

WAM ACTIVE LIMITED

ABN 49 126 420 719

Appendix 4D Half Year Report

for the half year ended 31 December 2017

Results for Announcement to the Market

All comparisons to the half year ended 31 December 2016

	\$	up/down	% mvmt
Revenue from ordinary activities	4,753,328	up	68.1%
Profit from ordinary activities before income tax expense	3,283,317	up	85.0%
Net profit from ordinary activities after income tax expense	2,423,739	up	81.8%

Dividend information	Cents per share	Franked amount per share	Tax rate for franking
2018 Interim dividend cents per share	2.85c	2.85c	30%
2017 Final dividend cents per share	2.75c	2.75c	30%

Interim dividend dates

Ex dividend date	12 April 2018
Record date	13 April 2018
Last election date for the DRP	17 April 2018
Payment date	27 April 2018

Dividend Reinvestment Plan

The Dividend Reinvestment Plan ('DRP') is in operation and the recommended fully franked interim dividend of 2.85 cents per share qualifies. Participating shareholders will be entitled to be allotted the number of shares (rounded to the nearest whole number) which the cash dividend would purchase at the relevant issue price. The relevant issue price will be at a 2.5% discount to the price, calculated as the VWAP (volume weighted average market price) of shares sold on the ASX on the ex date for the relevant dividend and the 3 trading days following that date.

	31 Dec 17	31 Dec 16
Net tangible asset backing (after tax) per share	\$1.09*	\$1.05

*The NTA figure is not adjusted for the options on issue with an exercise price of \$1.14.

This report is based on the Half Year Financial Report which has been subject to independent review by the Auditors, Pitcher Partners. All the documents comprise the information required by Listing Rule 4.2A. This information should be read in conjunction with the 30 June 2017 Annual Financial Report.

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Financial Report

For the half year ended 31 December 2017

WAM Active Limited

WAM Active Limited (WAM Active or the Company) is a Listed Investment Company and is a reporting entity. It is primarily an investor in equities listed on the Australian Securities Exchange.

Directors

Geoff Wilson AO (Chairman)
Matthew Kidman
John Abernethy
Kate Thorley
Chris Stott

Company Secretary

Linda Vo

Investment Manager

MAM Pty Limited
Level 11, 139 Macquarie Street
Sydney NSW 2000
(part of Wilson Asset Management)

Auditor

Pitcher Partners

Country of Incorporation

Australia

Registered Office

Level 11, 139 Macquarie Street
Sydney NSW 2000

Contact Details

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Share Registry

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

Australian Securities Exchange

WAM Active Limited
Ordinary Shares (WAA)
WAM Active Limited
Options (WAAO)
expiring 17 September 2018
\$1.14 exercise price

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Directors' Report to shareholders for the half year ended 31 December 2017

The Directors present their report together with the financial report of WAM Active Limited for the half year ended 31 December 2017.

Directors

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

Geoff Wilson AO (Chairman – Non-independent)

Matthew Kidman (Director – Independent)

John Abernethy (Director – Independent)

Kate Thorley (Director – Non-independent)

Chris Stott (Director – Non-independent)

Principal activity

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

Operating and financial review

Investment operations over the half year resulted in an operating profit before tax of \$3,283,317 (2016: \$1,775,071) and an operating profit after tax of \$2,423,739 (2016: \$1,332,878). The profit for the period is reflective of the sound performance of the investment portfolio over the six months to 31 December 2017, as well as the growth in assets in comparison to the prior period. The investment portfolio increased 11.2% in the six months to December 2017, outperforming the UBS Bank Bill Index which increased 0.9% and the S&P/ASX All Ordinaries Accumulation Index which rose 9.3%. The investment portfolio performance was achieved with an average cash weighting of 25.3%.

Under Accounting Standards, realised gains and losses on the investment portfolio 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 and the fully franked dividends paid. This performance measure shows the change in the value of the assets that belong to the shareholders over the six month period.

WAM Active's before tax NTA, after adjusting for dividends, increased 7.0% for the six months to 31 December 2017. This increase is after tax paid of 1.1 cents per share or 1.1%, with 2.75 cents of fully franked dividends being paid during the period. Corporate tax payments made throughout the period and performance fees accrued of 2.1% were the major items of difference between the investment portfolio performance of 11.2% and the net tangible asset performance. The franking credits attached to corporate tax payments are available for distribution to shareholders through fully franked dividends. Other items contributing to the change in the value of the assets during the period were management fees of 0.5% and other company related expenses of 0.6%, being offset by capital raising accretion of 0.1%.

