

WATERCO LIMITED

A.B.N. 62 002 070 733

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR

ENDED 31 DECEMBER, 2014

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WATERCO LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

The Directors of Waterco Limited have pleasure in submitting herewith the Interim Financial Report of the consolidated group for the half-year ended 31st December, 2014

The names of directors of the company who held office during or since the end of the half-year are:

Soon Sinn Goh
Bryan Goh
Garry Norman
Ben Hunt
Richard Ling

REVIEW OF OPERATIONS

For the six months ended 31 December 2014, the Group reported a Net Profit After Tax of \$1.49 million. This is a reduction of \$0.61 million compared with a reported Net Profit After Tax of \$2.10 million for the previous corresponding period (PCP). The reduction in Net Profit After Tax was mainly due to additional provision for stock valuation write-down.

Earnings Before Interest & Tax for this Half-year was \$3.20 million (PCP \$3.87 million).

Total Revenue was \$ 43.52 million (PCP \$41.42 million).

Detailed below is a breakdown of the sales revenue contribution for this Half-year compared with the PCP:

	Dec 2014	Dec 2013	%
	(\$000)	(\$000)	Change
Australia and New Zealand	31,351	30,428	+3.03%
Asia	5,119	5,390	- 5.03%
North America and Europe	6,721	5,227	+28.6%
Sales revenue	43,191	41,045	+ 5.2%
Other revenue	325	380	-14.5%
Total	43,516	41,425	+5.05%

Sales in Australia and New Zealand registered a moderate growth for the half year compared to PCP and coupled with a strong improvement notably in Europe this Half-year, the Group recorded a decent increase of 5.05%. Sales in Asia were not up to expectations, with China under performing as a result of the property sector receding again.

North American sales were flat in this Half-year whereas Europe showed signs of recovery despite sluggish general economic conditions. We hope to see this continue in the second half-year before we conclude that the recovery can be sustained. For now, results were encouraging.

Divisional EBIT Performance

Detailed below is a breakdown of EBIT contributions by Division for the half-year ended 31 December 2014:

	Dec 2014	Dec 2013	%
	(\$000)	(\$000)	Change
Australia and New Zealand	2,791	2,822	- 1.1%
Asia	1,001	2,589	- 61.3%
North America and Europe	(590)	(1,540)	+61.7%
Consolidated Reported EBIT	3,202	3,871	-17.3%

Australia and New Zealand

As expected, profitability remained below expectations in line with a continued competitive business environment, as well as higher cost of goods, resulting from a weaker Australian Dollar (AUD). A slow-down in government spending continued throughout the relevant reporting period resulting in a reduction in sales of our commercial filters. Overall, we have maintained a modest growth in sales compared to PCP.

Asia

Waterco Far East (WFE) consolidated its position as the Group's principal manufacturing facility for pumps and filters for both the commercial and the residential sectors, supplying to all major overseas divisions, including Australia. WFE has commenced production of heat pumps, with technology transferred from Waterco Canada and Waterco USA to meet demand in Europe and Australia for the next season. In addition to being in a more central geographical location, WFE also offers the Group benefits from economies of scale and favourable labour cost. Local sales of this entity improved compared with PCP. The relocation of the Heat Pump manufacturing facility from North America was completed during the year. WFE absorbed the costs of relocation, including some write down of inventory, resulting in a lower profitability than expected.

North America and Europe

This Division reported an EBIT loss for the six months of \$590,000, a considerable improvement compared to the PCP of \$1,540,000 loss. The main business season for this Division is in the second half of the financial year. Trading conditions in the US remained tough, though we do see prospects of an improvement in the water-treatment sector.

Commercial filters are currently being made in Augusta, Georgia, with the largest filter made being eighty-eight inches in diameter. The availability of a range of large filters made in Waterco's factory in the United States has been received positively and should improve Waterco's position as a supplier to the local market. There are plans to widen the filter range in Augusta in the near future.

There had hardly been any change in the trading conditions in Europe during this Half-year. As business environment in the Euro-Zone was still weak, margins continued to come under pressure. Despite difficult economic conditions, our UK based entity had increased sales and improved performance beyond expectations.

