



P.O BOX 230, RYDALMERE, BC NSW 1701  
 36 SOUTH STREET RYDALMERE, NSW 2116 AUSTRALIA  
 TEL: (+612) 9898 8600 FAX: (+612) 9898 1877  
 WEBSITE: [www.waterco.com.au](http://www.waterco.com.au)

ASX/media release

28 August, 2003

## Waterco achieves record profit, up 229 per cent

Waterco Limited (ASX: WAT), Australia's leading manufacturer and distributor of pool and spa equipment and accessories, today announced a record after-tax profit of \$3.9 million for the year to 30 June 2003. This represents an increase of 229 per cent over the previous corresponding period.

Earnings per share increased by 227 per cent to 20.6 cents. The EBIT to sales margin improved to 9.3 per cent from 5.0 per cent in the previous year.

The directors have declared a fully franked dividend of 7.0 cents per share (2002: 5.0 cents) payable on 6 November 2003 to shareholders on the register on 16 October.

Results summary (\$000)	Year to 30 June 2003	Year to 30 June 2002	% increase
Operating Revenue	71,475	61,014	17.1
Sales Revenue	69,667	59,475	17.1
EBITDA (Earnings before interest, tax, depreciation and amortisation)	7,749	4,336	78.7
EBITA (Earnings before interest, tax and amortisation of goodwill)	6,561	3,045	115.5
EBIT (Earnings before interest and tax)	6,511	2,998	117.2
Profit before tax	5,310	1,796	195.7
Profit after tax attributable to Shareholders	3,899	1,185	229
Earnings per share - (cents)	20.6	6.3	227.0
Final dividend per share (cents - fully franked)	7	5	40
Total dividends for the year (cents - fully franked)	13	11	18.2

## Business Review

Managing Director, Mr. Soon Sinn Goh, said: "This is an excellent result. We have achieved record revenue and profit through focusing on our core businesses and building their market shares."

### Australia

The company's Australian business, which manufactures and supplies pool and spa equipment to builders and pool stores and has a strong presence in the swimming pool chemicals market, experienced exceptional organic growth. Sales Revenue increased to \$58.1 million (2002: \$52.7 million) and EBIT increased to \$4.8 million (2002: \$2.1 million).

Total sales by Swimart stores, which are franchised retail outlets selling swimming pool equipment, chemicals and accessories, exceeded previous years by 11 per cent. The franchising division comprises approximately a quarter of the Australian business. The total number of stores currently trading as Swimart has increased by four to 48.

### New Zealand

The acquisition in July of certain assets of New Zealand's Poolcare FPI Services Limited, comprising four pool and spa services retail shops in Auckland, will enable Waterco to commence the Swimart retail system in New Zealand.

These four shops will be franchised at a later date, similar to those in Australia. They will also provide a base for additional stores to be opened over the next few years, replicating the successful operation in Australia.

Sales Revenue was slow at \$3.5 million (2002: \$3.6 million); however EBIT increased to \$0.18 million (2002: \$0.026 million).

### Asia

The market for filters which treat the entire household water, rather than just drinking water, is expected to continue growing. Waterco's Watershoppe, the dealership network in Malaysia which sells household filtration systems, expanded to 10 outlets.

Waterco's Plastic Injection Moulding Division in Malaysia, which manufactures pumps for local sale and export to Australia, the United States and Europe, is now firmly established with production facilities continuing to increase. In addition to pumps, a new process of manufacturing high pressure filters was developed, increasing volume and improving efficiency, allowing the company to stay competitive in the international market.

Waterco's facilities in China have grown in order to service the increase in sales of chemicals in Australia and New Zealand. Waterco Guangzhou has also begun manufacturing filters to meet demand in China. At a later stage, Waterco will manufacture filters for Europe and the USA.

### UK & USA

The acquisition in April of UK-based Lacro Limited has strengthened Waterco's entry into the lucrative European market. Sales Revenue for UK and the USA increased to \$6.9 million (2002: \$0.23 million) and EBIT increased to \$0.47 million (2002 Loss: \$0.77 million).

Lacro has been manufacturing high quality filters for domestic and public pools for more than 30 years and has sold them extensively both in Europe and around the globe. It has an excellent reputation for the advanced technology it uses in its manufacturing processes. Waterco will invest further in developing these processes.

Waterco's business in the USA, which distributes swimming pool pumps to pool builders, performed very well over the last financial year, with sales extending to a wider customer base.

