

**WATERCO LIMITED**

**A.B.N. 62 002 070 733**

**INTERIM FINANCIAL REPORT**

**FOR THE HALF YEAR**

**ENDED 31 DECEMBER, 2017**

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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 31<sup>st</sup> December, 2017

The 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 2017 (This Half-year) Waterco Limited reported a Net Profit After Tax of \$3.34 million, against \$2.51 million for the previous corresponding period (PCP). This is the sixth consecutive half-year, for which we have registered improved profitability over PCP.

Earnings Before Interest & Tax (EBIT) for This Half-year were \$5.12 million (PCP \$4.08 million).

Total Revenue was \$47.76 million (PCP \$44.25 million).

#### DIVISIONAL EBIT PERFORMANCE

Detailed below is a breakdown of EBIT contributions by Division for the half-year ended 31 December 2017:

	Dec 2017 (\$000)	Dec 2016 (\$000)	% Change
Australia and New Zealand	3,787	3,130	+21.0%
Asia	1,813	1,766	+2.7%
North America and Europe	(478)	(814)	+41.3%
<b>Consolidated Reported EBIT</b>	<b>5,122</b>	<b>4,082</b>	<b>+25.5%</b>

#### AUSTRALIA AND NEW ZEALAND

In Australia and New Zealand (ANZ), Sales were steady throughout the quarter, and registered satisfactory growth. Margins also improved over PCP, despite a volatile AUD in the second quarter.

#### ASIA

In Asia, sales were encouraging, registering significant growth. This was somewhat mitigated on the EBIT line by the weakness in the US dollar, causing US dollar assets to be valued downwards. Asia is the Group's centre for exports to countries, where we do not have a physical presence. Hence, there is a significant level of assets denominated in US dollar.

The manufacturing operations in WFE continue to grow. Necessary changes are constantly made in response to this in order to ensure that this manufacturing entity provides excellent support for the Group into the future.

#### NORTH AMERICA AND EUROPE

In Northern America and Europe – namely Canada, the USA and Europe – sales were steady, compared with PCP. The EBIT loss was significantly reduced by 41%, to \$0.48 million, as a result of improved management of costs. The main business season for this Division is in the second half of the financial year. Trading conditions in the US remain challenging but we expect that the ground-work done in the past year will enable us to yield improved results in the second half-year.

#### PRODUCT DEVELOPMENT & WATER TREATMENT

In This Half-year, Waterco invested approximately \$0.72 million on research and development, which was fully expensed. The Group continues to respond to market demands for innovative, durable and energy-efficient products and will continue its vigorous efforts in this area.

The Group continues to develop water filtration products in Australia and overseas. This is an area which Waterco has specialised in over the years. We also hold several patents in a chlorine-free system of sanitisation which uses ozone and hydrogen peroxide as an alternative to the traditional methods of using chlorine in various forms.

## WORKING CAPITAL

	Dec 2017 (\$000)	Dec 2016 (\$000)
Inventory	33,841	31,309
Debtors	17,354	15,516
Creditors	(15,729)	(14,802)
<b>TOTAL</b>	<b>35,466</b>	<b>32,023</b>

The group's working capital as at December 2017 saw an increase of \$3.44 million, with increase in all the components. This is consistent with increased activity, as reflected in the growth in total revenue.

## DIVIDEND

Based on This Half-year result, the Board is pleased to declare a fully-franked interim dividend of 2 cents per share payable on 15 June 2018.

## OUTLOOK

The Board considers This Half-year's results as encouraging.

The second half-year represents a smaller contribution to the results for the year because of seasonal factors. It will be more dependent on North America and Europe, which is expected to perform better than PCP. We are optimistic that this would translate into a better result for the Group for the full year.

## AUDITOR'S DECLARATION

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page14.