Of the entities in this region, the seasonality of the business in Canada is the most pronounced, with profit margins skewed markedly in favour of the second half of the financial year. Assembly of heat pumps had been transferred to Asia, reducing manufacturing activities in North America. Losses in Canada are expected to be curbed this financial year, with a much lower level of overheads.

Product Development & Water Treatment

In this Half-year, Waterco invested approximately \$0.524 million on research & development, which was fully expensed. The Group continues to believe that a strong company culture of delivering to its customers innovative, durable and energy-efficient products is an important strategic measure. Several new products introduced in recent times have had satisfactory success.

Several new patents had been lodged in Australia with some patents pending registration overseas.

Working Capital

	Dec 2014 (\$000)	Dec 2013 (\$000)
Inventory	36,761	36,161
Debtors	16,298	15,671
Creditors	(16,392)	(17,577)
TOTAL	36,667	34,255

The group's working capital position as at 31 December 2014 had increased by \$2.412 million, mainly attributable to increased inventory and other debtors and reduction in creditors, compared with the PCP.

Dividend

Because of the fire (see post balance date events) and decrease in the performance for the half year, Waterco Limited's directors will not be declaring an interim dividend (last year 3 cents).

Outlook

The board of Waterco considers this Half-year's results as below expectation after making an additional provision for stock write down valuation of \$500,000.

The next half-year year will be more dependent on the performance of North America and Europe. Sales in Europe look promising with better level of forward sales compared to PCP. In North America, sales level is expected to be maintained and with lower overheads, an improvement in financial results is expected.

AUDITOR'S DECLARATION

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page16.

This report is signed in accordance with a resolution of the Board of Directors.



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Soon Sinn Goh
Chairman
Waterco Limited
26 February 2015

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2014
WATERCO LIMITED AND CONTROLLED ENTITIES**

	Consolidated Group	
	31/12/2014	31/12/2013
	\$000	\$000
Revenues	43,516	41,425
Changes in inventories of finished goods and work in progress	(3,152)	(4,424)
Raw materials and consumables used	(19,801)	(16,186)
Employee benefits expense	(7,930)	(7,778)
Depreciation and amortisation expense	(624)	(761)
Finance costs	(807)	(724)
Advertising expense	(813)	(1,023)
Discounts allowed	(121)	(215)
Outward freight expense	(1,224)	(1,155)
Rent expense	(1,315)	(1,325)
Contracted staff expense	(156)	(193)
Warranty expense	(117)	(241)
Commission expense	(111)	(61)
Other expenses	(4,926)	(4,174)
Profit before income tax	2,419	3,165
Income tax expense	(927)	(1,063)
Profit for the period	1,492	2,102
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Gain on revaluation of land & buildings	-	191
Items that maybe reclassified to profit or loss		
Share option reserve decrement	(20)	-
Exchange differences on translation of foreign controlled entities	4,076	1,020
Other comprehensive income for the period	4,056	1,211
Total comprehensive income for the period	5,548	3,313
Profit attributable to:		
Members of the parent entity	1,451	2,062
Non-controlling interest	41	40
	1,492	2,102
Total comprehensive income for the period attributable to:		
Members of the parent entity	5,507	3,273
Non-controlling interest	41	40
Total comprehensive income for the period	5,548	3,313
Earnings per share		
Basic earnings per share (cents per share)	4.1	6.0
Diluted earnings per share (cents per share)	4.1	6.0

The accompanying notes form part of this financial report.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014
WATERCO LIMITED AND CONTROLLED ENTITIES**

	Consolidated Group	
	31/12/2014	30/6/2014
	\$000	\$000
Current Assets		
Cash and cash equivalents	2,979	1,588
Trade and other receivables	16,298	11,816
Inventories	36,761	33,827
Other current assets	866	724
Total Current Assets	56,904	47,955
Non-Current Assets		
Property, plant & equipment	46,029	43,987
Intangible assets	350	355
Deferred tax assets	780	614
Other non-current assets	-	-
Total Non-Current Assets	47,159	44,956
Total Assets	104,063	92,911
Current Liabilities		
Trade and other payables	16,393	11,512
Borrowings	17,227	4,380
Current tax liabilities	758	(65)
Short-term provisions	1,740	1,492
Total Current Liabilities	36,118	17,319
Non-Current Liabilities		
Borrowings	10,340	23,280
Deferred tax liabilities	1,631	1,524
Long-term provisions	183	189
Total Non-Current Liabilities	12,154	24,993
Total Liabilities	48,272	42,312
Net Assets	55,791	50,599
Equity		
Issued capital	38,143	37,430
Reserves	7,302	3,246
Retained earnings	9,915	9,533
Parent interest	55,360	50,209
Non-controlling interest	431	390
Total Equity	55,791	50,599

The accompanying notes form part of this financial report.

