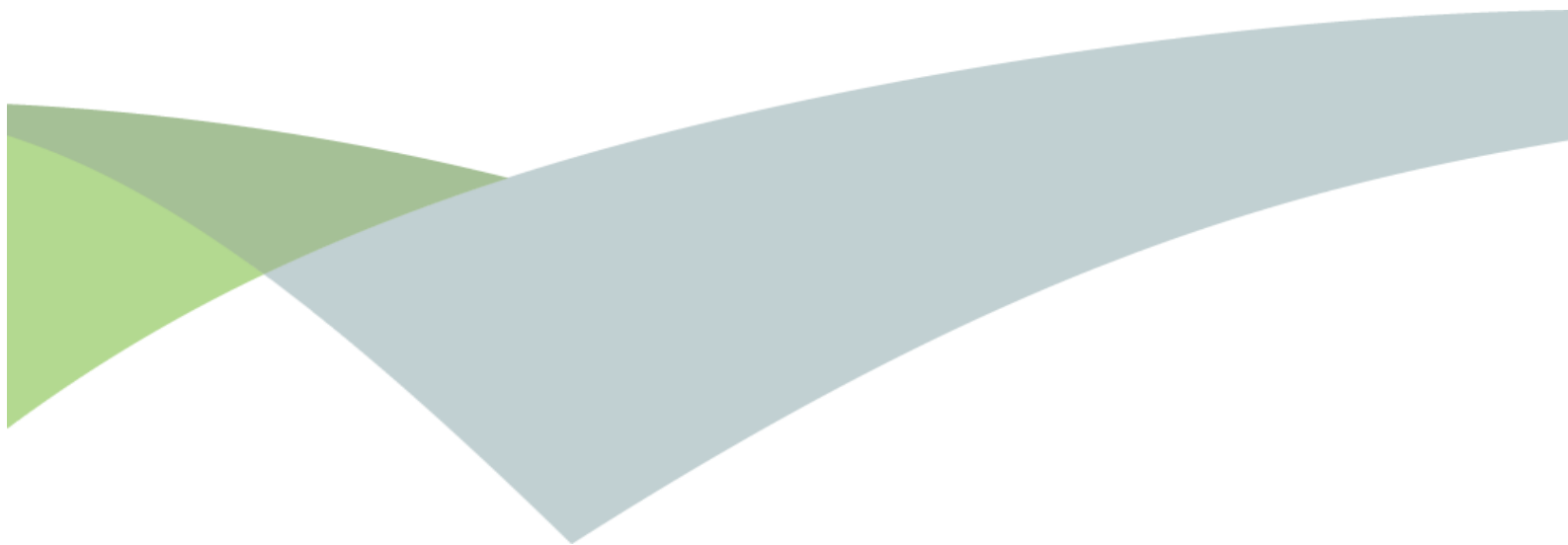




# **WAM Active Limited**

ABN 49 126 420 719

## **Annual Report** for the year ending 30 June 2013



## 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 Exchange.

**Directors:** Geoffrey Wilson (Chairman)  
Matthew Kidman  
John Abernethy

**Secretary:** Kate 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](mailto:info@wamfunds.com.au)  
Website: [www.wamfunds.com.au](http://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:** WAM Active Ordinary Shares (WAA)  
WAM Active Options (WAAO) \$1.08 expiry 12 December 2013

## Shareholder Presentations 2013

**Perth**  
Thursday 14 November  
Presentation only

Rydges Perth  
Cnr King & Hay Sts  
Perth WA 6000  
10.00am – 11.30am

### Annual General Meeting and Presentation

**Sydney**  
Wednesday 20 November

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



**Adelaide**  
Thursday 21 November  
Presentation only

National Wine Centre  
Cnr Botanic & Hackney Rd  
Adelaide SA 5000  
10.00am – 12.00pm

**Melbourne**  
Friday 22 November  
Presentation only

Morgans at 401  
401 Collins Street  
Melbourne VIC 3000  
10.00am – 12.00pm

**Canberra**  
Monday 25 November  
Presentation only

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

**Brisbane**  
Tuesday 26 November  
Presentation only

Urban Hotel  
345 Wickham Terrace  
Brisbane QLD 4000  
10.00am – 12.00pm

# Key Highlights FY2013

↑ 15.4%

Investment Portfolio Performance

↑ 5.6%

Full Year Fully Franked Dividend

↑ 7.0%

After Tax Net Tangible Assets (NTA)  
(adjusted for dividends)

↑ 59.0%

Shareholders' Equity

## Summary of Results FY2013

WAM Active reported an operating profit before tax of \$1,769,584 (2012: \$322,300) and operating profit after tax of \$1,499,202 (2012: \$394,535) for the year to 30 June 2013. The increase in profit compared to the previous year is a reflection of the investment portfolio returning 15.4% compared to 5.5% in FY2012.

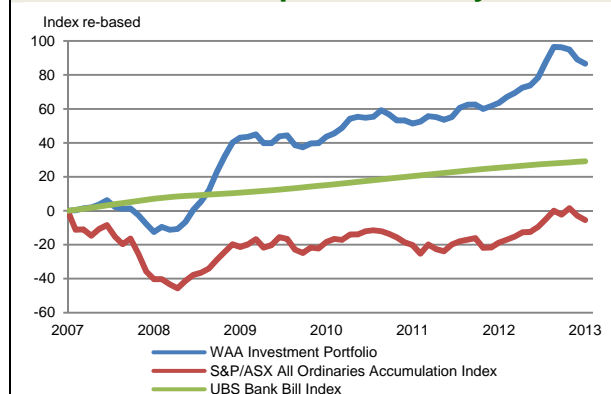
In June 2012, WAM Active issued 16,309,945 options to acquire ordinary shares in the Company with an exercise price of \$1.08. As at 30 June 2013, 9,671,147 options (59%) had been exercised for a total consideration of \$10,444,837. The remaining balance of options are due to expire on 12 December 2013.

The Board declared a fully franked final dividend of 4.75 cents per share which brings the full year dividend to 9.5 cents per share, fully franked. This is a 5.6% increase on the previous year.

### At a glance as at 30 June 2013

Listing date	January 2008
Market cap (\$m)	\$29.3m
Share price	\$1.11
Shares on issue (WAA)	26,400,472
Options on issue (WAAO)	6,638,798
Net Tangible Assets (pre-tax)	\$1.05
Net Tangible Assets (post-tax)	\$1.05
Gross Assets (\$m)	\$28.4m
Fully franked dividends FY2013	9.5 cents
Fully franked dividends FY2012	9.0 cents
Fully franked annualised dividend yield	8.6%

### WAM Active's investment portfolio return 12% p.a. over 5½ years



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# WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

## OBJECTIVES AND INVESTMENT APPROACH

### WAM Active Objectives

The investment objectives of WAM Active Limited ('WAM Active' or 'the Company') are to:

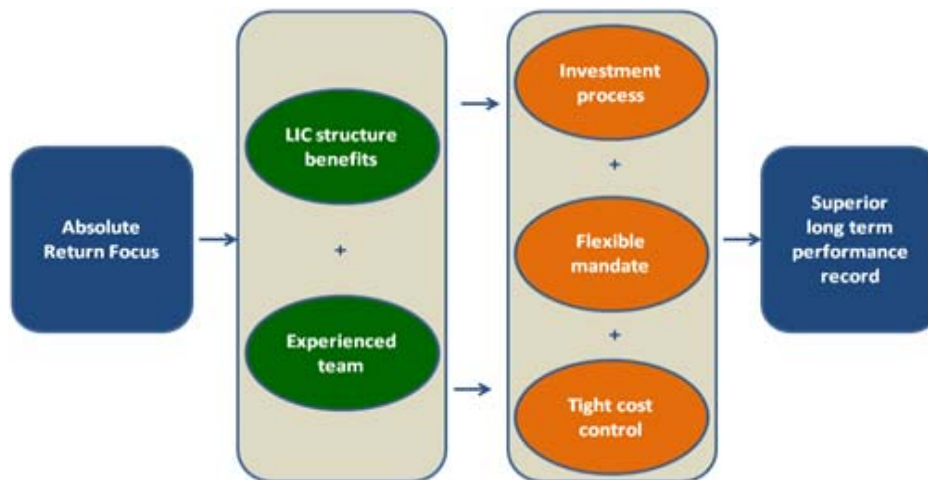
- deliver investors a regular income stream in the form of fully franked dividends;
- provide investors with a positive return, after fees, over most periods of time; and
- preserve capital in both the short term and long term.

