



# WAM ACTIVE LIMITED

A.B.N. 49 126 420 719

## APPENDIX 4E PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2013

### RESULTS FOR ANNOUNCEMENT TO THE MARKET *All comparisons to the year ended 30 June 2012*

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | \$              | Up/Down                  | % mvmt                |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|--------------------------|-----------------------|
| Revenue from ordinary activities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 2,981,533       | Up                       | 159.7%                |
| Profit from ordinary activities before tax attributable to members                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 1,769,584       | Up                       | 449.0%                |
| Profit from ordinary activities after tax attributable to members                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 1,499,202       | Up                       | 280.0%                |
| Net profit for the period attributable to members                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 1,499,202       | Up                       | 280.0%                |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Cents per share | Franked amount per share | Tax rate for franking |
| Dividend Information                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                 |                          |                       |
| Interim dividend cents per share                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 4.75            | 100%                     | 30%                   |
| Final dividend cents per share                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 4.75            | 100%                     | 30%                   |
| Final dividend dates                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                 |                          |                       |
| Ex dividend date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                 |                          | 23 September 2013     |
| Record date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                 |                          | 27 September 2013     |
| Payment date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                 |                          | 4 October 2013        |
| The Dividend Reinvestment Plan is in operation and the recommended fully franked final dividend of 4.75 cents per share qualified. 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 weighted average market price of shares sold on the ASX on the books closing date (i.e. record date) for the relevant dividend and the 3 trading days preceding that date. To participate in the dividend reinvestment plan, shareholders must return DRP election forms to our share registrar no later than record date). |                 |                          |                       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                 | 30 June 13               | 30 June 12            |
| Net tangible asset backing (after tax) per share                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                 | \$1.05                   | \$1.06                |
| This report is based on the Annual Report which is in the process of being audited. All the documents comprise the information required by Listing Rule 4.3A.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                 |                          |                       |

# WAM ACTIVE LIMITED

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

|                                                      | Note | 2013<br>\$       | 2012<br>\$       |
|------------------------------------------------------|------|------------------|------------------|
| 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> |

# WAM ACTIVE LIMITED

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## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

|                             | Note  | 2013<br>\$        | 2012<br>\$        |
|-----------------------------|-------|-------------------|-------------------|
| <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> |

# WAM ACTIVE LIMITED

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

|                                                                          | Note         | 2013<br>\$               | 2012<br>\$               |
|--------------------------------------------------------------------------|--------------|--------------------------|--------------------------|
| <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               | <b>12</b>    | 1,499,202                | 394,535                  |
| Total other comprehensive income for the year                            |              | -                        | -                        |
| Shares issued via dividend reinvestment plan                             | <b>10(b)</b> | 450,614                  | 246,770                  |
| Shares issued via exercise of options                                    | <b>10(d)</b> | 10,444,837               | -                        |
| Dividends paid                                                           | <b>4(a)</b>  | <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> |

# WAM ACTIVE LIMITED

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

|                                                                  | Note      | 2013<br>\$         | 2012<br>\$         |
|------------------------------------------------------------------|-----------|--------------------|--------------------|
| <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         |           | <b>9,569,918</b>   | <b>10,732,711</b>  |
| <b>Cash and cash equivalents at end of financial year</b>        | <b>13</b> | <b>12,349,971</b>  | <b>9,569,918</b>   |

# WAM ACTIVE LIMITED

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

### 1. Summary of significant accounting policies

#### **Basis of preparation**

The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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*.

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.

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

Financial assets are classified "at fair value through the profit or loss" when they are held for trading for the purpose of short-term profit taking. Realised and unrealised gains and losses arising from changes in fair value are included in the Statement of Comprehensive Income in the period in which they arise.

# WAM ACTIVE LIMITED

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

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

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

##### iv. *Financial liabilities*

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

##### v. *Fair value*

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

##### vi. *Derecognition*

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

#### b) **Income tax**

The charge of current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the end of the current financial year. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred tax is accounted for using the 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.

Deferred tax assets relating to temporary differences and unused tax losses are recognised, to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset only where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are only offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

# WAM ACTIVE LIMITED

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

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

#### c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, at call deposits with banks or financial institutions and other fixed interest securities maturing within three months or less.

#### d) Revenue and other income

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established. All revenue is stated net of the amount of goods and services tax (GST).

#### e) Trade and other receivables

Trade and other receivables are non-derivative financial assets and are initially recognised at fair value. They are subsequently stated at their amortised cost less the provision for impairment losses [refer Note 1(g)].

#### f) Trade and other payables

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

#### g) Impairment of assets

At each reporting date, the Company reviews the carrying values of its 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.

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.

# **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)**

#### **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. As the new standard will impact the type of information disclosed in the notes to the Company's financial statements and is not expected to have a significant impact on the amounts recognised, the Company does not intend to adopt the new standard before its operative date.
- 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.