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2014
WATERCO LIMITED AND CONTROLLED ENTITIES**

Consolidated Group	Issued Capital Ordinary \$000	Retained Earnings \$000	Capital Profits Reserve \$000	Asset Revaluation Reserve \$000	Foreign Currency Translation Reserve \$000	Share Option Reserve \$000	Non- controlling Interest \$000	Total \$000
Balance at 30/6/13	36,380	11,067	211	6,834	(8,787)	20	323	46,048
Comprehensive income								
Profit for the period		2,062					40	2,102
Exchange differences on translation of foreign controlled entities					1,020			1,020
Share option increment						-		-
Gain on revaluation of land and buildings				191				191
Total comprehensive income for the period	-	2,062	-	191	1,020	-	40	3,313
Transactions with owners in their capacity as owners and other transfers								
16 December 2013 Issue of 337,412 shares at \$1.19 each under Waterco Dividend Reinvestment Plan	401							401
Employee share loan repayments	4							4
Dividends paid		(1,389)						(1,389)
Total transactions with owners and other transfers	405	(1,389)	-	-	-	-	-	(984)
Balance at 31/12/13	36,785	11,740	211	7,025	(7,767)	20	363	48,377
Balance at 30/6/14	37,430	9,533	211	12,085	(9,070)	20	390	50,599
Comprehensive income								
Profit for the period		1,451					41	1,492
Exchange differences on translation of foreign controlled entities					3,106			3,106
Share option decrement						(20)		(20)
Gain on revaluation of land and buildings				970**				970
Total comprehensive income/(loss) for the period		1,451		970	3,106	(20)	41	5,548
Transactions with owners in their capacity as owners and other transfers								
15 December 2014 Issue of 627,977 shares at \$1.05 each under Waterco Dividend Reinvestment Plan	659							659
Employee share loan repayments	54							54
Dividends paid		(1,069)						(1,069)
Total transactions with owners and other transfers	713	(1,069)	-					(356)
Balance at 31/12/14	38,143	9,915	211	13,055	(5,964)	-	431	55,791

** Gain on revaluation of land and buildings of \$970,000 due to movement in exchange rates

The accompanying notes form part of this financial report.

**CASHFLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2014
WATERCO LIMITED AND CONTROLLED ENTITIES**

	Consolidated Group	
	31/12/2014	31/12/2013
	\$000	\$000
<u>Cash Flows from Operating Activities</u>		
Receipts from customers	41,663	39,122
Payments to suppliers and employees	(40,119)	(37,040)
Interest received	24	19
Other income	300	245
Finance costs	(807)	(724)
Income tax paid	(163)	(604)
Net cash provided by operating activities	<u>898</u>	<u>1,018</u>
<u>Cash Flows from Investing Activities</u>		
Dividends received	1	1
Payment for property, plant & equipment	(2,347)	(927)
Proceeds from sale of property, plant & equipment	62	129
Net cash (used in) investing activities	<u>(2,284)</u>	<u>(797)</u>
<u>Cash Flows from Financing Activities</u>		
Proceeds from borrowings	151	346
Proceeds from issue of shares	659	402
Payment of lease liabilities	(93)	(141)
Dividends paid	(1,069)	(1,389)
Employee share plan repayments	54	4
Net cash (used in) financing activities	<u>(298)</u>	<u>(778)</u>
Net (decrease) in cash held	<u>(1,684)</u>	<u>(557)</u>
Cash and cash equivalents at the beginning of period	(68)	1,938
Effects of exchange rate changes on balances of assets and liabilities held in foreign currencies	3,277	887
Cash and cash equivalents at the end of period	<u>1,525</u>	<u>2,268</u>

The accompanying notes form part of this financial report.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2014
WATERCO LIMITED AND CONTROLLED ENTITIES**

Note 1: Summary of Significant Accounting Policies

a) Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2014 have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Waterco Ltd and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2014 together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 26 February 2015.

b) Accounting Policies

The same accounting policies and methods of computation have been followed in the interim financial report as were applied in the 30 June 2014 financial statements.

c) New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period

For the half-year reporting period to 31 December 2014, a number of new and revised Accounting Standard requirements became mandatory for the first time, some of which are relevant to the Group.