Its largest customer increased its purchase of pump components after the introduction of a new range, developed in Australia. As a result, the second half year's performance was very strong, reversing last year's poor results.

### **Outlook**

Mr Goh says Waterco will achieve revenue of approximately \$80 million in the new financial year. This is with the growth currently experienced combined with the recent acquisition of the four pool shops in New Zealand and the acquisition of Lacro in UK.

He says additional resources will be dedicated to research and development as the company continues to build for the future with new products and manufacturing processes.

-ends-

For further information, please contact:

Soon Sinn Goh,  
Managing Director  
(02) 9898 8600  
Waterco Limited  
ABN 62002070733

Released through  
Kerry Gardner, Financial & Corporate Relations  
(02) 9235 1666 or 0400 826 741

61 2 98980507

**Appendix 4B**  
**Half yearly/preliminary final report**



## Appendix 4B

### Preliminary final report

Rules 4.1, 4.3

Introduced 30/6/2002.

Name of entity

Waterco Limited

ABN or equivalent company  
reference

62002070733

Half yearly  
(tick)☐Preliminary  
final (tick)☒

financial year ended ('current period')

30<sup>th</sup> June 2003**For announcement to the market***Extracts from this report for announcement to the market (see note 1).*

SA'000

Extracts from this report for announcement to the market (see Note 1):

Revenues from ordinary activities (item 1.1)	up	17.1%	to	71,475
Profit (loss) from ordinary activities after tax attributable to members (item 1.22)	up	229 %	to	3,899
Profit (loss) from extraordinary items after tax attributable to members (item 2.5(d))	gain (loss) of			.
Net profit (loss) for the period attributable to members (item 1.11)	up	229%	to	3,899

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend (Preliminary final report only - item 15.4)	7¢	7¢
Interim dividend (Half yearly report only - item 15.6)		
Previous corresponding period (Preliminary final report - item 15.5; half yearly report - item 15.7)	5¢	5¢

†Record date for determining entitlements to the dividend,  
(in the case of a trust, distribution) (see item 15.2)

16<sup>th</sup> October 2003

Brief explanation of any of the figures reported above (see Note 1) and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

16<sup>th</sup> October 2003

**If this is a half yearly report it is to be read in conjunction with the most recent annual financial report.**

† See chapter 19 for defined terms.

30/6/2002

Appendix 4B Page 1

**Condensed consolidated statement of financial performance**

	Current period - \$A'000	Previous corresponding period - \$A'000
1.1 Revenues from ordinary activities ( <i>see items 1.23 -1.25</i> )	71,475	61,014
1.2 Expenses from ordinary activities ( <i>see items 1.26 &amp; 1.27</i> )	(64,964)	(58,015)
1.3 Borrowing costs	( 1,201)	(1,203)
1.4 Share of net profits (losses) of associates and joint venture entities ( <i>see item 16.7</i> )		
1.5 Profit (loss) from ordinary activities before tax	5,310	1,796
1.6 Income tax on ordinary activities ( <i>see note 4</i> )	1,497	595
1.7 Profit (loss) from ordinary activities after tax	3,813	1,201
1.8 Profit (loss) from extraordinary items after tax ( <i>see item 2.5</i> )	-	-
1.9 Net profit (loss)	3,813	1,201
1.10 Net profit (loss) attributable to outside <sup>+</sup> equity interests	(86)	16
1.11 Net profit (loss) for the period attributable to members	3,899	1,185
<b>Non-owner transaction changes in equity</b>		
1.12 Increase (decrease) in revaluation reserves		
1.13 Net exchange differences recognised in equity		
1.14 Other revenue, expense and initial adjustments recognised directly in equity (attach details)		
1.15 Initial adjustments from UITG transitional provisions		
1.16 Total transactions and adjustments recognised directly in equity (items 1.12 to 1.15)		
1.17 Total changes in equity not resulting from transactions with owners as owners		

<b>Earnings per security (EPS)</b>	Current period	Previous corresponding period
1.18 Basic EPS	20.6c	6.3c
1.19 Diluted EPS	20.6c	6.3c

+ See chapter 19 for defined terms.

