

WATERCO LIMITED
A.B.N. 62 002 070 733
INTERIM FINANCIAL REPORT
FOR THE HALF YEAR
ENDED 31 DECEMBER, 2020

CONTENTS

Directors' Report	2
Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Changes in Equity	6
Consolidated Cash Flow Statement.....	7
Notes to the Financial Statements	8
Directors' Declaration	15
Independent Review Report	16
Auditor's Independence Declaration	18

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, 20

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

Soon Sinn Goh
Bryan Goh
Ben Hunt
Richard Ling
Judy Raper

REVIEW OF OPERATIONS

REVENUE AND PROFITABILITY

For the six months ended 31 December 2020 (Half-year), the Group reported a Net Profit After Tax of \$10.456 million (Previous Corresponding Period, or PCP \$3.153 million) and Earnings Before Interest & Tax (EBIT) of \$7.286 million (PCP \$4.586 million).

Total Revenue was \$64.26 million (PCP \$55.13 million).

DIVISIONAL EBIT PERFORMANCE

The breakdown of EBIT contribution by division is as follows:

	Dec 2020	Dec 2019	% Change
	(\$000)	(\$000)	
Australia and New Zealand	2,822	2,873	-1.8%
Asia	2,488	1,817	+36.9%
North America and Europe	1,976	(104)	+2000%
Consolidated Reported EBIT	7,286	4,586	+58.9%

AUSTRALIA AND NEW ZEALAND (ANZ)

In Australia and New Zealand (ANZ), Sales increased by 18% compared to the PCP reflecting the contribution from the Autopool Acquisition to the business, and a general increase in sales resulting from consumers (unable to travel overseas/interstate due to Covid-19) spending their travel money on home improvements including new pools and updating existing pools. During the half year, ANZ Group have booked in a provision for FY21 bonuses of \$709,171 (pcp nil) which is only payable if the staff achieve their performance targets for the full year

ASIA

In Asia, sales registered a 2% reduction compared to the PCP, arising mainly from political and social issues in the region.

The bulk of the reduction was in Singapore which saw a 39% drop (\$545,000) in sales compared to the PCP.

The reduction in sales was offset by a reduction in overheads through management initiatives put into place.

The level of manufacturing operations in Asia showed modest growth and continue to provide excellent support for the Group.

NORTH AMERICA AND EUROPE

In Northern America and Europe – namely Canada, the USA and Europe – sales encouragingly registered significant growth, compared with PCP. The main business season for this Division is in the second half of the financial year. Waterco Europe (based in the UK) recorded a 34% increase in sales (\$A1.8m) and is mainly responsible for the increase in performance in this division. The ground-work we have done in USA in previous years contributed to the turnaround in profit of \$A800k in Waterco USA compared to the PCP.

PRODUCT DEVELOPMENT AND WATER TREATMENT

In this Half-year, Waterco invested approximately \$0.82 million on research and development, which was fully expensed. The Group continues to respond to market demands for innovative, durable and energy-efficient products, with 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.

WORKING CAPITAL

	Dec 2020 (\$000)	Dec 2019 (\$000)
Inventory	36,500	36,882
Debtors	19,117	20,340
Creditors	(20,407)	(19,493)
TOTAL	35,210	37,729

The group's working capital as at December 2020 saw a decrease of \$2.519 million, with decrease in inventory and debtors and increase in creditors.

EARNINGS PER SHARE

The Earnings used in calculating the basic earnings per share of 29.2c in the current period has included a positive tax adjustment of \$4.985m related to the profit on sale of Waterco C in the previous financial year.

If we exclude the positive tax adjustment of \$4.985m from Earnings, the Adjusted Earnings would be \$5.499m and adjusted basic earnings per share would be 15.3c

Earnings per Share	Dec 2020 (\$000)
Earnings used in calculation of basic EPS	10,484
Weighted average number of ordinary shares	35,943
Basic earnings per share	29.2c
Earnings used in calculation of basic EPS	10,484
Income tax adjustment related to sale of Waterco C in prior year	4,985
Adjusted Earnings used in calculation of basic EPS (before tax adjustment)	5,499
Adjusted basic EPS	15.3c

DIVIDEND AND OUTLOOK

Based on this Half-year result, the Board declares a fully-franked interim dividend of 3 cents per share payable on 15 June 2021.