The adoption of all the new and revised Standards and Interpretations has not resulted in any material changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior half-years.

d) Long-term borrowings

An entity classifies its financial liabilities as current when they are due to be settled within 12 months after the reporting period, even if:

- (a) the original term was for a period longer than twelve months, and
- (b) an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorised for issue.

If an entity expects, and has the discretion, to refinance or roll over an obligation for at least 12 months after the reporting period under an existing loan facility, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period. However, when refinancing or rolling over the obligation is not at the discretion of the entity (eg there is no agreement to refinance), the potential to refinance is not considered and the obligation is classified as current. A loan that may be callable by the lender at any time without cause will also have to be classified as current as the entity does not have an unconditional right to defer settlement for at least another 12 months after the reporting period.

e) Breached covenants

When an entity breaches a provision of a long-term loan agreement on or before the end of the reporting period with the effect that the liability becomes payable on demand, the liability is classified as current, even if the lender has agreed, after the reporting period and before the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach. The liability is classified as current because, at the end of the reporting period, the entity does not have an unconditional right to defer its settlement for at least twelve months after that date

Note 2: Dividends

	Consolidated Group	
	31/12/2014	31/12/2013
	\$000	\$000
Dividends paid		
Final fully franked dividend declared on 27th August 2014 of 3c (2013:4c) per share franked at the tax rate of 30% (2013 30%)	1,069	1,389
	<u>1,069</u>	<u>1,389</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2014
WATERCO LIMITED AND CONTROLLED ENTITIES**

Note 3: Operating Segments

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of location since the Group's operations have similar different risk profiles and performance criteria. Operating segments are therefore determined on the same basis.

The Group operates predominantly in one industry being the manufacture and wholesale of swimming pool chemicals, accessories and equipment, manufacture and sale of solar pool heating systems and as a franchisor of swimming pool outlets retailing swimming pool accessories and equipment.

Basis of accounting for the purposes of reporting by operating segments

Accounting Policies Adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group. The Board has decided to combine all entities in the Asian Region under one segment to reflect the nature of the business and similar customer base of all these entities. The Board has also decided to combine North America and Europe into one segment to reflect the similar nature of the business and customer base in these entities.

Inter-segment transactions

An internally determined transfer price is set for all inter-entity sales. The price is reviewed annually (unless special circumstances arise) and is based on what would be realised in the event the sale was made to an external party at arm's length under the same terms and conditions. All such transactions are eliminated on consolidation for the Group's financial statements.

Corporate charges are allocated to reporting segments based on the services provided to those reporting segments. Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of the economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2014
WATERCO LIMITED AND CONTROLLED ENTITIES**

Note 3: Operating Segments (continued)