The NTA before tax as at 31 December 2017 amounted to \$1.11 per share (June 2017: \$1.06). The NTA after tax was \$1.09 per share (June 2017: \$1.05). These figures are after 2.75 cents in fully franked dividends paid to shareholders during the period.

The total shareholder return for the Company for the period to 31 December 2017 was 6.2%. This was primarily driven by WAM Active's investment portfolio performance during the period. This measure does not value the potential benefit of franking credits distributed to shareholders through fully franked dividends.

A final dividend of 2.75 cents per share fully franked was paid in the period to 31 December 2017 and an interim dividend of 2.85 cents per share fully franked has been declared by the Board and will be paid on 27 April 2018.

On 11 August 2016, the Company announced a one-for-one bonus option issue to all shareholders at no cost. A total of 34,992,362 options were allotted to shareholders on the 19 September 2016. The options have an exercise price of \$1.14 per share and can be exercised at any time on or before 17 September 2018. The Board is committed to growing the Company to the benefit of all shareholders and the bonus option issue is an effective way to do so. As the Company's size increases, on-market liquidity for the shares is expected to increase. It will also increase the Company's relevance in the market, improve the prospect of broker and research coverage, and gain interest from financial planners. The options are currently trading on the Australian Securities Exchange under the code WAAO.

As at 31 December 2017, 4,579,902 options had been exercised for a total consideration of \$5,221,088, with the remaining balance of outstanding options being 30,412,460. Shareholders who exercise their options before 6 April 2018 will be eligible to receive the fully franked interim dividend of 2.85 cents per share.

Rounding of amounts to nearest dollar

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

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* in relation to the review for the half-year is set out on page 6 of this financial report.

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



Geoff Wilson AO
Chairman

Dated in Sydney this 22nd day of February 2018

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

In relation to the independent auditor's review for the half-year ended 31 December 2017, to the best of my knowledge and belief there have been:

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

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



Chris Chandran
Partner

Pitcher Partners
Sydney

22 February 2018

Statement of comprehensive income for the half year ended 31 December 2017

	Note	December 2017 \$	December 2016 \$
Net realised and unrealised gains on financial assets		4,005,981	1,712,811
Investment revenue	2	747,347	1,115,555
Performance fees		(866,739)	(457,102)
Management fees		(224,230)	(197,745)
Directors fees		(45,000)	(45,000)
Expenses paid on borrowed stock		(60,123)	(27,080)
Custody fees		(2,027)	(1,534)
ASX listing and chess fees		(43,866)	(44,413)
Share registry fees		(14,295)	(17,197)
Brokerage expense on share purchases		(128,039)	(141,527)
Other expenses from ordinary activities		(85,692)	(121,697)
Profit before income tax		3,283,317	1,775,071
Income tax expense		(859,578)	(442,193)
Profit after income tax attributable to members of the Company	6	2,423,739	1,332,878
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		2,423,739	1,332,878
Basic and diluted earnings per share		6.2 cents	3.8 cents

The accompanying notes form part of these financial statements.

Statement of financial position as at 31 December 2017

	Note	December 2017 \$	June 2017 \$
Current assets			
Cash and cash equivalents		5,937,684	11,396,915
Trade and other receivables		150,292	2,130,097
Financial assets	7	39,770,206	32,564,997
Total current assets		45,858,182	46,092,009
Non-current assets			
Deferred tax assets		22,675	26,026
Total non-current assets		22,675	26,026
Total assets		45,880,857	46,118,035
Current liabilities			
Financial liabilities		8,497	2,918,255
Trade and other payables		1,209,176	1,956,648
Current tax liabilities		847,338	401,327
Total current liabilities		2,065,011	5,276,230
Non-current liabilities			
Deferred tax liabilities		6,897	23,063
Total non-current liabilities		6,897	23,063
Total liabilities		2,071,908	5,299,293
Net assets		43,808,949	40,818,742
Equity			
Issued capital	4	41,073,939	39,409,263
Profits reserve	5	4,052,769	2,727,238
Accumulated losses	6	(1,317,759)	(1,317,759)
Total equity		43,808,949	40,818,742

The accompanying notes form part of these financial statements.