This Half-year has been a challenging one, with the business sentiments in China still uncertain, ongoing trade issues with Australia and the USA, and the continuing effects of the Covid-19 Pandemic especially on North America, Europe and Asia. The Australian Dollar has also fluctuated significantly against the US Dollar.

The Board expects the second half-year to be more settled as the Covid-19 vaccines are rolled out on a large scale.

AUDITOR'S DECLARATION

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page18.

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



.....
Soon Sinn Goh
Chairman
Waterco Limited
23 February 2021

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2020
WATERCO LIMITED AND CONTROLLED ENTITIES**

	Consolidated Group	
	31/12/2020	31/12/2019
	\$000	\$000
Sales revenue	61,400	52,828
Other revenue	2,859	2,299
Changes in inventories of finished goods and work in progress	(3,075)	3,497
Raw Materials and consumables used	(28,229)	(30,060)
Employee benefits expense	(12,629)	(11,149)
Depreciation and amortisation expense	(3,594)	(3,336)
Finance costs	(227)	(524)
Advertising expense	(1,007)	(1,169)
Discounts allowed	(212)	(148)
Outward freight expense	(1,183)	(1,108)
Rent expense	(592)	(693)
Research and development	(817)	(681)
Insurance general	(578)	(525)
Contracted staff expense	(126)	(151)
Warranty expense	(300)	(405)
Commission expense	(248)	(205)
Other expenses	(4,367)	(4,378)
Profit before income tax	7,075	4,092
Income tax benefit/(expense)	3,381	(939)
Profit for the period	10,456	3,153
Other comprehensive income		
Items that will not be classified subsequently to profit or loss		
Property revaluation increment (net of tax and reversals)	(565)	289
Items that maybe reclassified to profit or loss		
Exchange differences on translation of foreign controlled entities	(2,541)	356
Other comprehensive income for the period	(3,106)	645
Total comprehensive income for the period	7,350	3,798
Profit attributable to:		
Members of the parent entity	10,484	3,193
Non-controlling interest	(28)	(40)
	10,456	3,153
Total comprehensive income for the period attributable to:		
Members of the parent entity	7,378	3,838
Non-controlling interest	(28)	(40)
Total comprehensive income for the period	7,350	3,798
Earnings per share		
Basic earnings per share (cents per share)	29.2	8.7
Diluted earnings per share (cents per share)	29.2	8.7

The accompanying notes form part of this financial report.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020
WATERCO LIMITED AND CONTROLLED ENTITIES**

	Consolidated Group	
	31/12/2020	30/6/2020
	\$000	\$000
Current Assets		
Cash and cash equivalents	12,631	9,697
Trade and other receivables	19,117	36,848
Inventories	36,500	33,060
Other current assets	1,383	792
Total Current Assets	69,631	80,397
Non-Current Assets		
Property, plant & equipment	49,929	51,606
Right of use assets	12,131	13,350
Intangible assets	1,202	292
Deferred tax assets	578	560
Total Non-Current Assets	63,840	65,808
Total Assets	133,471	146,205
Current Liabilities		
Trade and other payables	20,407	14,056
Borrowings	263	12,470
Right of use liabilities	4,348	4,291
Current tax liabilities	911	810
Short-term provisions	3,156	1,956
Total Current Liabilities	29,085	33,583
Non-Current Liabilities		
Borrowings	1,106	9,816
Right of use liabilities	8,041	9,361
Deferred tax liabilities	1,637	5,974
Long-term provisions	225	210
Total Non-Current Liabilities	11,009	25,361
Total Liabilities	40,094	58,944
Net Assets	93,377	87,261
Equity		
Issued capital	35,821	35,982
Reserves	12,306	15,413
Retained earnings	44,644	35,233
Parent interest	92,771	86,628
Non-controlling interest	606	633
Total Equity	93,377	87,261