**Notes to the condensed consolidated statement of financial performance****Profit (loss) from ordinary activities attributable to members**

	Current period - SA'000	Previous corresponding period - SA'000
1.20 Profit (loss) from ordinary activities after tax (item 1.7)	3,813	1,201
1.21 Less (plus) outside <sup>+</sup> equity interests	(86)	16
1.22 Profit (loss) from ordinary activities after tax, attributable to members	3,899	1,185

**Revenue and expenses from ordinary activities - SEE ANNEXURE A**

(see note 15)

	Current period - SA'000	Previous corresponding period - SA'000
1.23 Revenue from sales or services		
1.24 Interest revenue		
1.25 Other relevant revenue		
1.26 Details of relevant expenses		
1.27 Depreciation and amortisation excluding amortisation of intangibles (see item 2.3)		
<b>Capitalised outlays</b>		
1.28 Interest costs capitalised in asset values	-	-
1.29 Outlays capitalised in intangibles (unless arising from an <sup>+</sup> acquisition of a business)	-	-

**Consolidated retained profits**

	Current period - SA'000	Previous corresponding period - SA'000
1.30 Retained profits (accumulated losses) at the beginning of the financial period	6,248	7,132
1.31 Net profit (loss) attributable to members (item 1.11)	3,899	1,185
1.32 Net transfers from (to) reserves (details if material)	-	-
1.33 Net effect of changes in accounting policies	-	-
1.34 Dividends and other equity distributions paid or payable	2,081	2,069
1.35 Retained profits (accumulated losses) at end of financial period	8,066	6,248

+ See chapter 19 for defined terms.

**Intangible and extraordinary items**

<i>Consolidated - current period</i>				
	Before tax SA'000  (a)	Related tax SA'000  (b)	Related outside + equity interests SA'000  (c)	Amount (after tax) attributable to members SA'000  (d)
2.1 Amortisation of goodwill	50	-	-	50
2.2 Amortisation of other intangibles	-	-	-	-
2.3 Total amortisation of intangibles	50	-	-	50
2.4 Extraordinary items (details)	-			
2.5 Total extraordinary items				

**Comparison of half year profits***(Preliminary final report only)*

	Current year - SA'000	Previous year - SA'000
3.1 Consolidated profit (loss) from ordinary activities after tax attributable to members reported for the 1st half year (item 1.22 in the half yearly report)	2,536	1,819
3.2 Consolidated profit (loss) from ordinary activities after tax attributable to members for the 2nd half year	1,363	(634)

+ See chapter 19 for defined terms.

<b>Condensed consolidated statement of financial position</b>		<b>At end of current period \$A'000</b>	<b>As shown in last annual report \$A'000</b>	<b>As in last half yearly report \$A'000</b>
<b>Current assets</b>				
4.1	Cash	2,808	951	2,939
4.2	Receivables	10,320	8,719	17,115
4.3	Investments	-	-	-
4.4	Inventories	16,711	19,464	20,998
4.5	Tax assets	-	-	-
4.6	Other (provide details if material)	535	593	691
4.7	<b>Total current assets</b>	<b>30,374</b>	<b>29,727</b>	<b>41,743</b>
<b>Non-current assets</b>				
4.8	Receivables	494	541	495
4.9	Investments (equity accounted)	-	-	-
4.10	Other investments	-	-	-
4.11	Inventories	-	-	-
4.12	Exploration and evaluation expenditure capitalised (see para 71 of AASB 1022)	-	-	-
4.13	Development properties (mining entities)	-	-	-
4.14	Other property, plant and equipment (net)	14,747	15,425	15,207
4.15	Intangibles (net)	396	542	517
4.16	Tax assets	1,100	892	1,372
4.17	Other (provide details if material)	-	53	45
4.18	<b>Total non-current assets</b>	<b>16,737</b>	<b>17,453</b>	<b>17,636</b>
4.19	<b>Total assets</b>	<b>47,111</b>	<b>47,180</b>	<b>59,379</b>
<b>Current liabilities</b>				
4.20	Payables	7,900	6,237	13,410
4.21	Interest bearing liabilities	1,156	1,399	1,195
4.22	Tax liabilities	783	(227)	758
4.23	Provisions exc. tax liabilities	1,762	922	1,262
4.24	Other (provide details if material)	-	-	-
4.25	<b>Total current liabilities</b>	<b>11,601</b>	<b>8,331</b>	<b>16,625</b>
<b>Non-current liabilities</b>				
4.26	Payables	-	-	-
4.27	Interest bearing liabilities	13,396	17,395	19,848
4.28	Tax liabilities	457	554	464
4.29	Provisions exc. tax liabilities	329	339	357
4.30	Other (provide details if material)	-	-	-
4.31	<b>Total non-current liabilities</b>	<b>14,182</b>	<b>18,288</b>	<b>20,669</b>

+ See chapter 19 for defined terms.