Statement of changes in equity for the half year ended 31 December 2017

	Note	Issued capital \$	Accumulated losses \$	Profits reserve \$	Total equity \$
Balance at 1 July 2016		35,263,028	(1,317,759)	2,610,458	36,555,727
Profit for the half year		-	1,332,878	-	1,332,878
Transfer to profits reserve			(1,332,878)	1,332,878	-
Other comprehensive income for the half year		-	-	-	-
Transaction with owners:					
Shares issued via dividend reinvestment plan	4(b)	197,299	-	-	197,299
Shares issued via exercise of options		468,571	-	-	468,571
Share issue costs (net of tax)	4(b)	(48,992)	-	-	(48,992)
Dividends paid	3(a)	-	-	(887,832)	(887,832)
Balance at 31 December 2016		35,879,906	(1,317,759)	3,055,504	37,617,651
Balance at 1 July 2017		39,409,263	(1,317,759)	2,727,238	40,818,742
Profit for the half year		-	2,423,739	-	2,423,739
Transfer to profits reserve	5		(2,423,739)	2,423,739	-
Other comprehensive income for the half year		-	-	-	-
Transaction with owners:					
Shares issued via dividend reinvestment plan	4(b)	219,400	-	-	219,400
Shares issued via exercise of options	4(b)	1,445,276	-	-	1,445,276
Dividends paid	3(a)	-	-	(1,098,208)	(1,098,208)
Balance at 31 December 2017		41,073,939	(1,317,759)	4,052,769	43,808,949

The accompanying notes form part of these financial statements.

Statement of cash flows for the half year ended 31 December 2017

	December 2017 \$	December 2016 \$
Cash flows from operating activities		
Proceeds from sale of investments	81,322,312	74,703,099
Payments for purchase of investments	(86,383,826)	(82,720,274)
Dividends received	489,060	524,779
Interest received	96,833	126,073
Other investment income received	144,458	396,883
Management fees (GST inclusive)	(237,307)	(211,568)
Performance fees (GST inclusive)	(734,975)	(1,139,721)
Brokerage expense on share purchases (GST inclusive)	(137,393)	(151,777)
Payments for administration expenses (GST inclusive)	(234,802)	(269,125)
GST on brokerage expense on share sales	(8,090)	(8,573)
Net GST received from the ATO	84,413	112,618
Income tax paid	(426,382)	(163,147)
Net cash used in operating activities	(6,025,699)	(8,800,733)
Cash flows from financing activities		
Shares issued via exercise of options	1,445,276	468,571
Dividends paid – net of reinvestment	(878,808)	(690,533)
Share issue costs	-	(69,988)
Net cash provided by/(used in) financing activities	566,468	(291,950)
Net decrease in cash and cash equivalents held	(5,459,231)	(9,092,683)
Cash and cash equivalents at the beginning of the half year	11,396,915	15,974,380
Cash and cash equivalents at end of the half year	5,937,684	6,881,697
Non-cash transactions:		
Shares issued via dividend reinvestment plan	219,400	197,299

The accompanying notes form part of these financial statements.

Notes to the financial statements for the half year ended 31 December 2017

1. Summary of significant accounting policies

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

The half year financial report was authorised for issue on 22 February 2018 by the Board of Directors.

Basis of preparation

The half year financial statements are general purpose financial statements that have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: *Interim Financial Reporting*.

The half year report does not include full disclosures of the type normally included in an annual financial report. It is recommended that the half year financial report be read in conjunction with the Annual Financial Report for the year ended 30 June 2017 and any public announcements made by the Company during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

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

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

There are no new and revised accounting requirements significantly affecting the half year financial statements. The accounting policies have been consistently applied by the Company throughout the period and are consistent with those applied in the 30 June 2017 Annual Financial Report.

2. Investment revenue

	December 2017 \$	December 2016 \$
Australian sourced dividends	478,848	356,332
Interest	99,664	113,200
Trust distributions	149,973	622,120
Foreign sourced dividends	17,460	19,570
Underwriting fees	1,402	4,333
	747,347	1,115,555

3. Dividends

a) Ordinary dividends paid during the period

	December 2017 \$	December 2016 \$
Final Dividend FY2017: 2.75 cents per share fully franked at 30% tax rate paid 27 October 2017 (Final dividend FY2016: 2.5 cents per share fully franked)	1,098,208	887,832

b) Dividends not recognised during the period

	December 2017 \$	December 2016 \$
Since the end of the period the Directors have declared an interim fully franked dividend of 2.85 cents per share payable on 27 April 2018 (Interim dividend FY2017: 2.75 cents per share fully franked).	1,147,639	1,061,248