### 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.

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 49.9% of assets.

### Business Model



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 Geoff Wilson and Chris Stott as Portfolio Managers, Martin Hickson, Equity Analyst/Dealer, and Matthew Haupt and Mark Tobin, Equity Analysts. The team spends as much time as possible meeting with the management of investee companies - during the past year we have had over 1,000 company meetings.

### Our Style

Our investment style can be summarised as:

- absolute return focus, benchmark unaware
- fundamental bottom-up approach
- quick decision making resulting from a flat organisational structure
- increased flexibility due to the relatively small funds under management and flexible mandates
- a focus on risk adjusted returns with above average cash positions

# WAM ACTIVE LIMITED

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## OBJECTIVES AND INVESTMENT APPROACH

### **Investment Process**

To achieve the Company's objectives, we employ 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 (IPOs)
- 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

# WAM ACTIVE LIMITED

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## CHAIRMAN'S LETTER

Dear Fellow Shareholders,

Firstly, I would like to thank you very much for your support of WAM Active in financial year 2013. I would also like to welcome all new shareholders to the Company.

WAM Active is now in its sixth financial 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 12.0% p.a. while being on average 50.1% invested. The S&P/ASX All Ordinaries Accumulation Index has fallen 1.0% p.a. over the same period. 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.

### Performance

In evaluating the performance of the Company, we look at three key measures set out below. These performance numbers were achieved while holding an average of 33.9% in cash during the year. The return on our cash was 3.8% and the return on our equity portion of the portfolio was 21.4%.

#### 1. How the investment manager performed

This measure is before tax and all costs and is compared to the S&P/ASX All Ordinaries Accumulation Index which is also before tax and costs. WAM Active's investment portfolio increased 15.4% for the 12 months to 30 June 2013. The S&P/ASX All Ordinaries Accumulation Index increased by 20.7% over the same period.

#### 2. The movement in net tangible assets (NTA) after taxes, management fees and other costs

This performance measure shows the change in the value of the assets that belong to the shareholders over the 12 month period. Corporate tax (being 30%) is a 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 7.0% for the 12 months to 30 June 2013. Shareholders exercising their options over the 12 months had an impact on the after tax NTA of minus 1.8%.

#### 3. The Total Shareholder Return

This measure shows the return to shareholders (assuming a proportionate exercise of options during the year) being the change in share price together with dividends reinvested expressed as a percentage. The total shareholder return for WAM Active for the year to 30 June 2013 was 24.5%.

### Investment portfolio

Over the course of the 2013 financial year, the equity component of the portfolio turned over 4.9 times and we traded in 296 individual stocks.

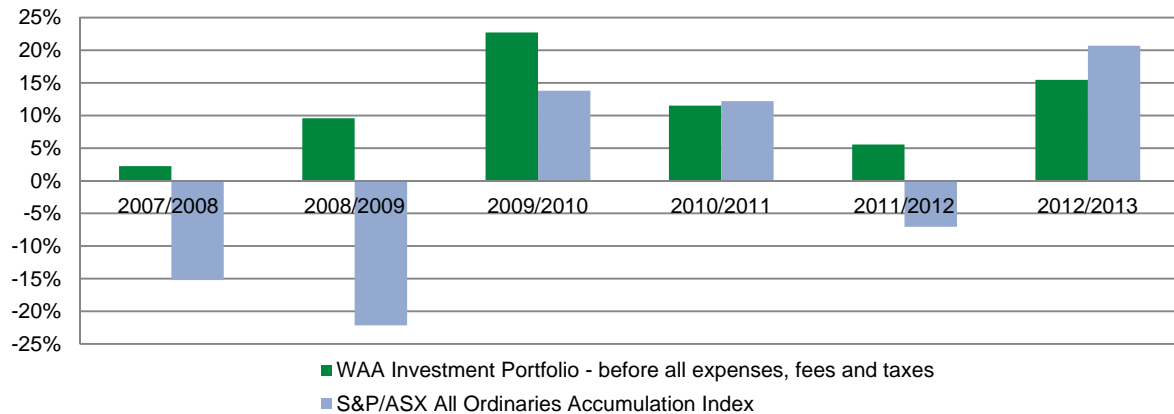
The best performing strategies employed were trades based on relative value arbitrage, oversold positions, earnings momentum/surprise, market themes/trends and takeover arbitrage. The top contributing stocks for FY2013 were: Ingenia Communities Limited (INA), Clough Limited (CLO), RHG Limited (RHG) and Sunland Group Limited (SDG).

# WAM ACTIVE LIMITED

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## CHAIRMAN'S LETTER

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



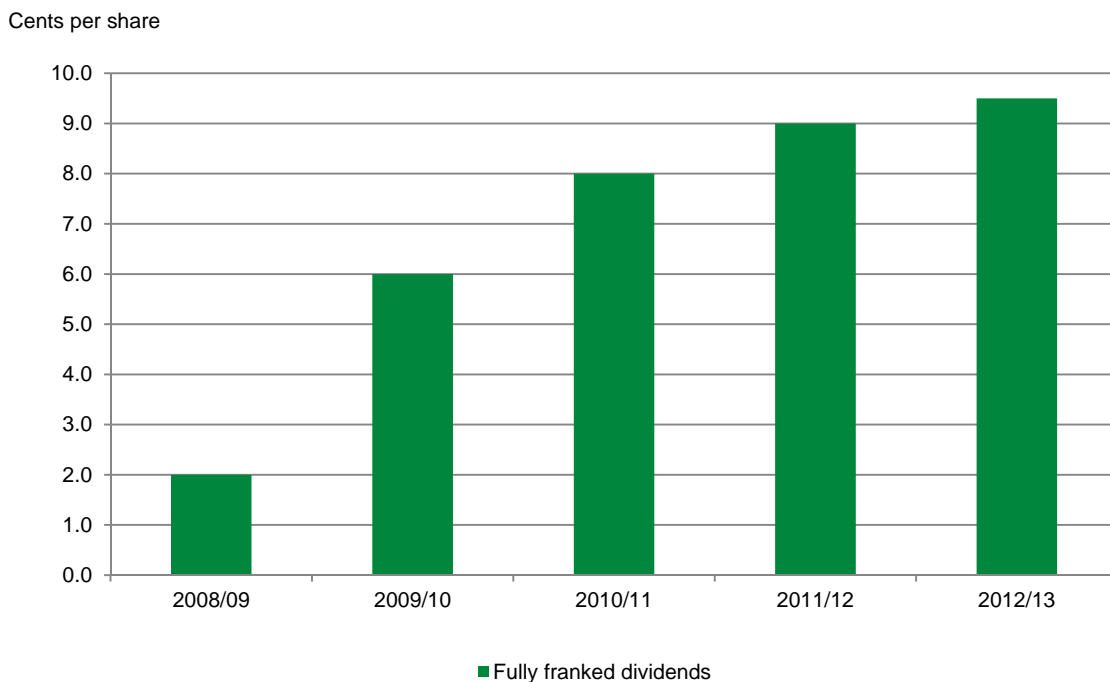
### Dividends

The Board has resolved to pay a fully franked final dividend of 4.75 cents per share. This brought the FY2013 full year dividend to 9.5 cents per share fully franked, an increase of 5.6% on the previous year.

The Board is committed to paying an increasing stream of fully franked dividends to shareholders, provided the Company has sufficient profit reserves, franking credits and it is within prudent business practices. Dividends are paid on a six-monthly basis and the dividend reinvestment plan is available to shareholders for both the interim and final dividend.

The dividend reinvestment plan will be operating at a 2.5% discount.