**Condensed consolidated statement of financial position continued**

<b>4.32</b>	<b>Total liabilities</b>	<b>25,783</b>	<b>26,619</b>	<b>37,294</b>
<b>4.33</b>	<b>Net assets</b>	<b>21,328</b>	<b>20,561</b>	<b>22,085</b>
	<b>Equity</b>			
4.34	Capital/contributed equity	13,823	13,786	13,786
4.35	Reserves	(507)	494	501
4.36	Retained profits (accumulated losses)	8,066	6,248	7,839
4.37	Equity attributable to members of the parent entity	21,382	20,528	22,126
4.38	Outside <sup>+</sup> equity interests in controlled entities	(54)	33	(41)
4.39	<b>Total equity</b>	<b>21,328</b>	<b>20,561</b>	<b>22,085</b>
4.40	Preference capital included as part of 4.37			

**Notes to the condensed consolidated statement of financial position****Exploration and evaluation expenditure capitalised***(To be completed only by entities with mining interests if amounts are material. Include all expenditure incurred.)*

	Current period \$A'000	Previous corresponding period - \$A'000
5.1 Opening balance	-	
5.2 Expenditure incurred during current period		
5.3 Expenditure written off during current period		
5.4 Acquisitions, disposals, revaluation increments, etc.		
5.5 Expenditure transferred to Development Properties		
5.6 Closing balance as shown in the consolidated balance sheet (item 4.12)		

**Development properties***(To be completed only by entities with mining interests if amounts are material)*

	Current period \$A'000	Previous corresponding period - \$A'000
6.1 Opening balance	-	
6.2 Expenditure incurred during current period		
6.3 Expenditure transferred from exploration and evaluation		
6.4 Expenditure written off during current period		
6.5 Acquisitions, disposals, revaluation increments, etc.		

+ See chapter 19 for defined terms.

6.6	Expenditure transferred to mine properties		
6.7	Closing balance as shown in the consolidated balance sheet (item 4.13)		

**Condensed consolidated statement of cash flows**

	Current period SA'000	Previous corresponding period - SA'000
<b>Cash flows related to operating activities</b>		
7.1 Receipts from customers	68,562	59,567
7.2 Payments to suppliers and employees	(57,516)	(55,356)
7.3 Dividends received from associates	-	-
7.4 Other dividends received	-	-
7.5 Interest and other items of similar nature received	18	12
7.6 Interest and other costs of finance paid	(1,201)	(1,202)
7.7 Income taxes paid	(792)	(1,538)
7.8 Other (provide details if material)	570	523
7.9 <b>Net operating cash flows</b>	<b>9,641</b>	<b>2,006</b>
<b>Cash flows related to investing activities</b>		
7.10 Payment for purchases of property, plant and equipment	(1,138)	(1,274)
7.11 Proceeds from sale of property, plant and equipment	1,097	899
7.12 Payment for purchases of equity investments	-	-
7.13 Proceeds from sale business	379	150
7.14 Loans to other entities	-	-
7.15 Loans repaid by other entities	-	-
7.16 Payment for intangibles	-	(100)
7.17 <b>Net investing cash flows</b>	<b>338</b>	<b>(325)</b>
<b>Cash flows related to financing activities</b>		
7.18 Proceeds from issues of +securities (shares, options, etc.)	-	-
7.19 Proceeds from borrowings	7	1,935
7.20 Repayment of borrowings	(4,117)	(70)
7.21 Dividends paid	(2,082)	(2,069)
7.22 Other (provide details if material)	-	-
7.23 <b>Net financing cash flows</b>	<b>(6,192)</b>	<b>(204)</b>
7.24 <b>Net increase (decrease) in cash held</b>	<b>3,787</b>	<b>1,477</b>
7.25 Cash at beginning of period (see Reconciliation of cash)	(336)	(894)
7.26 Exchange rate adjustments to item 7.25.	(1,643)	(919)
7.27 <b>Cash at end of period</b> (see Reconciliation of cash)	<b>1,808</b>	<b>(336)</b>

+ See chapter 19 for defined terms.