The accompanying notes form part of this financial report.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2020
WATERCO LIMITED AND CONTROLLED ENTITIES**

Consolidated Group	Issued Capital Ordinary	Retained Earnings	Capital Profits Reserve	Asset Revaluation Reserve	Foreign Currency Translatio n Reserve	Non- controlling Interest	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 30/6/19	37,676	14,191	211	25,234	(2,221)	739	75,830
Adjustment for change in accounting policy (note 1)		(36)	-				(36)
Balance at 30/6/19- restated	37,676	14,155	211	25,234	(2,221)	739	75,794
Comprehensive income							
Profit for the period	-	3,193	-	-	-	(40)	3,153
Exchange differences on translation of foreign controlled entities	-	-	-	-	355	-	355
Other comprehensive income	-	-	-	289	-	-	289
Total comprehensive income/(loss) for the period	-	3,193	-	289	355	(40)	3,797
Transactions with owners in their capacity as owners and other transfers							
Cancellation of shares under Waterco Share Buy Back	(532)	-	-	-	-	-	(532)
Dividends paid	-	(1,094)	-	-	-	-	(1,094)
Total transactions with owners and other transfers	(532)	(1,094)	-	-	-	-	(1,626)
Balance at 31/12/19	37,144	16,254	211	25,523	(1,866)	699	77,965
Balance at 30/6/20	35,982	35,234	211	20,153	(4,953)	634	87,261
Comprehensive income							
Profit for the period	-	10,484	-	-	-	(28)	10,456
Exchange differences on translation of foreign controlled entities	-	-	-	-	(2,540)	-	(2,540)
Other comprehensive income	-	-	-	(565)	-	-	(565)
Total comprehensive income/(loss) for the period	-	10,484	-	(565)	(2,540)	(28)	7,351
Transactions with owners in their capacity as owners and other transfers							
Cancellation of shares under Waterco Share Buy Back	(161)	-	-	-	-	-	(161)
Dividends paid	-	(1,074)	-	-	-	-	(1,074)
Total transactions with owners and other transfers	(161)	(1,074)	-	-	-	-	(1,235)
Balance at 31/12/20	35,821	44,644	211	19,588	(7,493)	606	93,377

The accompanying notes form part of this financial report.

**CONSOLIDATED CASHFLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2020
WATERCO LIMITED AND CONTROLLED ENTITIES**

	Consolidated Group	
	31/12/2020	31/12/2019
	\$000	\$000
<u>Cash Flows from Operating Activities</u>		
Receipts from customers	56,566	48,016
Payments to suppliers and employees	(53,980)	(40,853)
Interest received	16	29
Other income	2,843	624
Finance costs	(227)	(524)
Income tax	(874)	(205)
Net cash (used in)/provided by operating activities	4,344	7,087
<u>Cash Flows from Investing Activities</u>		
Dividends received	1	1
Payment for property, plant & equipment	(376)	(767)
Proceeds from sale of property, plant & equipment	72	82
Payment for business	(1,426)	-
Consideration from sale of business	27,402	-
Net cash (used in) investing activities	25,673	(684)
<u>Cash Flows from Financing Activities</u>		
Proceeds from borrowings	-	1,397
(Repayment) of borrowings	(19,598)	(2,214)
Payment of rou liabilities	(2,394)	-
Share buyback	(160)	(533)
Dividends paid	(1,074)	(1,094)
Net cash provided by/(used in) financing activities	(23,226)	(2,444)
Net (decrease)/increase in cash held	6,791	3,959
Cash and cash equivalents at the beginning of period	8,312	4,166
Effects of exchange rate changes on balance of cash and cash equivalents held in foreign currencies	(2,472)	(582)
Cash and cash equivalents at the end of period	12,631	7,543

The accompanying notes form part of this financial report.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020
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 2020 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 2020 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 2020 financial statements except for the policies stated below.