### WAM Active Dividends since inception





# WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

## CHAIRMAN'S LETTER

### Capital Management

One of the objectives of the Board is to continue to grow the Company's net tangible assets and capital base. The Board aims to achieve this objective while maintaining the Company's strong performance track record.

In June 2012, the Company issued 16,309,945 options on a one-for-one basis to acquire fully paid ordinary shares in the capital of the Company. The options have an exercise price of \$1.08 and can be exercised at any time on or before 12 December 2013. The options are currently trading on the Australian Securities Exchange ('ASX') under the code WAAO.

The option issue aims to achieve:

- a reduction in the fixed administrative expense ratio by spreading the Company's administrative expenses across a larger pool of assets;
- an increase in the liquidity of WAM Active's shares which will make it easier for shareholders to buy and sell them; and
- an increase in the size of WAM Active, thereby making it more relevant in the market and potentially improving the coverage by research firms, dealer groups and financial advisers.

As at 30 June 2013, 9,671,147 options (59%) had been exercised for a total consideration of \$10,444,837, with the remaining balance of outstanding options being 6,638,798.

### Equity Market Outlook

The S&P/ASX All Ordinaries Accumulation Index closed the FY2013 year up 20.7%, its strongest annual performance since the onset of the Global Financial Crisis. The new financial year has started strongly with the market up 8.2% in the first two months. Still much of Europe remains troubled by high unemployment and ongoing sovereign debt crises and we expect below-average growth from the region for many years. Positive signs continue to emerge from the United States that an economic recovery is underway following a deep and prolonged recession. While still expanding, data out of China indicates a slower pace of economic growth with the new regime indicating they will tighten monetary conditions over the medium term.

Australia's economy has been flagging in calendar year 2013 with political uncertainty dampening business and consumer confidence and delaying expenditure decisions. Reflecting the poorer trading conditions, numerous companies have announced profit downgrades in recent months with softer economic conditions making it difficult for businesses to grow earnings.

We remain optimistic about the longer term outlook for the Australian economy which is supported by strong underlying fundamentals. With improving macro-economic conditions overseas, an increased availability of funding and stronger company balance sheets, corporate activity in Australia is showing signs of life after several years. In FY2014, we expect this trend to gather momentum and provide a number of investment opportunities, including IPOs and takeovers. We continue to see opportunities to invest in Listed Investment Companies (LICs), although their discount to NTA has narrowed in recent months. Over the year ahead, we also anticipate there will be select investment opportunities to short sell companies given the Australian economy remains subdued. The softer Australian dollar will continue to have a positive impact on many businesses and generates investment opportunities in a number of sectors including tourism, manufacturing and those with an export focus. In the mining services sector, we believe there are deep value opportunities. However, we expect the full benefits of the softer dollar and near record-low interest rates will not be felt until early 2014.

# WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

## CHAIRMAN'S LETTER

### Company Outlook

With a conservative cash weighting, no debt and a flexible and proven investment approach, WAM Active is well positioned to capitalise on opportunities in the market as they arise. We believe that WAM Active can continue to find trading opportunities irrespective of market conditions with the Company outperforming in both up and down markets.

### 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, such as independent research reports, on our website: [www.wamfunds.com.au](http://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 becomes available.

During the year we continued the successful and well-attended shareholder briefings, with presentations held in Sydney, Melbourne, Adelaide, Brisbane, Perth and Canberra. The team at Wilson Asset Management enjoys the opportunity to meet with you and are committed to maintaining shareholder briefings as a semi-annual event. We invite you to attend the upcoming briefings in November 2013 – please see details at the front of this document.

We aim to provide valuable communications and we welcome all feedback on how we can improve our communication with our shareholders by calling our office on (02) 9247 6755 or sending us an email to [info@wamfunds.com.au](mailto:info@wamfunds.com.au).

Thank you for your continuing support.



**Geoff Wilson**  
Chairman

# WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

## CORPORATE GOVERNANCE STATEMENT

The Board is committed to the Company operating 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 (2<sup>nd</sup> Edition) for the 2013 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 generally various other communications to the ASX and shareholders that the Board deems material; and
- Setting appropriate business standards and codes 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 14 to 16.

The Board had one independent Director and two 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](http://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.

# WAM ACTIVE LIMITED

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## CORPORATE GOVERNANCE STATEMENT

The Chairman is not an independent Director. The Company believes that an independent Chairman, under Recommendation 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 and all shareholders' benefit. 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](http://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 (three 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

# WAM ACTIVE LIMITED

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## CORPORATE GOVERNANCE STATEMENT

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.

The qualifications of those appointed to the Committee are detailed in the Directors' Report on pages 14 to 16.

The Audit & Risk Committee Charter can be found in the Corporate Governance section of the Company's website at [www.wamfunds.com.au](http://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 2013 year are set out in the Directors' Report on page 19.

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 2013 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](http://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](http://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 five 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.

# WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

## CORPORATE GOVERNANCE STATEMENT

### 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.

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 ('AGM') 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](http://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 Director and Chief Executive Officer of the Manager that in their view:

# WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

## CORPORATE GOVERNANCE STATEMENT

- the declaration provided in accordance with section 295A of the *Corporations Act 2001* 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; and
- 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.

MAM Pty Limited, the Manager, is required to act in accordance with the investment management agreement and reports to the Board regularly on the Company'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 outsources 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 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 8.4)**

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.

# **WAM ACTIVE LIMITED**

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## **CORPORATE GOVERNANCE STATEMENT**

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 on page 17.

All directors of WAM Active are non-executive directors. Accordingly, the requirement under Recommendation 8.3 to distinguish the structure of the remuneration paid to executive and non-executive directors is not applicable to the Company.

No equity based remuneration is paid to Directors. Directors do not receive bonuses nor are they issued options on securities as part of their remuneration.

The Chairman of WAM Active Limited is the sole Director of MAM Pty Limited. Further detail is provided in the Directors' Report.



# WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2013

The Directors present their report together with the financial report of WAM Active Limited ('the Company') for the financial year ended 30 June 2013.

### Principal Activity

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

### Operating and Financial Review

Investment operations over the year resulted in an operating profit before tax of \$1,769,584 (2012: \$322,300) and an operating profit after tax of \$1,499,202 (2012: \$394,535). The increase in profit in comparison to the previous year is a reflection of the investment portfolio returning 15.4% compared to 5.5% in FY2012.

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. The after tax NTA, adjusted for dividends, increased 7.0% for the 12 months to 30 June 2013. Shareholders exercising their options over the 12 months had an impact on the after tax NTA of minus 1.8%.

Net asset backing for each ordinary share as at 30 June 2013 (calculated on market value less realisation costs and all applicable taxes and before dividends declared) amounted to 104.65 cents per share (2012: 106.47 cents). NTA after tax on realised gains but before tax on unrealised gains was 105.72 cents per share (2012: 108.02 cents). These figures are after the payment of 9.25 cents in fully franked dividends to shareholders during the year (2012: 8.5 cents).

Further information on the operating and financial review of the Company is contained in the Chairman's Letter on pages 3 to 6 of the Annual Report.

### Financial Position

The net asset value of the Company for the current financial year was \$27,673,996 (2012: \$17,402,006).

### 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 2013.

### Dividends Paid or Recommended

Dividends paid or declared are as follows:

Fully franked 2012 final dividend of 4.5 cents per share was paid on 19 October 2012	\$880,270
Fully franked 2013 interim dividend of 4.75 cents per share was paid on 19 April 2013	\$1,242,393

Since year end the Board has declared a final dividend of 4.75 cents per share fully franked to be paid on 4 October 2013.

# WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2013

### Options

In May 2012, the Board announced a one-for-one bonus issue of options to acquire ordinary shares in the capital of the Company. The options have an exercise price of \$1.08 and can be exercised at any time on or before 12 December 2013. The options are currently trading on the Australian Securities Exchange ('ASX') under the code WAAO. As at 30 June 2013, 9,671,147 options had been exercised for a total consideration of \$10,444,837, with the remaining balance of outstanding options being 6,638,798.