**Non-cash financing and investing activities**

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. (*If an amount is quantified, show comparative amount.*)

During the year, the economic entity 1)acquired plant and equipment with an aggregate fair value of \$246,199 (2002 \$230,534) by means of finance leases and 2)issued 25,000 shares at \$1.50 each (amounting to \$37,500) to an employee under the delayed loan repayment terms of the Waterco Employee Share Plan. Both financing activities are not reflected in the statement of cash flows.

**Reconciliation of cash**

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current period \$A'000	Previous corresponding period - \$A'000
8.1 Cash on hand and at bank	2,808	951
8.2 Deposits at call	-	-
8.3 Bank overdraft	-	(287)
8.4 Commercial Bills	(1,000)	(1,000)
8.5 Total cash at end of period (item 7.27)	1,808	(336)

**Other notes to the condensed financial statements**

Ratios	Current period	Previous corresponding Period
9.1 Profit before tax / revenue Consolidated profit (loss) from ordinary activities before tax (item 1.5) as a percentage of revenue (item 1.1)	7.43%	2.94%
9.2 Profit after tax / + equity interests Consolidated net profit (loss) from ordinary activities after tax attributable to members (item 1.11) as a percentage of equity (similarly attributable) at the end of the period (item 4.37)	18.23%	5.77%

**Earnings per security (EPS)**

10. Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of AASB 1027: *Earnings Per Share* are as follows.

Net Profit	3,813	1,201
Net Profit/(Loss) attributable to outside Equity interest	(86)	16
Earnings used in calculation of basic EPS	3,899	1,185
Weighted number of ordinary shares outstanding During the year used in calculation of basic EPS	18,921,362	18,780,668

+ See chapter 19 for defined terms.

**NTA backing***(see note 7)*

	Current period	Previous corresponding Period
11.1 Net tangible asset backing per <sup>+</sup> ordinary security	\$1.11	\$1.06

**Discontinuing Operations**

*(Entities must report a description of any significant activities or events relating to discontinuing operations in accordance with paragraph 7.5 (g) of AASB 1029: Interim Financial Reporting, or, the details of discontinuing operations they have disclosed in their accounts in accordance with AASB 1042: Discontinuing Operations (see note 17).)*

## 12.1 Discontinuing Operations

-
---

**Control gained over entities having material effect**

## 13.1 Name of entity (or group of entities)

-
---

13.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was <sup>+</sup>acquired

\$

## 13.3 Date from which such profit has been calculated

## 13.4 Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period

\$

**Loss of control of entities having material effect**

## 14.1 Name of entity (or group of entities)

-
---

## 14.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control

\$

## 14.3 Date to which the profit (loss) in item 14.2 has been calculated

## 14.4 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period

\$

+ See chapter 19 for defined terms.

- 14.5 Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control

\$

**Dividends (in the case of a trust, distributions)**

- 15.1 Date the dividend (distribution) is payable

6<sup>th</sup> November 2003

- 15.2 <sup>+</sup>Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if <sup>+</sup>securities are not <sup>+</sup>CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if <sup>+</sup>securities are <sup>+</sup>CHESS approved)

16<sup>th</sup> October 2003

- 15.3 If it is a final dividend, has it been declared?  
(Preliminary final report only)

Yes

**Amount per security**

		Amount per security	Franked amount per security at % tax (see note 4)	Amount per security of foreign source dividend
15.4	(Preliminary final report only) Final dividend: Current year	7¢	7¢	¢
15.5	Previous year	5¢	5¢	¢
15.6	(Half yearly and preliminary final reports) Interim dividend: Current year	6¢	6¢	¢
15.7	Previous year	6¢	6¢	¢

**Total dividend (distribution) per security (interim plus final)**

(Preliminary final report only)

- 15.8 <sup>+</sup>Ordinary securities

- 15.9 Preference <sup>+</sup>securities

Current year	Previous year
13 ¢	11 ¢
¢	¢

**Half yearly report - interim dividend (distribution) on all securities or  
Preliminary final report - final dividend (distribution) on all securities**

- 15.10 <sup>+</sup>Ordinary securities (each class separately)

Current period SA'000	Previous corresponding period - SA'000
1,136	1,135

+ See chapter 19 for defined terms.

Appendix 4B  
Half yearly/preliminary final report

15.11	Preference <sup>+</sup> securities (each class separately)		
15.12	Other equity instruments (each class separately)		
15.13	Total	1,136	1,135

The <sup>+</sup>dividend or distribution plans shown below are in operation.