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

The company had adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the half year.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020
WATERCO LIMITED AND CONTROLLED ENTITIES**

Note 2: Dividends

	Consolidated Group	
	31/12/2020	31/12/2019
	\$000	\$000
Dividends paid		
Final fully franked dividend declared on 23rd August 2020 of 3c (2019:3c) per share franked at the tax rate of 30% (2019 30%)	1,074	1,094
	<u>1,074</u>	<u>1,094</u>

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.

Segment Information

Inter-segment transactions

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 2020
WATERCO LIMITED AND CONTROLLED ENTITIES**

Note 3: Operating Segments (continued)

Geographical Segments

	2020				
	AUSTRALIA & NEW ZEALAND 31/12/2020 \$000	ASIA 31/12/2020 \$000	NORTH AMERICA &EUROPE 31/12/2020 \$000	ELIMINATION 31/12/2020 \$000	CONSOLIDATED GROUP 31/12/2020 \$000
Revenue					
Sales to customers outside the economic entity	43,960	6,546	10,894		61,400
Intersegment sales	596	16,981	248	(17,825)	
Unallocated revenue					
Total revenue	<u>44,556</u>	<u>23,527</u>	<u>11,142</u>	<u>(17,825)</u>	<u>61,400</u>
Segment result	4,836	2,683	2,415		9,934
Unallocated expenses net of unallocated revenue					<u>(2,859)</u>
Profit before income tax					7,075
Income tax benefit/(expense)					<u>3,381</u>
Profit after income tax					<u>10,456</u>
Segment assets	<u>105,962</u>	<u>50,170</u>	<u>16,943</u>	<u>(39,604)</u>	<u>133,471</u>
Segment liabilities	<u>34,728</u>	<u>22,648</u>	<u>24,693</u>	<u>(41,975)</u>	<u>40,094</u>
	2019				
	AUSTRALIA & NEW ZEALAND 31/12/2019 \$000	ASIA 31/12/2019 \$000	NORTH AMERICA &EUROPE 31/12/2019 \$000	ELIMINATION 31/12/2019 \$000	CONSOLIDATED GROUP 31/12/2019 \$000
Revenue					
Sales to customers outside the economic entity	37,176	6,865	8,787		52,828
Intersegment sales	642	17,193	436	(18,271)	
Unallocated revenue					
Total revenue	<u>37,818</u>	<u>24,058</u>	<u>9,223</u>	<u>(18,271)</u>	<u>52,828</u>
Segment result	4,671	1,745	(26)		6,390
Unallocated expenses net of unallocated revenue					<u>(2,298)</u>
Profit before income tax					4,092
Income tax benefit/(expense)					<u>(939)</u>
Profit after income tax					<u>3,153</u>
Segment assets	<u>109,814</u>	<u>69,428</u>	<u>18,038</u>	<u>(55,750)</u>	<u>141,530</u>
Segment liabilities	<u>55,024</u>	<u>35,751</u>	<u>38,659</u>	<u>(65,869)</u>	<u>63,565</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020
WATERCO LIMITED AND CONTROLLED ENTITIES**

Note 4: Business combinations

On 17 July 2020, Waterco Ltd completed the purchase of the business of Autopool from Automated Pool Products Pty Ltd. Autopool is a leading distributor of hardware in the pool market. It provides a range of high quality products and has a very strong presence throughout Australia (especially in WA and Qld). The acquired business contributed (from 17th July 2020 till the end of the half year) revenue of \$4.18m and profit after tax of \$464,000. The values identified in relation to the acquisition of Autopool are provisional as at 31 December 2020.

Details of the Acquisition are as follows:

	Fair Value \$'000
Plant and Equipment	338
Inventory	1,229
Prepayments	27
Employee benefits	(75)

Net Assets Acquired	1,519
Intangibles	947

Acquisition date fair value	2,466
	=====

Representing:

Cash paid/payable to vendor	2,466
	=====

Cash used to acquire business (net of cash acquired)	2,466
Less: Payments to be made in future periods	(1,040)

Net cash used	1,426
	=====

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:

-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:

Level 1	Level 2	Level 3
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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020
WATERCO LIMITED AND CONTROLLED ENTITIES**

Note 5: Fair Value Measurements (continued)

a) Fair Value Hierarchy (continued)

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.