Segment Information

Geographical Segments

	2014				
	AUSTRALIA & NEW ZEALAND 31/12/2014 \$000	ASIA 31/12/2014 \$000	NORTH AMERICA &EUROPE 31/12/2014 \$000	ELIMINATION 31/12/2014 \$000	CONSOLIDATED GROUP 31/12/2014 \$000
Revenue					
Sales to customers outside the economic entity	31,351	5,119	6,721		43,191
Intersegment sales	837	14,504	2,103	(17,444)	
Unallocated revenue					325
Total revenue	<u>32,188</u>	<u>19,623</u>	<u>8,824</u>	<u>(17,444)</u>	<u>43,516</u>
Segment result	6,046	687	(592)	(3,397)	2,744
Unallocated expenses net of unallocated revenue					<u>(325)</u>
Profit before income tax					2,419
Income tax expense					<u>(927)</u>
Profit after income tax					<u>1,492</u>
Segment assets	<u>83,794</u>	<u>50,238</u>	<u>17,552</u>	<u>(47,521)</u>	<u>104,063</u>
Segment liabilities	<u>34,727</u>	<u>24,988</u>	<u>32,945</u>	<u>(44,388)</u>	<u>48,272</u>
	2013				
	AUSTRALIA & NEW ZEALAND 31/12/2013 \$000	ASIA 31/12/2013 \$000	NORTH AMERICA &EUROPE 31/12/2013 \$000	ELIMINATION 31/12/2013 \$000	CONSOLIDATED GROUP 31/12/2013 \$000
Revenue					
Sales to customers outside the economic entity	30,428	5,390	5,227		41,045
Intersegment sales	442	13,655	1,997	(16,094)	
Unallocated revenue					380
Total revenue	<u>30,870</u>	<u>19,045</u>	<u>7,224</u>	<u>(16,094)</u>	<u>41,425</u>
Segment result	3,830	2,372	(1,540)	(1,117)	3,545
Unallocated expenses net of unallocated revenue					<u>(380)</u>
Profit before income tax					3,165
Income tax expense					<u>(1,063)</u>
Profit after income tax					<u>2,102</u>
Segment assets	<u>84,413</u>	<u>43,468</u>	<u>16,504</u>	<u>(47,666)</u>	<u>96,719</u>
Segment liabilities	<u>38,340</u>	<u>25,356</u>	<u>29,995</u>	<u>(45,349)</u>	<u>48,342</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2014
WATERCO LIMITED AND CONTROLLED ENTITIES**

Note 4: Interest Cover Covenant

During the half year ended 31 December 2014, the consolidated entity failed to meet its interest cover debt covenant. Due to this breach and in the absence of a confirmation of waiver by the bank at the reporting date all loan borrowings subject to the HSBC loan facility amounting to \$15,387,500 are classified as current in accordance with Australian Accounting Standards.

Note 5: Contingent Liabilities

	Consolidated Group	
	31/12/2014	31/12/2013
	\$000	\$000
Estimate of the maximum amount of contingent liabilities that may become payable:		
Guarantee of leases of premises subleased to franchisees	7,409	7,428
	<u>7,409</u>	<u>7,428</u>

Note 6 Events Subsequent to Reporting Date

Other than the following , the directors are not aware of any significant events since the end of the interim period.

On 7 January 2015, a fire broke out at our Head Office in Rydalmere. The fire was limited to the administration office. The damage is being assessed and repairs made. On the day following the fire, phone calls were diverted to Waterco's QLD office and with the support of an experienced team from NSW, sales and deliveries were handled from there for a few days.

As the Sydney warehouse was not damaged in the fire, Waterco now has access to it and began dispatching stock from there on Monday 12 January 2015. The Group's NSW sales and logistics team has recommenced full operations, and it has put systems in place to handle enquiries, stock receipt, sales and dispatches.

As of 21 January 2015, Waterco administration has begun operating from Unit 6 and Unit 7, 2-8 South Street, Rydalmere until its premises has been rebuilt.

**WATERCO LIMITED ABN 62 002 070 733
AND CONTROLLED ENTITIES**

DIRECTORS' DECLARATION

The directors of Waterco Limited hereby declare that:

- 1) the financial statements and notes, as set out on pages 5 to 12 are in accordance with the Corporations Act 2001, including:
 - a) complying with the Accounting Standard AASB 134 :Interim Financial Reporting and
 - b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 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.

This declaration is made in accordance with a resolution of the Board of Directors.



Soon Sinn Goh
Chief Executive Officer

Dated at SYDNEY this 26th day of February 2015

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
WATERCO LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Waterco Limited ("the consolidated entity") which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the 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 control as the directors determine is necessary to enable the preparation of the half-year financial report that 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 consolidated entity's financial position as at 31 December 2014 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 Waterco Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Waterco Limited, would be in the same terms if given to the directors as at the time of this review report.

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 Waterco Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM Bird Cameron

RSM BIRD CAMERON PARTNERS



W E Beuman
Partner

Sydney, NSW
Dated: 26 February 2015

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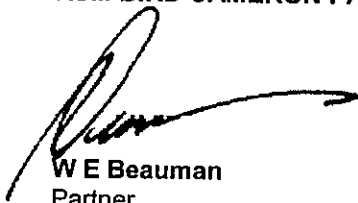
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Waterco Limited for the half year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.



RSM BIRD CAMERON PARTNERS



W E Beuman
Partner

Sydney, NSW
Dated: 26 February 2015