The last date(s) for receipt of election notices for the <sup>+</sup>dividend or distribution plans

Any other disclosures in relation to dividends (distributions). (For half yearly reports, provide details in accordance with paragraph 7.5(d) of AASB 1029 Interim Financial Reporting)

### Details of aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates' and joint venture entities <sup>+</sup> :	Current period \$A'000	Previous corresponding period - \$A'000
16.1 Profit (loss) from ordinary activities before tax		
16.2 Income tax on ordinary activities		
16.3 Profit (loss) from ordinary activities after tax		
16.4 Extraordinary items net of tax		
16.5 Net profit (loss)		
16.6 Adjustments		
16.7 Share of net profit (loss) of associates and joint venture entities		

### Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities. (If the interest was acquired or disposed of during either the current or previous corresponding period, indicate date of acquisition ("from dd/mm/yy") or disposal ("to dd/mm/yy").)

Name of entity

Percentage of ownership  
interest held at end of period or  
date of disposal

Contribution to net profit (loss) (item  
1.9)

<sup>+</sup> See chapter 19 for defined terms.

17.1 Equity accounted associates and joint venture entities	Current period	Previous corresponding period	Current period \$A'000	Previous corresponding period - \$A'000
	-			
17.2 Total				
17.3 Other material interests				
17.4 Total				

**Issued and quoted securities at end of current period**

(Description must include rate of interest and any redemption or conversion rights together with prices and dates)

Category of +securities	Total number	Number quoted	Issue price per security (see note 14) (cents)	Amount paid up per security (see note 14) (cents)
18.1 Preference +securities (description)				
18.2 Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks, redemptions				
18.3 +Ordinary securities	18,934,650	18,934,650		
18.4 Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks	25,000	25,000		
18.5 +Convertible debt securities (description and conversion factor)				
18.6 Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted				
18.7 Options (description and conversion factor)			Exercise price	Expiry date (if any)
Directors Option Plan	130,000	130,000	\$1.16	31/3/04

+ See chapter 19 for defined terms.

18.8	Issued during current period	-			
18.9	Exercised during current period	230,000	-	\$1.16	
18.10	Expired during current period				
18.11	Debentures (description)				
18.12	Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted				
18.13	Unsecured notes (description)				
18.14	Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted				

**Segment reporting - SEE ANNEXURE A**

(Information on the business and geographical segments of the entity must be reported for the current period in accordance with AASB 1005: *Segment Reporting* and for half year reports, AASB 1029: *Interim Financial Reporting*. Because entities employ different structures a pro forma cannot be provided. Segment information in the layout employed in the entity's <sup>+</sup>accounts should be reported separately and attached to this report.)

**Comments by directors - SEE ANNEXURE A**

(Comments on the following matters are required by ASX or, in relation to the half yearly report, by AASB 1029: *Interim Financial Reporting*. The comments do not take the place of the directors' report and statement (as required by the Corporations Act) and may be incorporated into the directors' report and statement. For both half yearly and preliminary final reports, if there are no comments in a section, state NIL. If there is insufficient space to comment, attach notes to this report.)

**Basis of financial report preparation**

19.1 If this report is a half yearly report, it is a general purpose financial report prepared in accordance with the listing rules and AASB 1029: *Interim Financial Reporting*. It should be read in conjunction with the last <sup>+</sup>annual report and any announcements to the market made by the entity during the period. The financial statements in this report are "condensed financial statements" as defined in AASB 1029: *Interim Financial Reporting*. This report does not include all the notes of the type normally included in an annual financial report. [Delete if preliminary final report.]

19.2 Material factors affecting the revenues and expenses of the economic entity for the current period. In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations.

--

19.3 A description of each event since the end of the current period which has had a material effect and which is not already reported elsewhere in this Appendix or in attachments, with financial effect quantified (if possible).

<sup>+</sup> See chapter 19 for defined terms.



--

- 19.4 Franking credits available and prospects for paying fully or partly franked dividends for at least the next year.

--

- 19.5 Unless disclosed below, the accounting policies, estimation methods and measurement bases used in this report are the same as those used in the last annual report. Any changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows. (Disclose changes and differences in the half yearly report in accordance with *AASB 1029: Interim Financial Reporting*. Disclose changes in accounting policies in the preliminary final report in accordance with *AASB 1001: Accounting Policies-Disclosure*).