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



.....  
Soon Sinn Goh  
Chairman  
Waterco Limited  
23 February 2018

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 31 DECEMBER 2017  
WATERCO LIMITED AND CONTROLLED ENTITIES**

	<b>Consolidated Group</b>	
	<b>31/12/2017</b>	<b>31/12/2016</b>
	<b>\$000</b>	<b>\$000</b>
Sales revenue	47,364	43,324
Other revenue	395	922
Changes in inventories of finished goods and work in progress	(3,421)	(1,187)
Raw Materials and consumables used	(20,456)	(21,023)
Employee benefits expense	(9,096)	(8,338)
Depreciation and amortisation expense	(781)	(642)
Finance costs	(493)	(512)
Advertising expense	(997)	(1,011)
Discounts allowed	(119)	(83)
Outward freight expense	(687)	(921)
Rent expense	(1,372)	(1,291)
Research and development	(725)	(593)
Insurance general	(377)	(389)
Contracted staff expense	(107)	(98)
Warranty expense	(409)	(170)
Commission expense	(88)	(50)
Other expenses	(3,987)	(4,328)
<b>Profit before income tax</b>	<b>4,644</b>	<b>3,610</b>
Income tax expense	(1,301)	(1,097)
<b>Profit for the period</b>	<b>3,343</b>	<b>2,513</b>
<b>Other comprehensive income</b>		
<b>Items that will not be classified subsequently to profit or loss</b>		
Property revaluation increment (net of tax and reversals)	421	5,108
<b>Items that maybe reclassified to profit or loss</b>		
Exchange differences on translation of foreign controlled entities	1,006	(1,809)
Other comprehensive income for the period	1,427	3,299
<b>Total comprehensive income for the period</b>	<b>4,770</b>	<b>5,812</b>
Profit attributable to:		
Members of the parent entity	3,264	2,432
Non-controlling interest	79	81
	<b>3,343</b>	<b>2,513</b>
<b>Total comprehensive income for the period attributable to:</b>		
Members of the parent entity	4,691	5,731
Non-controlling interest	79	81
<b>Total comprehensive income for the period</b>	<b>4,770</b>	<b>5,812</b>
<b>Earnings per share</b>		
Basic earnings per share (cents per share)	8.7	6.5
Diluted earnings per share (cents per share)	8.7	6.5

The accompanying notes form part of this financial report.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2017  
WATERCO LIMITED AND CONTROLLED ENTITIES**

	<b>Consolidated Group</b>	
	<b>31/12/2017</b>	<b>30/6/2017</b>
	<b>\$000</b>	<b>\$000</b>
<b>Current Assets</b>		
Cash and cash equivalents	5,846	4,634
Trade and other receivables	17,354	12,861
Inventories	33,841	29,775
Other current assets	1,105	667
<b>Total Current Assets</b>	<b>58,146</b>	<b>47,937</b>
<b>Non-Current Assets</b>		
Property, plant & equipment	53,194	52,344
Intangible assets	138	135
Deferred tax assets	369	361
<b>Total Non-Current Assets</b>	<b>53,701</b>	<b>52,840</b>
<b>Total Assets</b>	<b>111,847</b>	<b>100,777</b>
<b>Current Liabilities</b>		
Trade and other payables	15,729	11,461
Borrowings	11,891	2,388
Current tax liabilities	876	690
Short-term provisions	1,988	2,120
<b>Total Current Liabilities</b>	<b>30,484</b>	<b>16,659</b>
<b>Non-Current Liabilities</b>		
Borrowings	9,961	15,805
Deferred tax liabilities	3,796	3,734
Long-term provisions	190	200
<b>Total Non-Current Liabilities</b>	<b>13,947</b>	<b>19,739</b>
<b>Total Liabilities</b>	<b>44,431</b>	<b>36,398</b>
<b>Net Assets</b>	<b>67,416</b>	<b>64,379</b>
<b>Equity</b>		
Issued capital	38,719	39,333
Reserves	13,919	12,492
Retained earnings	14,104	11,959
Parent interest	66,742	63,784
Non-controlling interest	674	595
<b>Total Equity</b>	<b>67,416</b>	<b>64,379</b>

The accompanying notes form part of this financial report.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2017  
WATERCO LIMITED AND CONTROLLED ENTITIES**

Consolidated Group	Issued Capital Ordinary \$000	Retained Earnings \$000	Capital Profits Reserve \$000	Asset Revaluation Reserve \$000	Foreign Currency Translatio n Reserve \$000	Non- controlling Interest \$000	Total \$000
Balance at 30/6/16	39,582	10,194	211	13,253	(4,450)	523	59,313
<b>Comprehensive income</b>							
Profit for the period		2,432				81	2,513
Exchange differences on translation of foreign controlled entities					(1,809)		(1,809)
Other comprehensive income				5,107			5,107
<b>Total comprehensive income/(loss) for the period</b>		<b>2,432</b>		<b>5,107</b>	<b>(1,809)</b>	<b>81</b>	<b>5,811</b>
<b>Transactions with owners in their capacity as owners and other transfers</b>							
15 December 2016 Issue of 530,691 shares at \$1.38 each under Waterco Dividend Reinvestment Plan	732						732
Cancellation of shares under Waterco Share Buy Back	(494)						(494)
Dividends paid		(1,119)					(1,119)
<b>Total transactions with owners and other transfers</b>	<b>238</b>	<b>(1,119)</b>					<b>(881)</b>
<b>Balance at 31/12/16</b>	<b>39,820</b>	<b>11,507</b>	<b>211</b>	<b>18,360</b>	<b>(6,259)</b>	<b>604</b>	<b>64,243</b>
Balance at 30/6/17	39,333	11,959	211	19,547	(7,266)	595	64,379
<b>Comprehensive income</b>							
Profit for the period		3,264				79	3,343
Exchange differences on translation of foreign controlled entities					1,006		1,006
Other comprehensive income				421			421
<b>Total comprehensive income/(loss) for the period</b>		<b>3,264</b>		<b>421</b>	<b>1,006</b>	<b>79</b>	<b>4,770</b>
<b>Transactions with owners in their capacity as owners and other transfers</b>							
Cancellation of shares under Waterco Share Buy Back	(614)						(614)
Dividends paid		(1,119)					(1,119)
<b>Total transactions with owners and other transfers</b>	<b>(614)</b>	<b>(1,119)</b>					<b>(1,733)</b>
<b>Balance at 31/12/17</b>	<b>38,719</b>	<b>14,104</b>	<b>211</b>	<b>19,968</b>	<b>(6,260)</b>	<b>674</b>	<b>67,416</b>