# WAM ACTIVE LIMITED

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

| <b>2. Other revenue</b>      | <b>2013</b>      | <b>2012</b>      |
|------------------------------|------------------|------------------|
|                              | <b>\$</b>        | <b>\$</b>        |
| 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            | -                |
|                              | <b>2,955,946</b> | <b>1,319,547</b> |

### 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:

|                                                                                                 | <b>2013</b>    | <b>2012</b>     |
|-------------------------------------------------------------------------------------------------|----------------|-----------------|
|                                                                                                 | <b>\$</b>      | <b>\$</b>       |
| 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)       | -               |
|                                                                                                 | <b>270,382</b> | <b>(72,235)</b> |

|                                                  | <b>2013</b>    | <b>2012</b>     |
|--------------------------------------------------|----------------|-----------------|
|                                                  | <b>\$</b>      | <b>\$</b>       |
| 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)          | -               |
|                                                  | <b>270,382</b> | <b>(72,235)</b> |

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

#### 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                                 | <b>49,885</b> | <b>293,181</b> |

# WAM ACTIVE LIMITED

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

### 3 Taxation (cont'd)

#### c) Current tax liabilities

|                                                               | 2013<br>\$ | 2012<br>\$ |
|---------------------------------------------------------------|------------|------------|
| 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                                             | -          | -          |

#### d) Deferred tax liabilities

|                        | 2013<br>\$     | 2012<br>\$     |
|------------------------|----------------|----------------|
| Fair value adjustments | 256,974        | 229,267        |
| Income provisions      | 24,014         | 24,635         |
|                        | <b>280,988</b> | <b>253,902</b> |

|                                                   | 2013<br>\$     | 2012<br>\$     |
|---------------------------------------------------|----------------|----------------|
| <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                                 | <b>280,988</b> | <b>253,902</b> |

### 4. Dividends

#### a) Ordinary dividends paid during the year

|                                                                                                                                                             | 2013<br>\$       | 2012<br>\$       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| 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) | 1,242,393        | 727,930          |
| Dividends paid by the Company                                                                                                                               | <b>2,122,663</b> | <b>1,370,596</b> |

#### 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)

|  |                  |                |
|--|------------------|----------------|
|  | <b>1,254,022</b> | <b>733,948</b> |
|--|------------------|----------------|

# 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

|                                         |               |                |
|-----------------------------------------|---------------|----------------|
| 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 tax refund due FY2014                                                                                                      | (104,110)               | -                     |
| Franking credits on dividends receivable at year end                                                                                 | 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:

|                                                               | <b>2013</b>          | <b>2012</b>          |
|---------------------------------------------------------------|----------------------|----------------------|
|                                                               | <b>\$</b>            | <b>\$</b>            |
| 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<br>\$       | 2012<br>\$     |
|-------------------------|------------------|----------------|
| 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<br>\$        | 2012<br>\$       |
|------------------------------------|-------------------|------------------|
| Listed investments at fair value   | 14,850,251        | 7,976,700        |
| Unlisted investments at fair value | 23,049            | 580,254          |
| Unlisted investments at cost       | -                 | 269,100          |
|                                    | <u>14,873,300</u> | <u>8,826,054</u> |

### 8. Financial liabilities

|                | 2013<br>\$ | 2012<br>\$ |
|----------------|------------|------------|
| Borrowed stock | -          | 502,082    |

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<br>\$     | 2012<br>\$       |
|-------------------------|----------------|------------------|
| 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<br>\$        | 2012<br>\$        |
|----------------------------------------------------------|-------------------|-------------------|
| 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<br>\$       | 2012<br>\$       |
|-----------------|------------------|------------------|
| 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<br>\$         | 2012<br>\$       |
|-------------------------------------------------|--------------------|------------------|
| 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<br>\$         | 2012<br>\$       |
|------------------------------------------------------------|--------------------|------------------|
| 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<br>\$        | 2012<br>\$       |
|---------------------------|-------------------|------------------|
| 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).

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

### 14. Cash flow information

|                                                                       | 2013<br>\$       | 2012<br>\$     |
|-----------------------------------------------------------------------|------------------|----------------|
| <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<br>\$        | 2012<br>\$     |
|------------------------------------------------------------------------------------------------------------------------|-------------------|----------------|
| 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.

#### a) Credit risk

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

# WAM ACTIVE LIMITED

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

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

#### a) Credit risk (cont'd)

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

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

Credit risk is not considered to be a major risk to the Company as any cash 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.