--

- 19.6 Revisions in estimates of amounts reported in previous interim periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous +annual reports if those revisions have a material effect in this half year.

--

- 19.7 Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assets since the last + annual report.

--

### Additional disclosure for trusts

- 20.1 Number of units held by the management company or responsible entity or their related parties.

--

- 20.2 A statement of the fees and commissions payable to the management company or responsible entity.

Identify:

- initial service charges
- management fees
- other fees

--

– See chapter 19 for defined terms.

**Appendix 4B**  
**Half yearly/preliminary final report**

**Annual meeting***(Preliminary final report only)*

The annual meeting will be held as follows:

Place

36 SOUTH ST RYDALMERE NSW 2116

Date

17<sup>th</sup> November 2003

Time

3pm

Approximate date the +annual report will be available

15<sup>th</sup> October 2003**Compliance statement**

- 1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX (see note 12).

Identify other standards used

- 2 This report, and the +accounts upon which the report is based (if separate), use the same accounting policies.

- 3 This report does give a true and fair view of the matters disclosed (see note 2).

- 4 This report is based on +accounts to which one of the following applies.

*(Tick one)*☐

The +accounts have been audited.

☐

The +accounts have been subject to review.

☒

The +accounts are in the process of being audited or subject to review.

☐The +accounts have *not* yet been audited or reviewed.

- 5 If the audit report or review by the auditor is not attached, details of any qualifications will follow immediately they are available. *(Half yearly report only - the audit report or review by the auditor must be attached to this report if this report is to satisfy the requirements of the Corporations Act.)*

- 6 The entity has a formally constituted audit committee.

Sign here:



Director

Date: 28<sup>th</sup> August 2003.....

Print name:

Garry Norman.....

+ See chapter 19 for defined terms.

---

**Notes**

1. **For announcement to the market** The percentage changes referred to in this section are the percentage changes calculated by comparing the current period's figures with those for the previous corresponding period. Do not show percentage changes if the change is from profit to loss or loss to profit, but still show whether the change was up or down. If changes in accounting policies or procedures have had a material effect on reported figures, do not show either directional or percentage changes in profits. Explain the reason for the omissions in the note at the end of the announcement section. Entities are encouraged to attach notes or fuller explanations of any significant changes to any of the items in page 1. The area at the end of the announcement section can be used to provide a cross reference to any such attachment.
2. **True and fair view** If this report does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) the entity must attach a note providing additional information and explanations to give a true and fair view.
3. **Condensed consolidated statement of financial performance**
  - Item 1.1 The definition of "revenue" and an explanation of "ordinary activities" are set out in *AASB 1004: Revenue*, and *AASB 1018: Statement of Financial Performance*.
  - Item 1.6 This item refers to the total tax attributable to the amount shown in item 1.5. Tax includes income tax and capital gains tax (if any) but excludes taxes treated as expenses from ordinary activities (eg, fringe benefits tax).
4. **Income tax** If the amount provided for income tax in this report differs (or would differ but for compensatory items) by more than 15% from the amount of income tax *prima facie* payable on the profit before tax, the entity must explain in a note the major items responsible for the difference and their amounts. The rate of tax applicable to the franking amount per dividend should be inserted in the heading for the column "Franked amount per security at % tax" for items 15.4 to 15.7.
5. **Condensed consolidated statement of financial position**

**Format** The format of the consolidated statement of financial position should be followed as closely as possible. However, additional items may be added if greater clarity of exposition will be achieved, provided the disclosure still meets the requirements of *AASB 1029: Interim Financial Reporting*, and *AASB 1040: Statement of Financial Position*. Also, banking institutions, trusts and financial institutions may substitute a clear liquidity ranking for the Current/Non-Current classification.

**Basis of revaluation** If there has been a material revaluation of non-current assets (including investments) since the last <sup>+</sup> annual report, the entity must describe the basis of revaluation adopted. The description must meet the requirements of *AASB 1010: Accounting for the Revaluation of Non-Current Assets*. If the entity has adopted a procedure of regular revaluation, the basis for which has been disclosed and has not changed, no additional disclosure is required.
6. **Condensed consolidated statement of cash flows** For definitions of "cash" and other terms used in this report see *AASB 1026: Statement of Cash Flows*. Entities should follow the form as closely as possible, but variations are permitted if the directors (in the case of a trust, the management company) believe that this presentation is inappropriate. However, the

---

<sup>+</sup> See chapter 19 for defined terms.

presentation adopted must meet the requirements of *AASB 1026*. <sup>+</sup>Mining exploration entities may use the form of cash flow statement in Appendix 5B.