The accompanying notes form part of this financial report.

**CONSOLIDATED CASHFLOW STATEMENT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2017  
WATERCO LIMITED AND CONTROLLED ENTITIES**

	<b>Consolidated Group</b>	
	<b>31/12/2017</b>	<b>31/12/2016</b>
	<b>\$000</b>	<b>\$000</b>
<b><u>Cash Flows from Operating Activities</u></b>		
Receipts from customers	46,864	41,904
Payments to suppliers and employees	(45,750)	(36,045)
Interest received	15	40
Other income	379	882
Finance costs	(493)	(512)
Income tax	(1,061)	(892)
Net cash (used in)/provided by operating activities	(46)	5,377
<b><u>Cash Flows from Investing Activities</u></b>		
Dividends received	1	1
Payment for property, plant & equipment	(1,530)	(1,710)
Proceeds from sale of property, plant & equipment	108	50
Net cash (used in) investing activities	(1,421)	(1,659)
<b><u>Cash Flows from Financing Activities</u></b>		
Proceeds from borrowings	4,183	1,465
(Repayment) of borrowings	(500)	(500)
Proceeds from issue of shares	-	732
Share buyback	(614)	(493)
Payment of lease liabilities	(202)	(112)
Payment of hire purchase creditors	(83)	(79)
Dividends paid	(1,119)	(1,119)
Employee share plan repayments	-	-
Net cash provided by/(used in) financing activities	1,665	(106)
Net increase in cash held	198	3,612
Cash and cash equivalents at the beginning of period	4,634	4,518
Effects of exchange rate changes on balance of cash and cash equivalents held in foreign currencies	1,014	(516)
Cash and cash equivalents at the end of period	5,846	7,614

The accompanying notes form part of this financial report.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2017  
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 2017 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 condensed 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 2017 together with any public announcements made during the following half-year.

**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 2017 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 2017, 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.

**Note 2: Dividends**

	Consolidated Group	
	31/12/2017	31/12/2016
	\$000	\$000
Dividends paid		
Final fully franked dividend declared on 23rd August 2017 of 3c (2016:3c) per share franked at the tax rate of 30% (2016 30%)	1,119	1,119
	1,119	1,119

**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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2017  
WATERCO LIMITED AND CONTROLLED ENTITIES**

**Note 3: Operating Segments (continued)**

*Segment liabilities*

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

**Geographical Segments**

**2017**

	AUSTRALIA & NEW ZEALAND 31/12/2017 \$000	ASIA 31/12/2017 \$000	NORTH AMERICA &EUROPE 31/12/2017 \$000	ELIMINATION 31/12/2017 \$000	CONSOLIDATED GROUP 31/12/2017 \$000
Revenue					
Sales to customers outside the economic entity	34,130	7,818	5,416		47,364
Intersegment sales	760	14,203	485	(15,448)	
Unallocated revenue					395
Total revenue	34,890	22,021	5,901	(15,448)	47,759
Segment result	4,133	1,718	(493)	(319)	5,039
Unallocated expenses net of unallocated revenue					(395)
Profit before income tax					4,644
Income tax expense					(1,301)
Profit after income tax					3,343
Segment assets	88,164	59,281	12,773	(48,371)	111,847
Segment liabilities	38,578	28,980	31,563	(54,690)	44,431