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:

	Note	31 December 2020			Total \$000
		Level 1 \$000	Level 2 \$000	Level 3 \$000	

Recurring fair value measurements

Non-financial assets

<i>Freehold land</i>	-	-	17,269	17,269
Freehold buildings	-	-	25,065	25,065

**Total non-financial assets
recognised at a fair value
on a recurring basis**

-	-	42,334	42,334
---	---	--------	--------

**Total non-financial assets
recognised at a fair value
on a recurring basis**

-	-	42,334	42,334
---	---	--------	--------

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020
WATERCO LIMITED AND CONTROLLED ENTITIES**

Note 5: Fair Value Measurements (continued)

		30 June 2020			
	Note	Level 1	Level 2	Level 3	Total
		\$000	\$000	\$000	\$000

Recurring fair value measurements

Non-financial assets

Freehold land - - 17,850 17,850

Freehold buildings - - 26,118 26,118

**Total non-financial assets
recognised at fair value
on a recurring basis**

- - 43,968 43,968

**Total non-financial assets
recognised at a fair value
on a recurring basis**

- - 43,968 43,968

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

Description	Fair Value at 31 December 2020	Valuation Technique(s)	Inputs Used
	\$000		
<i>Non-financial assets</i>			
Freehold land ⁽ⁱ⁾	17,269	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 ⁽ⁱ⁾	25,065	Market approach using recent observable market data for similar properties; income approach using discounted cash flow methodology	Price per square metre; market borrowing rate
	<u>42,334</u>		

(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 2020
WATERCO LIMITED AND CONTROLLED ENTITIES**

Note 6 Income tax expense

Consolidated Group	
31/12/2020	31/12/2019
\$000	\$000

The prima facie tax on profit before income tax is reconciled to the income tax as follows:

Profit before income tax	7,075	4,092
Prima facie tax payable on profit before income tax at 30% (2019: 30%)	2,123	1,228
Add		
Tax effect of:		
• Depreciation of buildings	51	40
• Foreign controlled entities tax losses not tax effected	-	118
• Unrealised foreign exchange losses	322	
• ROU assets	-	21
• Non deductible expenses		-
• Asset Revaluation Reserve of controlled entity sold		
• Other	11	17
Less		
Tax effect of:		
• Research and development		
• ROU assets	13	-
• Effects of lower rates in overseas countries	436	304
• Unrealised foreign exchange gains		80
• Exempt income		
• Overprovision for tax in prior years	4,991	101
• Reinvestment allowance	323	
• Foreign controlled entities tax losses not tax effected	90	-
• Other	35	-
Income tax expense attributable to entity	(3,381)	939
The applicable weighted average effective tax rates are as follows:	(48%)	23%

Note 7 Events Subsequent to Reporting Date

On 18 January 2021, Solar-Mate Sdn Bhd (a subsidiary company in Malaysia) entered into an agreement to purchase the hot water heating business of Pecol Engineering Sdn Bhd for a total consideration of RM6.2m /\$A2.045m. The settlement of the business is expected to take place at the end of February 2021. There are no other material subsequent events since the half year ended 31 December 2020.

**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 4 to 14 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 2020 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 2021



RSM Australia Partners

Level 13, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001

T +61 (0) 2 8226 4500
F +61 (0) 2 8226 4501

www.rsm.com.au

**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 2020, 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 2020 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 2020 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*.

A handwritten signature in cursive script that reads "RSM".

RSM AUSTRALIA PARTNERS

A handwritten signature in cursive script that reads "C J Hume".

C J Hume
Partner

Sydney, NSW

Dated: 23 February 2021



RSM Australia Partners

Level 13, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001

T +61 (0) 2 8226 4500
F +61 (0) 2 8226 4501

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Waterco Limited for the half year ended 31 December 2020, 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 AUSTRALIA PARTNERS

C J Hume
Partner

Sydney, NSW
Dated: 23 February 2021