### Directors

The following persons were Directors of the Company during the whole of the financial year and up to the date of this report, except as otherwise noted:

G.J. Wilson  
M.J. Kidman  
J.B. Abernethy  
R.J. Walker (resigned 17 September 2012)

### Information on Directors

#### **Geoffrey Wilson (Chairman – Non-independent)**

##### *Experience and expertise*

Geoffrey Wilson has had 33 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 the Australian Leaders Fund Limited (appointed October 2003), Clime Capital Limited (appointed November 2003), Incubator Capital Limited (appointed February 2000), the Sporting Chance Cancer Foundation, the Australian Fund Managers Foundation, the Odyssey House McGrath Foundation, the Australian Children's Music Foundation, Premium Investors Pty Limited 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 is a former Director of Cadence Capital Limited (November 2003 to February 2013).

##### *Special responsibilities*

Chairman of the Board.

##### *Interests in shares of the Company*

Details of Geoffrey Wilson's interests in the Company are included later in this report.

##### *Interests in contracts*

Details of Geoffrey Wilson's interests in contracts of the Company are included later in this report.

# WAM ACTIVE LIMITED

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## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2013

### **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 currently Chairman of Watermark Market Neutral Fund Limited (appointed May 2013). He is a Director of WAM Capital Limited (appointed March 1999), WAM Research Limited (appointed May 2002), Centrepont Alliance Limited (appointed February 2012) and 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*

Matthew Kidman has no interests in contracts of the Company.

### **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. 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), Jasco Holdings Limited and Watermark Market Neutral Fund Limited (appointed June 2013).

# WAM ACTIVE LIMITED

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## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2013

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

#### *Former directorships in the last 3 years*

John Abernethy has not resigned as a Director from any 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.

### **Company Secretary**

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

#### **Kate Thorley – CPA, B.Comm, Grad Dip App Fin and Inv, Grad Dip App Corp Gov**

Kate Thorley has eight years experience in the funds management industry and more than 14 years of financial accounting and corporate governance experience. Kate is the Chief Executive Officer and Company Secretary of Wilson Asset Management (International) Pty Limited and is also the Company Secretary of WAM Capital Limited and WAM Research Limited. She previously held the positions of Chief Financial Officer and Financial Accountant for Wilson Asset Management (International) Pty Limited. Kate was appointed non-executive Director of Mothercare Australia Limited in August 2013. Kate was appointed Company Secretary of WAM Active in November 2007.

### **Remuneration Report**

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

#### a) Remuneration of Directors

All Directors of WAM Capital are non-executive Directors. The Board from time to time determines remuneration of Directors within the maximum amount approved by the shareholders at the Annual Shareholders Meeting. Directors are not entitled to any other remuneration.

Fees and payments to 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.

The maximum total remuneration of the Directors of the Company has been set at \$110,000 per annum. 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.

# WAM ACTIVE LIMITED

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## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2013

### Remuneration Report (cont'd)

Directors' remuneration received for the year ended 30 June 2013:

Director	Position	Short-term employee benefits Directors' Fees \$	Post- employment benefits Superannuation \$	Total \$
G.J. Wilson	Chairman	-	1,000	1,000
M.J. Kidman	Non-Executive Director	9,174	826	10,000
J. B. Abernethy	Non-Executive Director	27,523	2,477	30,000
R.J. Walker (resigned 17 Sep 2012)	Non-Executive Director	5,821	576	6,397
		<b>42,518</b>	<b>4,879</b>	<b>47,397</b>

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 reflects the Company's performance and Directors' remuneration over five years:

	2013	2012	2011	2010	2009
Operating profit after tax (\$)	1,499,202	394,535	1,205,441	2,121,460	641,196
Dividends (cents per share)	9.5	9.0	8.0	6.0	2.0
After tax net tangible asset (cents per share)	104.65	106.47	112.67	112.14	103.37
Total Directors' remuneration (\$)	47,397	71,000	92,000	92,000	110,000
Shareholders' equity (\$)	27,673,996	17,402,006	18,131,297	17,519,848	15,967,655

As outlined above, the Directors' fees are not directly linked to the Company's performance.

#### b) Director Related Entities Remuneration

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

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 also hold 100% of the issued shares 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

# WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2013

### Remuneration Report (cont'd)

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 \$260,330 inclusive of GST (2012: \$195,772). As at 30 June 2013, the balance payable to the Manager was \$79,787 (2012: \$48,497).

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 2013, a performance fee of \$488,099 inclusive of GST is payable to MAM Pty Limited (2012: \$125,542).

#### 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:

<b>Directors</b>	<b>Ordinary Shares</b>	<b>Options</b>
G.J. Wilson	2,344,793	2,124,793
M.J. Kidman	384,962	-
J.B. Abernethy	60,000	-

Directors and director related entities disposed of and acquired ordinary shares and options in the Company on the same terms and conditions available to other shareholders. The Directors have not, during or since the end financial year, been granted options over unissued shares or interests in shares of the Company as part of their remuneration.

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

# WAM ACTIVE LIMITED

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## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2013

### Directors' Meetings

Director	No. eligible to attend	Attended
G.J. Wilson	3	3
M.J. Kidman	3	3
J.B. Abernethy	3	3
R.J. Walker (resigned 17 Sep 2012)	1	-

### Audit & Risk Committee Meetings

The main responsibilities of the Audit & Risk Committee are set out in the Corporate Governance Statement on page 9 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 4.75 cents per share fully franked to be paid on 4 October 2013.

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 investment activities – primarily investing in equities listed on the Australian Securities Exchange – to achieve the Company's stated objectives.

The Company's future performance is dependent on the performance of the Company's investments. In turn, the performance of these investments is impacted by company-specific factors and prevailing industry conditions. In addition, a range of external factors including economic growth rates, interest rates, exchange rates and macro-economic conditions impact the overall equity market and these investments.

As such, we do not believe it is possible or appropriate to accurately predict the future performance of the Company's investments and, therefore, the Company's performance.

### 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.

# WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2013

### 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.

### 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 22 of this Annual Report.



# **WAM ACTIVE LIMITED**

**A.B.N. 49 126 420 719**

## **DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2013**

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

A handwritten signature in black ink, consisting of a large, stylized 'G' followed by a horizontal line extending to the right.

G.J. Wilson  
Chairman

Dated in Sydney this 4th day of September 2013

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

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of WAM Active Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.



**Moore Stephens Sydney**  
Chartered Accountants



**Scott Whiddett**  
Partner

Dated in Sydney, this 4<sup>th</sup> day of September 2013

# WAM ACTIVE LIMITED

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## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$	2012 \$
Proceeds from sale of investments		73,949,931	57,904,913
Cost of investments sold		(73,587,240)	(58,655,083)
Realised gains/(losses) on financial assets		362,691	(750,170)
Unrealised (losses)/gains on financial assets		(337,104)	578,854
Other revenue from operating activities	2	2,955,946	1,319,547
Performance fees		(454,820)	(116,982)
Management fees		(242,580)	(182,424)
Directors fees		(47,397)	(71,000)
Custody fees		(51,945)	(50,320)
ASX listing and chess fees		(34,954)	(30,568)
Share registry fees		(40,757)	(24,933)
Brokerage expense on share purchases		(223,438)	(178,650)
Option issue expenses		(2,191)	(36,836)
Other expenses from ordinary activities		(113,867)	(134,218)
<b>Profit before income tax</b>		<b>1,769,584</b>	<b>322,300</b>
Income tax (expense)/benefit	3(a)	(270,382)	72,235
<b>Profit attributable to members of the Company</b>	12	<b>1,499,202</b>	<b>394,535</b>
<b>Other comprehensive income</b>			
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		<b>1,499,202</b>	<b>394,535</b>
<b>Basic earnings per share</b>	15	<b>7.3 cents</b>	<b>2.4 cents</b>
<b>Diluted earnings per share</b>	15	<b>7.2 cents</b>	<b>2.4 cents</b>

The accompanying notes form part of these financial statements.

# WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Note	2013 \$	2012 \$
<b>Assets</b>			
Cash and cash equivalents	13	12,349,971	9,569,918
Trade and other receivables	6	1,418,887	836,698
Financial assets	7	14,873,300	8,826,054
Deferred tax assets	3(b)	49,885	293,181
<b>Total Assets</b>		<b>28,692,043</b>	<b>19,525,851</b>
<b>Liabilities</b>			
Financial liabilities	8	-	502,082
Trade and other payables	9	737,059	1,367,861
Deferred tax liabilities	3(d)	280,988	253,902
<b>Total Liabilities</b>		<b>1,018,047</b>	<b>2,123,845</b>
<b>Net assets</b>		<b>27,673,996</b>	<b>17,402,006</b>
<b>Equity</b>			
Issued capital	10(a)	27,091,075	16,195,624
Reserves	11	1,599,380	1,331,155
Accumulated losses	12	(1,016,459)	(124,773)
<b>Total equity</b>		<b>27,673,996</b>	<b>17,402,006</b>

The accompanying notes form part of these financial statements.

# WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$	2012 \$
<b>Total equity as at 1 July</b>		<b>17,402,006</b>	<b>18,131,297</b>
Profit for the year attributable to members of the Company	12	1,499,202	394,535
Total other comprehensive income for the year		-	-
Shares issued via dividend reinvestment plan	10(b)	450,614	246,770
Shares issued via exercise of options	10(d)	10,444,837	-
Dividends paid	4(a)	<u>(2,122,663)</u>	<u>(1,370,596)</u>
<b>Total equity as at 30 June attributable to members of the Company</b>		<b><u>27,673,996</u></b>	<b><u>17,402,006</u></b>

The accompanying notes form part of these financial statements.

# WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$	2012 \$
<b>Cash flows from operating activities</b>			
Dividends and trust distributions received		2,288,282	661,218
Interest received		319,214	480,473
Other investment income received		382,446	157,659
Management fees (inclusive of GST)		(229,041)	(164,236)
Performance fees (inclusive of GST)		(125,542)	(320,726)
Brokerage expense on share purchases (inclusive of GST)		(239,521)	(192,558)
Payments for administration expenses (inclusive of GST)		(333,238)	(286,954)
GST on brokerage expense on share sales		(14,537)	(10,798)
Net GST received from the ATO		61,518	71,954
Income tax (paid)/refund		(104,110)	17,697
<b>Net cash provided by operating activities</b>	<b>14</b>	<b>2,005,471</b>	<b>413,729</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		73,466,272	58,140,447
Payments for purchase of investments		(81,464,478)	(58,593,143)
<b>Net cash (used in) investing activities</b>		<b>(7,998,206)</b>	<b>(452,696)</b>
<b>Cash flows from financing activities</b>			
Dividends paid – net of reinvestment		(1,672,049)	(1,123,826)
Proceeds from option exercise		10,444,837	-
<b>Net cash provided by/(used in) financing activities</b>		<b>8,772,788</b>	<b>(1,123,826)</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>		<b>2,780,053</b>	<b>(1,162,793)</b>
Cash and cash equivalents at beginning of financial year		<u>9,569,918</u>	<u>10,732,711</u>
<b>Cash and cash equivalents at end of financial year</b>	<b>13</b>	<b>12,349,971</b>	<b>9,569,918</b>

The accompanying notes form part of these financial statements.

# WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 1. Summary 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 Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial report was authorised for issue on 4th September 2013 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 to which they apply. Compliance with Australian Accounting Standards ensures the financial statements and notes also comply with International Financial Reporting Standards (IFRS) as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Except for cash flow information, 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 Company becomes a party to the contractual provisions of the instrument. For financial assets, trade date accounting is adopted, which is equivalent to the date that the Company commits to purchase or sell the assets.

Financial instruments are initially measured at fair value. Transaction costs related to financial instruments are expensed to the Statement of Comprehensive Income immediately.

##### *ii. Classification and subsequent measurement*

Investments such as shares in publicly listed and unlisted companies, exchange traded call and put options and investments in fixed interest securities are subsequently measured at fair value and are presented in the Statement of Financial Position on a liquidity basis.

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

# WAM ACTIVE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 1. Statement of significant accounting policies (cont'd)

#### a) Financial instruments (cont'd)

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

Financial assets are classified "at fair value through the profit or loss" 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.

##### 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 Statement of Comprehensive Income 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 balance sheet method in respect of temporary differences 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.



# WAM ACTIVE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 1. Statement of significant accounting policies (cont'd)

#### b) Income tax (cont'd)

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.

#### 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 non-financial 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 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 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.

# WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 1. Statement of significant accounting policies (cont'd)

#### h) Goods and Services Tax (GST) (cont'd)

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 2013. All material financial assets are valued by reference to quoted prices and therefore no significant estimates or judgements are required in respect to their valuation.

#### k) Profits reserve

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

#### l) New standards and interpretations not yet adopted

The Australian Accounting Standards Board has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The Company has decided not to early adopt any of the new and amended pronouncements. The new and amended pronouncements that are relevant to the Company, but applicable in future reporting periods are set out below:

- i) AASB 9: Financial Instruments and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (effective 1 January 2015). AASB 9 permits the recognition of fair value gains and losses in other comprehensive income if they relate to investments that are not traded. The Company has not early adopted AASB 9. This is not expected to have a significant impact on the Company's financial statements as the Company does not expect to elect any investments as not held for trading.
- ii) AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 (effective January 2013). AASB 13 addresses how to measure fair value and aims to enhance fair value disclosures. The new standard will impact the type of information disclosed in the notes to the Company's financial statements. The Company is of the view that the current basis of their fair value recognition is consistent with the new standard's recognition basis, and is not expected to have a significant impact on the amounts recognised. Accordingly the Company will adopt the new standard from its operative date.

# WAM ACTIVE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 1. Statement of significant accounting policies (cont'd)

#### I) New standards and interpretations not yet adopted (cont'd)

- iii) AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement (effective 1 July 2013). Amendments to AASB 124 'Related Party' Disclosures' will remove the duplication of information relating to individual Key Management Personnel in the notes to the financial statements and the Directors' report. This standard is not expected to have a material impact on the Company's Financial Statements.
- iv) AASB 2012-2: Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013). AASB 2012-2 principally amends AASB 7: Financial Instruments: Disclosures to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. This Standard is not expected to significantly impact the Company as no financial assets and liabilities are offset in the financial statements.
- v) AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014). This Standard adds application guidance to AASB 132: Financial Instruments: Presentation to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. This Standard is not expected to significantly impact the Company as no financial assets and liabilities are offset in the financial statements.

### 2. Other revenue

	2013	2012
	\$	\$
Australian sourced dividends	2,250,479	666,887
Interest	321,826	498,280
Trust distributions	380,825	152,332
Underwriting fees	1,621	2,048
Foreign sourced dividends	1,195	-
	<u>2,955,946</u>	<u>1,319,547</u>

# WAM ACTIVE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 3. Taxation

#### a) Income tax expense/(benefit)

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

	2013	2012
	\$	\$
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2012: 30%)	530,875	96,690
Imputation credit gross up	105,868	74,309
Franking credit offset	(352,892)	(243,234)
Other non-assessable items	(13,469)	-
	<u>270,382</u>	<u>(72,235)</u>

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

Current tax expense/(asset)	240,213	(215,973)
Deferred tax liability	27,086	137,244
Deferred tax asset	3,416	6,494
Over provision in prior period	(333)	-
	<u>270,382</u>	<u>(72,235)</u>

#### b) Deferred tax assets

	2013	2012
	\$	\$
Tax losses	36,077	275,957
Provisions	6,056	7,342
Option issue costs	7,156	8,841
Capitalised legal fees	596	1,041
	<u>49,885</u>	<u>293,181</u>

#### Movement in deferred tax assets

Balance at the beginning of the year	293,181	83,701
Transfer tax losses from current tax liability	-	215,973
Recoup losses	(239,880)	-
Credited to the Statement of Comprehensive Income	(3,416)	(6,494)
Under provision in prior period	-	1
At reporting date	<u>49,885</u>	<u>293,181</u>

# WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 3. Taxation (cont'd)

<b>c) Current tax liabilities</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Balance at the beginning of the year	-	-
Current year income tax expense/(benefit) on operating profit	240,213	(215,973)
Net income tax paid	(104,443)	-
Income tax refund due	104,110	-
Transfer tax losses (from)/to deferred tax asset	(239,880)	215,973
At reporting date	<u>-</u>	<u>-</u>

<b>d) Deferred tax liabilities</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Fair value adjustments	256,974	229,267
Income provisions	24,014	24,635
	<u><b>280,988</b></u>	<u><b>253,902</b></u>

<b>Movement in deferred tax liabilities</b>		
Balance at the beginning of the year	253,902	116,658
Credited to the Statement of Comprehensive Income	27,086	137,244
At reporting date	<u><b>280,988</b></u>	<u><b>253,902</b></u>

### 4. Dividends

<b>a) Ordinary dividends paid during the year</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Final Dividend FY2012: 4.5 cents per share fully franked at 30% tax rate paid 19 October 2012 (Final dividend FY2011: 4.0 cents per share fully franked)	880,270	642,666
Interim Dividend FY2013: 4.75 cents per share fully franked at 30% tax rate paid 19 April 2013 (Interim dividend FY2012: 4.5 cents per share fully franked)	<u>1,242,393</u>	<u>727,930</u>
Dividends paid by the Company	<u><b>2,122,663</b></u>	<u><b>1,370,596</b></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 2013 of 4.75 cents per share fully franked at 30% tax rate payable 4 October 2013 (FY2012: 4.5 cents fully franked)	<u><b>1,254,022</b></u>	<u><b>733,948</b></u>
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# WAM ACTIVE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 4. Dividends (cont'd)

#### c) Dividend franking account

	2013 \$	2012 \$
Balance of franking account at year end	<u>26,055</u>	<u>478,290</u>

#### d) Adjustments to franking account after year end

Balance of franking account at year end	26,055	478,290
Estimated income tax refund due	(104,110)	-
Franking credits on dividends receivable	3,936	-
Subsequent to the reporting period, the franking account would be reduced by the proposed dividend disclosed in b) above as follows:	<u>(537,438)</u>	<u>(314,549)</u>
	<u><b>(611,557)</b></u>	<u><b>163,741</b></u>

The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from investments and the Company paying tax.

The balance of the franking account does not include the tax to be paid on unrealised investment gains and accrued income currently recognised as a deferred tax liability of \$280,988 (2012: \$253,902).

### 5. Auditor's remuneration

#### Remuneration of the auditor of the Company for:

	2013 \$	2012 \$
Auditing or reviewing the financial report	31,735	32,012
Other services provided by a related practice of the auditor:		
Taxation Services	<u>6,050</u>	<u>3,300</u>
	<u><b>37,785</b></u>	<u><b>35,312</b></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 2013

### 6. Trade and other receivables

	2013	2012
	\$	\$
Outstanding settlements	1,174,249	690,590
Income receivable	92,936	126,932
GST receivable	47,592	19,176
Tax refund	104,110	-
	<u>1,418,887</u>	<u>836,698</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

	2013	2012
	\$	\$
Listed investments at fair value	14,850,251	7,976,700
Unlisted investments at fair value	23,049	849,354
	<u>14,873,300</u>	<u>8,826,054</u>

The market values of individual investments as at 30 June 2013 are disclosed on pages 51 to 52 of the Annual Report.

### 8. Financial liabilities

	2013	2012
	\$	\$
Borrowed stock	<u>-</u>	<u>502,082</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

	2013	2012
	\$	\$
Outstanding settlements	79,631	1,070,438
Management fee payable	79,787	48,497
Performance fee payable	488,099	125,542
Sundry payables	89,542	123,384
	<u>737,059</u>	<u>1,367,861</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.

# WAM ACTIVE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 10. Issued capital

#### a) Paid-up capital

	2013 \$	2012 \$
26,400,472 ordinary shares fully paid (2012: 16,309,945)	<u>27,091,075</u>	<u>16,195,624</u>

#### b) Ordinary shares

Balance at the beginning of the year	16,195,624	15,948,854
175,537 ordinary shares issued on 19 October 2012 under a dividend reinvestment plan	183,398	-
243,843 ordinary shares issued on 19 April 2013 under a dividend reinvestment plan	267,216	-
9,671,147 ordinary shares issued from the exercise of options allotted July 2012 to June 2013 exercise price \$1.08	10,444,837	-
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
At reporting date	<u>27,091,075</u>	<u>16,195,624</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 including share capital and unexercised options. 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. There have been no changes in the strategy adopted by the Board to control the capital of the Company since the prior year. The Company is not subject to any externally imposed capital requirements.

#### d) Options

In June 2012, the Company issued 16,309,945 options on a one-for-one basis to acquire fully paid ordinary shares, exercisable at \$1.08 per option. During the year to 30 June 2013, 9,671,147 options were exercised for a total consideration of \$10,444,837. At 30 June 2013, 6,638,798 options remain unexercised and can be exercised at any time before 12 December 2013.



# WAM ACTIVE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 11. Reserves

	2013	2012
	\$	\$
Profits reserve	<u>1,599,380</u>	<u>1,331,155</u>

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

### Movement in profits reserve

	2013	2012
	\$	\$
Balance at the beginning of the year	1,331,155	2,009,070
Transfer from retained earnings	2,390,888	692,681
Final dividend FY2012 paid (refer to note 4a)	(880,270)	(642,666)
Interim dividend FY2013 paid (refer to note 4a)	<u>(1,242,393)</u>	<u>(727,930)</u>
At reporting date	<u>1,599,380</u>	<u>1,331,155</u>

### 12. Retained earnings

	2013	2012
	\$	\$
Balance at the beginning of the year	(124,773)	173,373
Transfer to profits reserve	(2,390,888)	(692,681)
Profit for the year attributable to members of the Company	<u>1,499,202</u>	<u>394,535</u>
At reporting date	<u>(1,016,459)</u>	<u>(124,773)</u>

### 13. Cash and cash equivalents

Cash 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:

	2013	2012
	\$	\$
Cash at bank and on hand	1,299,971	1,858,378
Fixed interest securities	<u>11,050,000</u>	<u>7,711,540</u>
	<u>12,349,971</u>	<u>9,569,918</u>

The weighted average interest rate for cash and fixed interest securities as at 30 June 2013 is 3.75% (2012: 5.05%). The fixed interest securities have an average maturity of 70 days (2012: 59 days). The majority of fixed interest securities are invested in term deposits with Australian major banks and their banking subsidiaries that have Standard & Poor's A-1+ rating. The fixed interest securities also includes the cash collateral for the borrowed stock (refer Note 8).

# WAM ACTIVE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 14. Cash flow information

	2013	2012
	\$	\$
<b>Reconciliation of operating profit after income tax:</b>		
Cash Flow from operations after income tax	1,499,202	394,535
<b>(Less)/add items classified as investing/financing activities:</b>		
Realised (gains)/losses on sale of investments	(362,691)	750,170
<b>Add non-cash items:</b>		
Unrealised losses/(gains) on investments	337,103	(578,854)
<b>Changes in assets and liabilities:</b>		
Decrease/(Increase) in receivables	5,580	(2,758)
Decrease/(increase) in deferred tax assets	243,296	(209,479)
Increase/(decrease) in payables	360,005	(94,826)
(Decrease)/increase in current tax liabilities	(104,110)	17,697
Increase in deferred tax liabilities	27,086	137,244
Cash flow from operating activities	<u>2,005,471</u>	<u>413,729</u>

### 15. Earnings per share

	2013	2012
	\$	\$
Profit after income tax used in the calculation of basic and diluted earnings per share	<u>1,499,202</u>	<u>394,535</u>
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	20,665,647	16,185,458
Weighted average number of dilutive options outstanding	250,044	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive earnings per share	<u>20,915,691</u>	<u>-</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.