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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<br>\$ | <1 months<br>\$ | Total<br>\$      |
|--------------------------|----------------|-----------------|------------------|
| Financial liabilities    | -              | -               | -                |
| Trade and other payables | -              | 737,059         | 737,059          |
| Deferred tax liabilities | 280,988        | -               | 280,988          |
| <b>Total Liabilities</b> | <b>280,988</b> | <b>737,059</b>  | <b>1,018,047</b> |

  

| 30 June 2012             | >1 month<br>\$ | <1 months<br>\$  | Total<br>\$      |
|--------------------------|----------------|------------------|------------------|
| Financial liabilities    | -              | 502,082          | 502,082          |
| Trade and other payables | -              | 1,367,861        | 1,367,861        |
| Deferred tax liabilities | 253,902        | -                | 253,902          |
| <b>Total Liabilities</b> | <b>253,902</b> | <b>1,869,943</b> | <b>2,123,845</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 tradeable securities, the Company will always be subject to market risk as it invests its capital in securities which are not risk free as the market price of these securities can fluctuate.

##### (i) Interest rate risk

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

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

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

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

As at 30 June 2013, the Company's exposure to interest rate risk and the effective weighted average interest rate is set out in the following table:

|                             | Weighted<br>average<br>interest rate<br>(% pa) | Interest<br>bearing<br>\$ | Non-interest<br>bearing<br>\$ | Total<br>\$       |
|-----------------------------|------------------------------------------------|---------------------------|-------------------------------|-------------------|
| <b>30 June 2013</b>         |                                                |                           |                               |                   |
| <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        |
| Deferred tax assets         |                                                | -                         | 49,885                        | 49,885            |
| <b>Total</b>                |                                                | <b>12,349,971</b>         | <b>16,342,072</b>             | <b>28,692,043</b> |

#### **Liabilities**

|                          |  |          |                  |                  |
|--------------------------|--|----------|------------------|------------------|
| Financial liabilities    |  | -        | -                | -                |
| Trade and other payables |  | -        | 737,059          | 737,059          |
| Deferred tax liabilities |  | -        | 280,988          | 280,988          |
| <b>Total</b>             |  | <b>-</b> | <b>1,018,047</b> | <b>1,018,047</b> |

|                             | Weighted<br>average<br>interest rate<br>(% pa) | Interest<br>bearing<br>\$ | Non-interest<br>bearing<br>\$ | Total<br>\$       |
|-----------------------------|------------------------------------------------|---------------------------|-------------------------------|-------------------|
| <b>30 June 2012</b>         |                                                |                           |                               |                   |
| <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         |
| Deferred tax assets         |                                                | -                         | 293,181                       | 293,181           |
| <b>Total</b>                |                                                | <b>9,569,918</b>          | <b>9,955,933</b>              | <b>19,525,851</b> |

#### **Liabilities**

|                          |  |          |                  |                  |
|--------------------------|--|----------|------------------|------------------|
| Financial liabilities    |  | -        | 502,082          | 502,082          |
| Trade and other payables |  | -        | 1,367,861        | 1,367,861        |
| Deferred tax liabilities |  | -        | 253,902          | 253,902          |
| <b>Total</b>             |  | <b>-</b> | <b>2,123,845</b> | <b>2,123,845</b> |

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

### 16. Financial risk management (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:

| Industry sector            | 2013         | 2012         |
|----------------------------|--------------|--------------|
| 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:

| Company name      | 2013 (%) |
|-------------------|----------|
| Graincorp Limited | 6.1%     |
| Company name      | 2012 (%) |
| N/A               | N/A      |

#### **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).

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

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

#### d) Financial instruments measured at fair value

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

- Level 1:** Quoted prices in active markets for identical assets or liabilities  
**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).  
**Level 3:** Inputs for the asset or liability are not based on observable market data (unobservable inputs).

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

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

### 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.

# WAM ACTIVE LIMITED

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

### 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.

|                                                                                  | Directors' Fees<br>\$ | Superannuation<br>\$ | Total<br>\$ |
|----------------------------------------------------------------------------------|-----------------------|----------------------|-------------|
| Total Directors remuneration paid by the Company for the year ended 30 June 2013 | 42,518                | 4,879                | 47,397      |
| Total Directors remuneration paid by the Company for the year ended 30 June 2012 | 60,459                | 10,541               | 71,000      |

#### 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*

| Directors                          | Balance at<br>30 June 2012 | Acquisitions | Disposals | Balance at<br>30 June 2013 |
|------------------------------------|----------------------------|--------------|-----------|----------------------------|
| 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<br>17/09/12) | 1,642,300                  | -            | 1,642,300 | -                          |
|                                    | 4,148,795                  | 554,962      | 1,914,002 | 2,789,755                  |

# WAM ACTIVE LIMITED

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

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

#### Options held

|                                    | Balance at<br>30 June 2012 | Acquisitions | Exercised/Disposals | Balance at<br>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<br>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<br>30 June 2011 | Acquisitions  | Disposals | Balance at<br>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<br>30 June 2011 | Options Granted  | Disposals | Balance at<br>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>           |

### 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.

# **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 (cont'd)**

In its capacity as Manager, MAM Pty Limited was paid a management fee of 1% p.a (plus GST) of gross assets amounting to \$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.

### **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.