**2016**

	AUSTRALIA & NEW ZEALAND 31/12/2016 \$000	ASIA 31/12/2016 \$000	NORTH AMERICA &EUROPE 31/12/2016 \$000	ELIMINATION 31/12/2016 \$000	CONSOLIDATED GROUP 31/12/2016 \$000
Revenue					
Sales to customers outside the economic entity	32,172	5,764	5,388		43,324
Intersegment sales	645	13,134	382	(14,161)	
Unallocated revenue					922
Total revenue	32,817	18,898	5,770	(14,161)	44,246
Segment result	4,332	1,715	(793)	(722)	4,532
Unallocated expenses net of unallocated revenue					(922)
Profit before income tax					3,610
Income tax expense					(1,097)
Profit after income tax					2,513
Segment assets	92,621	49,259	13,583	(47,841)	107,622
Segment liabilities	39,537	23,034	32,146	(51,338)	43,379

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2017  
WATERCO LIMITED AND CONTROLLED ENTITIES**

**Note 4: Contingent Liabilities**

	<b>Consolidated Group</b>	
	<b>31/12/2017</b>	<b>31/12/2016</b>
	<b>\$000</b>	<b>\$000</b>
Estimate of the maximum amount of contingent liabilities that may become payable:		
Guarantee of leases of premises subleased to franchisees	7,344	7,103
	<u>7,344</u>	<u>7,103</u>

**Note 5: Fair Value Measurements**

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- derivative financial instruments;
- freehold land and buildings;

The Group subsequently measures some items of freehold land and buildings at fair value on a non recurring basis.

The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

**a) Fair Value Hierarchy**

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

**Valuation techniques**

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The evaluation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2017  
WATERCO LIMITED AND CONTROLLED ENTITIES**

**Note 5: Fair Value Measurements (continued)**

The following tables provide the fair values of the Group's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

		31 December 2017			
	Note	Level 1	Level 2	Level 3	Total
		\$000	\$000	\$000	\$000

**Recurring fair value measurements**

Non-financial assets					
		-	-	15,401	15,401
		-	-	25,949	25,949
		-	-	41,350	41,350
		-	-	41,350	41,350

		30 June 2017			
	Note	Level 1	Level 2	Level 3	Total
		\$000	\$000	\$000	\$000

**Recurring fair value measurements**

Non-financial assets					
		-	-	14,987	14,987
		-	-	25,761	25,761
		-	-	40,748	40,748
		-	-	40,748	40,748

**b. Valuation Techniques and Inputs Used to Measure Level 3 Fair Values**

Description	Fair Value at 31 December 2017	Valuation Technique(s)	Inputs Used
	\$000		
<i>Non-financial assets</i>			
Freehold land <sup>(i)</sup>	15,401	Market approach using recent observable market data for similar properties; income approach using discounted cash flow methodology	Price per hectare; market borrowing rate
Freehold buildings <sup>(i)</sup>	25,949	Market approach using recent observable market data for similar properties; income approach using discounted cash flow methodology	Price per square metre; market borrowing rate
	41,350		

(i) The fair value of freehold land and buildings is determined at least every three years based on valuations from independent valuers. At the end of each intervening period, the directors review the independent valuation and, when appropriate, update the fair value measurement to reflect current market conditions using a range of valuation techniques, including recent observable market data and/or discounted cash flow methodologies.

There were no changes during the period in the valuation techniques used by the Group to determine Level 3 fair values.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2017  
WATERCO LIMITED AND CONTROLLED ENTITIES**

**Note 5: Fair Value Measurements (continued)**

**c. Disclosed Fair Value Measurements**

The following assets and liabilities are not measured at fair value in the statement of financial position;

- lease liability;
- bank debt;

The following table provides the level of the fair value hierarchy within which the disclosed fair value measurements are categorised in their entirety and a description of the valuation technique(s) and inputs used:

Description	Note	Fair Value Hierarchy Level	Valuation Technique(s)	Inputs Used
<i>Assets</i>				
<i>Liabilities</i>				
Lease liability		2	Income approach using discounted cash flow methodology	Current commercial borrowing rates for similar instruments
Bank debt		2	Income approach using discounted cash flow methodology	Current commercial borrowing rates for similar instruments

There has been no change in the valuation technique(s) used to calculate the fair values disclosed in the notes to the financial statements.

**Note 6 Events Subsequent to Reporting Date**

There are no material subsequent events since the half year ended 31 December 2017.

**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 2017 and of its performance for the half- year ended on that date.
- 2) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Soon Sinn Goh  
Chief Executive Officer

Dated at SYDNEY this 23rd day of February 2018

**RSM Australia Partners**

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**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 which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement 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 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of 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 auditor's 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 2017 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

**RSM AUSTRALIA PARTNERS**

David Talbot

**David Talbot**  
Partner

Sydney, NSW

Dated: 23 February 2018

**RSM Australia Partners**

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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 2017, 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*

**RSM AUSTRALIA PARTNERS**

*David Talbot*

**David Talbot**  
Partner

Sydney, NSW  
Dated: 23 February 2018