# WAM ACTIVE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 16. Financial risk management (cont'd)

#### 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.

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 and fixed interest securities held by the Company or in its portfolios are invested with financial institutions that have a Standard and Poor's short rating A-1+ and long term rating of AA-. Also the majority of maturities are within three 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 table below reflects an undiscounted contractual maturity analysis for the Company's liabilities. The timing of cash flows presented in the table to settle liabilities reflects the earliest possible contractual settlement date to the reporting date.

# WAM ACTIVE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 16. Financial risk management (cont'd)

#### b) Liquidity risk (cont'd)

30 June 2013	>1 month \$	<1 months \$	Total \$
<b>Liabilities</b>			
Financial liabilities	-	-	-
Trade and other payables	-	737,059	737,059
<b>Total</b>	<b>-</b>	<b>737,059</b>	<b>737,059</b>

30 June 2012	>1 month \$	<1 months \$	Total \$
<b>Liabilities</b>			
Financial liabilities	-	502,082	502,082
Trade and other payables	-	1,367,861	1,367,861
<b>Total</b>	<b>-</b>	<b>1,869,943</b>	<b>1,869,943</b>

#### 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 tradable 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 three months. As the Company's exposure to interest rate risk is not significant, interest rate sensitivities have not been performed.

# WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 16. Financial risk management (cont'd)

#### c) Market risk (cont'd)

##### (i) Interest rate risk (cont'd)

At the end of the reporting period, the Company's exposure to interest rate risk and the effective weighted average interest rate was as follows:

30 June 2013	Weighted average interest rate (% pa)	Interest bearing  \$	Non- interest bearing  \$	Total  \$
<b>Assets</b>				
Cash and cash equivalents	3.75%	12,349,971	-	12,349,971
Trade and other receivables		-	1,418,887	1,418,887
Financial assets		-	14,873,300	14,873,300
<b>Total</b>		<b>12,349,971</b>	<b>16,292,187</b>	<b>28,642,158</b>
<b>Liabilities</b>				
Financial liabilities		-	-	-
Trade and other payables		-	737,059	737,059
<b>Total</b>		<b>-</b>	<b>737,059</b>	<b>737,059</b>

30 June 2012	Weighted average interest rate (% pa)	Interest bearing  \$	Non- interest bearing  \$	Total  \$
<b>Assets</b>				
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
<b>Total</b>		<b>9,569,918</b>	<b>9,662,752</b>	<b>19,232,670</b>
<b>Liabilities</b>				
Financial liabilities		-	502,082	502,082
Trade and other payables		-	1,367,861	1,367,861
<b>Total</b>		<b>-</b>	<b>1,869,943</b>	<b>1,869,943</b>

# WAM ACTIVE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 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 Statement of Comprehensive Income, 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:

<b>Industry sector</b>	<b>2013</b>	<b>2012</b>
Financials	27.0%	20.4%
Industrials	8.8%	11.7%
Consumer Staples	7.1%	2.9%
Consumer Discretionary	5.2%	2.8%
Materials	3.1%	3.6%
Energy	0.6%	0.0%
Information Technology	0.3%	0.3%
Health Care	0.2%	1.6%
Utilities	-	4.8%
Telecommunication Services	-	1.8%
	<b>52.3%</b>	<b>49.9%</b>

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

<b>Company name</b>	<b>2013 (%)</b>
Graincorp Limited	6.1%
<b>Company name</b>	<b>2012 (%)</b>
N/A	N/A

# WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 16. Financial risk management (cont'd)

#### c) Market risk (cont'd)

##### (ii) Other price risk

##### *Sensitivity Analysis*

For investments held by the Company at the end of the reporting period, 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 52.3% (2012: 49.9%) of gross assets at year end. A 5% movement in the market value of each of the investments within the portfolio would result in a 2.6% (2012: 2.5%) movement in the net assets after tax. This would result in the 30 June 2013 net asset backing after tax moving by 2.7 cents per share (2012: 2.6 cents per share).

#### 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 last prices at the end of the reporting period, excluding transaction costs.

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

<b>30 June 2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Financial assets	14,834,536	38,764	-	14,873,300
Financial liabilities	-	-	-	-
<b>Total</b>	<b>14,834,536</b>	<b>38,764</b>	<b>-</b>	<b>14,873,300</b>

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

# WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 17. Investment transactions

The total number of contract notes that were issued for transactions in securities during the financial year was 3,748 (2012: 2,565). Each contract note could involve multiple transactions. The total brokerage paid on these contract notes was \$423,816 (2012: \$326,250).

### 18. Segment reporting

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

### 19. Capital commitments

There are no capital commitments as at 30 June 2013 (2012: nil).

### 20. Contingent liabilities

At 30 June 2013, the Company had a contingent liability of \$9,020 in relation to a placement for Netcomm Wireless Limited (2012: nil).

### 21. 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 (resigned 17 September 2012)

#### a) Remuneration

There are no executives that are paid by the Company.

Individual Directors' remuneration disclosures are provided in the Remuneration Report of the Directors' Report on page 17, as permitted by Corporations Regulations 2M.3.03 and 2M.6.04.

	Short-term employee benefits Directors' Fees \$	Post- employment benefits Superannuation \$	Total \$
Total Directors remuneration paid by the Company for the year ended 30 June 2013	42,518	4,879	<b>47,397</b>
Total Directors remuneration paid by the Company for the year ended 30 June 2012	60,459	10,541	<b>71,000</b>



# WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 21. Key management personnel compensation (cont'd)

#### b) Share and option holdings

At 30 June 2013, the Company's key management personnel and their related parties held the following interests in the Company:

##### *Ordinary Shares held*

	Balance at 30 June 2012	Acquisitions	Disposals	Balance at 30 June 2013
<b>Directors</b>				
G.J. Wilson	2,144,793	200,000	-	2,344,793
M.J. Kidman	301,702	354,962	271,702	384,962
J.B. Abernethy	60,000	-	-	60,000
R.J. Walker (resigned 17/09/12)	1,642,300	-	1,642,300	-
	<b>4,148,795</b>	<b>554,962</b>	<b>1,914,002</b>	<b>2,789,755</b>

##### *Options held*

	Balance at 30 June 2012	Acquisitions	Exercised/ Disposals	Balance at 30 June 2013
<b>Directors</b>				
G.J. Wilson	2,144,793	-	20,000	2,124,793
M.J. Kidman	301,702	-	301,702	-
J.B. Abernethy	60,000	-	60,000	-
R.J. Walker (resigned 17/09/12)	1,642,300	-	1,642,300	-
	<b>4,148,795</b>	<b>-</b>	<b>2,024,002</b>	<b>2,124,793</b>

At 30 June 2012, the Company's key management personnel and their related parties held the following interests in the Company:

##### *Ordinary Shares held*

	Balance at 30 June 2011	Acquisitions	Disposals	Balance at 30 June 2012
<b>Directors</b>				
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
	<b>4,124,965</b>	<b>23,830</b>	<b>-</b>	<b>4,148,795</b>

##### *Options held*

	Balance at 30 June 2011	Options Granted	Disposals	Balance at 30 June 2012
<b>Directors</b>				
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
	<b>-</b>	<b>4,148,795</b>	<b>-</b>	<b>4,148,795</b>

# WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 22. 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 hold 100% of the issued shares 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 \$260,330 inclusive of GST (2012: \$195,772). At 30 June 2013, the balance payable to the Manager was \$79,787 (2012: \$48,497).

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. At 30 June 2013, a performance fee of \$488,099 inclusive of GST is payable to MAM Pty Limited (2012: \$125,542).

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 2013 (2012: \$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 21(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.

# **WAM ACTIVE LIMITED**

**A.B.N. 49 126 420 719**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

### **23. Events subsequent to reporting date**

Since year end the Board has declared a final dividend of 4.75 cents per share fully franked to be paid on 4 October 2013.