4. Issued capital

a) Paid-up capital

	December 2017 \$	June 2017 \$
40,268,018 ordinary shares fully paid (June 2017: 38,802,828)	41,073,939	39,409,263

b) Ordinary shares

	December 2017 \$	June 2017 \$
Balance at the beginning of the period	39,409,263	35,263,028
197,403 ordinary shares issued on 27 October 2017 under a dividend reinvestment plan	219,400	-
1,267,787 ordinary shares issued from the exercise of options at \$1.14	1,445,276	-
175,879 ordinary shares issued on 28 October 2016 under a dividend reinvestment plan	-	197,299
205,119 ordinary shares issued on 26 May 2017 under a dividend reinvestment plan	-	222,115
3,312,115 ordinary shares issued from the exercise of options at \$1.14	-	3,775,813
Share issue costs (net of tax)	-	(48,992)
At reporting date	41,073,939	39,409,263

c) Options

On 11 August 2016, the Company announced a one-for-one bonus option issue to all shareholders at no cost. A total of 34,992,362 options were allotted to shareholders on the 19 September 2016. The options have an exercise price of \$1.14 per share and can be exercised at any time on or before 17 September 2018. The options are currently trading on the Australian Securities Exchange under the code WAAO. As at 31 December 2017, 4,579,902 options had been exercised for a total consideration of \$5,221,088, with the remaining balance of outstanding options being 30,412,460.

5. Profits reserve

	December 2017 \$	June 2017 \$
Profits reserve	4,052,769	2,727,238

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

	December 2017 \$	June 2017 \$
Movement in profits reserve		
Balance at the beginning of the period	2,727,238	2,610,458
Transfer of profits during the period	2,423,739	2,065,860
Final dividend paid (refer to note 3a)	(1,098,208)	(887,832)
Interim dividend paid (refer to note 3b)	-	(1,061,248)
At reporting date	4,052,769	2,727,238

6. Accumulated losses

	December 2017 \$	June 2017 \$
Balance at the beginning of the period	(1,317,759)	(1,317,759)
Profit for the period attributable to members of the Company	2,423,739	2,605,860
Transfer to profits reserve	(2,423,739)	(2,605,860)
At reporting date	(1,317,759)	(1,317,759)

7. Financial instruments measured at fair value

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

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

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

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

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

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.

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

The following table presents the Company's financial assets and liabilities measured and recognised at fair value at 31 December 2017:

31 December 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	39,593,726	176,480	-	39,770,206
Financial liabilities	(8,497)	-	-	(8,497)
Total	39,585,229	176,480	-	39,761,709

30 June 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	32,005,726	559,271	-	32,564,997
Financial liabilities	(2,918,255)	-	-	(2,918,255)
Total	29,087,471	559,271	-	29,646,742

8. Segment reporting

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

9. Capital commitments

There were no capital commitments entered into by the Company before period end which settle after period end (June 2017: nil).

10. Contingent liabilities

There were no contingent liabilities for the company as at 31 December 2017 (June 2017: nil).

11. Events subsequent to reporting date

Since the end of the period, the Board declared an interim dividend of 2.85 cents per share fully franked to be paid on 27 April 2018.

No other matters or circumstance has arisen since the end of the period, other than already disclosed, which significantly affect or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

Directors' Declaration

The Directors of WAM Active Limited declare that:

1. The financial statements and notes, as set out on pages 7 to 14, are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b) giving a true and fair view of the financial position of the Company as at 31 December 2017 and of its performance for the half year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Geoff Wilson AO
Chairman

Dated in Sydney this 22nd day of February 2018

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

Report on the period of Half Year Financial Report

We have reviewed the accompanying half-year financial report of WAM Active Limited (“the company”), which comprises the statement of financial position as at 31 December 2017, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies, other selected explanatory notes and the directors’ declaration of the company.

Directors’ Responsibility for the period of Half Year Financial Report

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

Auditor’s Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: “*Review of a Financial Report Performed by the Independent Auditor of the Entity*”, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the company’s financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: “*Interim Financial Reporting*” and the *Corporations Regulations 2001*. As the auditor of WAM Active Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (i) giving a true and fair view of the company's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.



Chris Chandran
Partner

22 February 2018



Pitcher Partners
Sydney

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