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

Twenty largest shareholders – Ordinary shares (as at 31 July 2012)

Name	Number of ordinary shares held	Percentage of issued capital held
Entities associated with Mr Geoffrey Wilson	2,124,793	13.0%
Huntingfield Investments Pty Limited (the RJW Super Fund A/C)	1,642,300	10.1%
Clodene Pty Limited	811,744	5.0%
Entities associated with Mr Matthew Kidman	301,702	1.8%
Mrs M Tooher	260,000	1.6%
Sanolu Pty Limited	249,449	1.5%
Harlow Trading Pty Limited (Arragon Pension Fund A/C)	220,000	1.3%
Trophy Components Distributors Pty Limited	200,000	1.2%
Mr R Tooher	195,000	1.2%
Mr & Mrs M A O'Brien	160,989	1.0%
Malcolm Superannuation Pty Ltd (The Malcolm Super Fund A/C)	121,960	0.7%
Mr & Mrs A Stuer	109,450	0.7%
Dr D H Nguyen	104,307	0.6%
Mr & Mrs MacDonald (61 MOR Super Fund A/C)	102,072	0.6%
Mr & Mrs D B Brown	100,000	0.6%
Mr & Mrs L A Jordan	100,000	0.6%
Selman Pty Limited (Toni Sharp Super Fund A/C)	100,000	0.6%
Uplands Holdings Pty Ltd (Media Five Partners Super Fund A/C)	100,000	0.6%
Vohra Holdings Pty Ltd (Vohra Super Fund A/C)	100,000	0.6%
Willjo Pty Limited (Solo 1 A/C)	100,000	0.6%
	7,203,766	43.9%

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.



WILSON
ASSET MANAGEMENT

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