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

# WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

## DIRECTORS' DECLARATION

The Directors of WAM Active Limited declare that:

- 1) The financial report as set out in pages 23 to 47 and the additional disclosures included in the Directors' Report designated as "Remuneration Report", as set out on pages 16 and 18, 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 2013 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 in Sydney this 4th day of September 2013

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

**Report on the Financial Report**

We have audited the accompanying financial report of WAM Active Limited ("the company"), which comprises the statement of financial position as at 30 June 2013, 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.

*Director's Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgement, 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*.

*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 2013 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards 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 16 to 18 of the directors' report for the year ended 30 June 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

**Matters Relating to the Electronic Publication of the Audited Financial Report**

This auditor's report relates to the financial report for the year ended 30 June 2013 included on WAM Active Limited's website. The Company's directors are responsible for the integrity of WAM Active Limited's website. We have not been engaged to report on the integrity of the WAM Active Limited's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information, which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.



**Moore Stephens Sydney**  
Chartered Accountants



**Scott Whiddett**  
Partner

Dated in Sydney this 4<sup>th</sup> day of September 2013

# WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

## INVESTMENTS AT MARKET VALUE AS AT 30 JUNE 2013

Company Name	Code	Market Value \$	% of Gross Assets
<b>Financials</b>			
Ask Funding Limited	AKF	26,512	0.1%
Australasian Wealth Investments Limited	AWK	46,761	0.2%
Bell Financial Group Limited	BFG	172,822	0.6%
Centuria Capital Limited	CNI	43,877	0.2%
Century Australia Investments Limited	CYA	1,284,625	4.5%
CIC Australia Limited	CNB1	185,105	0.6%
Contango Microcap Limited	CTN	172,435	0.6%
Contango Microcap Ltd Option \$1.20 28/02/2014	CTNO9	1,369	0.0%
Devine Limited	DVN	307,872	1.1%
Emerging Leaders Investments Limited	ELI	766,636	2.7%
IMF (Australia) Limited 10.25% Conv Note Dec 2014	IMFG	157,772	0.5%
ING Private Equity Access Limited	IPE	588,163	2.0%
Ingenia Communities Group	INA	420,194	1.5%
Ironbark Capital Limited	IBC	196,024	0.7%
Keybridge Capital Limited	KBC	90,720	0.3%
Magellan Financial Group Limited	MFG	595,762	2.1%
Peters Macgregor Investments Limited	PET	23,049	0.1%
RHG Limited	RHG	114,431	0.4%
Signature Capital Investments Limited	SGI	15,715	0.1%
Sunland Group Limited	SDG	645,042	2.3%
Templeton Global Growth Fund Limited	TGG	157,984	0.5%
The Trust Company Limited	TRU	176,427	0.6%
Trafalgar Corporate Group	TGP	186,199	0.7%
Trinity Group	TCQ	45,320	0.2%
Villa World Limited	VLW	426,703	1.5%
Wentworth Holdings Limited	WWM	69,890	0.2%
Westoz Investment Company Limited	WIC	601,133	2.1%
Westpac Banking Corporation stapled security	WBCPA	114,077	0.4%
Wide Bay Australia Ltd	WBB	53,492	0.2%
		<b>7,686,111</b>	<b>27.0%</b>
<b>Industrials</b>			
Australian Infrastructure Fund	AIX	58,507	0.2%
Clarius Group Limited	CND	85,246	0.3%
Coventry Group Limited	CYG	700,461	2.5%
Dolomatrix International Limited	DMX	25,087	0.1%
Hills Holdings Limited	HIL	694,199	2.4%
K & S Corporation Limited	KSC	102,547	0.4%
Norfolk Group Limited	NFK	305,560	1.1%
Rungepincockminarco Limited	RUL	234,786	0.8%
Saunders International Limited	SND	3,019	0.0%
Sedgman Limited	SDM	32,342	0.1%
Seymour Whyte Limited	SWL	265,403	0.9%
		<b>2,507,157</b>	<b>8.8%</b>
<b>Consumer Staples</b>			
Graincorp Limited	GNC	1,724,177	6.1%
Primeag Australia Limited	PAG	135,688	0.4%
Warrnambool Cheese and Butter Factory Company	WCB	164,814	0.6%
		<b>2,024,679</b>	<b>7.1%</b>

# WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

## INVESTMENTS AT MARKET VALUE AS AT 30 JUNE 2013

Company Name	Code	Market Value \$	% of Gross Assets
<b>Consumer Discretionary</b>			
Automotive Holdings Group Limited	AHE	47,456	0.2%
Enero Gorup Limited	EGG	30,688	0.1%
Harvey Norman Holdings Limited	HVN	738,495	2.6%
iSelect Limited	ISU	79,412	0.3%
Noni B Limited	NBL	86,804	0.3%
Prime Media Group Limited	PRT	470,368	1.7%
		<b>1,453,223</b>	<b>5.2%</b>
<b>Materials</b>			
Brickworks Limited	BKW	555,447	2.0%
Capral Limited	CAA	261,737	0.9%
Murchison Metals Ltd	MMX	58,512	0.2%
		<b>875,696</b>	<b>3.1%</b>
<b>Energy</b>			
Miclyn Express Offshore Limited	MIO	183,002	0.6%
		<b>183,002</b>	<b>0.6%</b>
<b>Information Technology</b>			
ISS Group Limited	ISS	23,072	0.1%
Longreach Group Limited	LRG	52,643	0.2%
		<b>75,715</b>	<b>0.3%</b>
<b>Health Care</b>			
Australian Pharmaceutical Industries Limited	API	67,717	0.2%
		<b>67,717</b>	<b>0.2%</b>
<b>Total Long Portfolio</b>		<b>14,873,300</b>	<b>52.3%</b>
<b>Total Cash and cash equivalents, income receivable and net outstanding settlements</b>		<b>13,585,117</b>	<b>47.7%</b>
<b>Total Short Portfolio</b>		-	
<b>Gross Assets</b>		<b>28,458,417</b>	



# 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 (at 31 July 2013)

Mr Geoffrey James Wilson and Associated Entities 8.8% of the issued share capital

#### On-market buy back (at 31 July 2013)

There is no current on-market buy back.

#### Distribution of shareholders (at 31 July 2013)

Category	No. of shareholders	
	Ordinary Shares	Options
1 – 1,000	63	23
1,001 – 5,000	198	99
5,001 – 10,000	192	49
10,001 – 100,000	440	69
100,001 and over	42	11
	<b>935</b>	<b>251</b>

The number of shareholdings held in less than marketable parcels is 16.

#### Twenty largest shareholders – Ordinary shares (at 31 July 2013)

Name	Number of ordinary shares held	Percentage of issued capital held
Entities associated with Mr Geoffrey Wilson	2,234,793	8.8%
Clodene Pty Limited	576,488	2.2%
Ruapehu Holdings Pty Ltd (Ruapehu A/C)	417,339	1.6%
Sanolu Pty Limited	409,067	1.5%
Harlow Trading Pty Limited (Arragon Pension Fund A/C)	380,000	1.4%
Entities associated with Mr Matthew Kidman	346,067	1.3%
Mrs M Toohar	300,000	1.1%
Mr & Mrs M A O'Brien	280,240	1.1%
Mr R Toohar	272,775	1.0%
Edington Pty Limited (Herring Super Fund A/C)	226,500	0.9%
Mr & Mrs D B Brown	222,991	0.8%
Trophy Components Distributors Pty Limited	200,000	0.8%
Uplands Holdings Pty Ltd (Media Five Partners Super Fund A/C)	200,000	0.8%
Vohra Holdings Pty Ltd (Vohra Super Fund A/C)	200,000	0.8%
W L Houghton Pty Ltd (The Chiatta Super Fund A/C)	194,603	0.7%
Distad Pty Limited (Barker Superfund A/C)	185,000	0.7%
Mr & Mrs K A Tunks (The Metalong S/F A/C)	152,500	0.6%
The Miller Foundation Ltd	150,000	0.6%
Mr & Mrs A Stuer	142,933	0.5%
Dr & Mrs W B Blakemore (Dr WB Blakemore P/L S/F A/C)	142,601	0.5%
	<b>7,233,897</b>	<b>27.7%</b>

#### 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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