7. **Net tangible asset backing** Net tangible assets are determined by deducting from total tangible assets all claims on those assets ranking ahead of the <sup>+</sup>ordinary securities (ie, all liabilities, preference shares, outside <sup>+</sup>equity interests etc). <sup>+</sup>Mining entities are *not* required to state a net tangible asset backing per <sup>+</sup>ordinary security.
8. **Gain and loss of control over entities** The gain or loss must be disclosed if it has a material effect on the <sup>+</sup>accounts. Details must include the contribution for each gain or loss that increased or decreased the entity's consolidated profit (loss) from ordinary activities and extraordinary items after tax by more than 5% compared to the previous corresponding period.
9. **Rounding of figures** This report anticipates that the information required is given to the nearest \$1,000. If an entity reports exact figures, the \$A'000 headings must be amended. If an entity qualifies under ASIC Class Order 98/0100 dated 10 July 1998, it may report to the nearest million dollars, or to the nearest \$100,000, and the \$A'000 headings must be amended.
10. **Comparative figures** Comparative figures are to be presented in accordance with *AASB 1018* or *AASB 1029 Interim Financial Reporting* as appropriate and are the unadjusted figures from the latest annual or half year report as appropriate. However, if an adjustment has been made in accordance with an accounting standard or other reason or if there is a lack of comparability, a note explaining the position should be attached. For the statement of financial performance, *AASB 1029 Interim Financial Reporting* requires information on a year to date basis in addition to the current interim period. Normally an Appendix 4B to which *AASB 1029 Interim Financial Reporting* applies would be for the half year and consequently the information in the current period is also the year to date. If an Appendix 4B Half yearly version is produced for an additional interim period (eg because of a change of reporting period), the entity must provide the year to date information and comparatives required by *AASB 1029 Interim Financial Reporting*. This should be in the form of a multi-column version of the consolidated statement of financial performance as an attachment to the additional Appendix 4B.
11. **Additional information** An entity may disclose additional information about any matter, and must do so if the information is material to an understanding of the reports. The information may be an expansion of the material contained in this report, or contained in a note attached to the report. The requirement under the listing rules for an entity to complete this report does not prevent the entity issuing reports more frequently. Additional material lodged with the <sup>+</sup>ASIC under the Corporations Act must also be given to ASX. For example, a director's report and declaration, if lodged with the <sup>+</sup>ASIC, must be given to ASX.
12. **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if one exists) must be complied with.
13. **Corporations Act financial statements** This report may be able to be used by an entity required to comply with the Corporations Act as part of its half-year financial statements if prepared in accordance with Australian Accounting Standards.
14. **Issued and quoted securities** The issue price and amount paid up is not required in items 18.1 and 18.3 for fully paid securities.

---

<sup>+</sup> See chapter 19 for defined terms.

- 15 **Details of expenses** *AASB 1018* requires disclosure of expenses from ordinary activities according to either their nature or function. For foreign entities, there are similar requirements in other accounting standards accepted by ASX. *AASB ED 105* clarifies that the disclosures required by *AASB 1018* must be either *all* according to nature or *all* according to function. Entities must disclose details of expenses using the layout (by nature or function) employed in their <sup>+</sup>accounts.

The information in lines 1.23 to 1.27 may be provided in an attachment to Appendix 4B.

**Relevant Items** *AASB 1018* requires the separate disclosure of specific revenues and expenses which are not extraordinary but which are of a size, nature or incidence that disclosure is *relevant* in explaining the financial performance of the reporting entity. The term "relevance" is defined in *AASB 1018*. There is an equivalent requirement in *AASB 1029: Interim Financial Reporting*. For foreign entities, there are similar requirements in other accounting standards accepted by ASX.

- 16 **Dollars** If reporting is not in A\$, all references to \$A must be changed to the reporting currency. If reporting is not in thousands of dollars, all references to "000" must be changed to the reporting value.

17. **Discontinuing operations**

Half yearly report

All entities must provide the information required in paragraph 12 for half years beginning on or after 1 July 2001.

Preliminary final report

Entities must either provide a description of any significant activities or events relating to discontinuing operations equivalent to that required by paragraph 7.5 (g) of *AASB 1029: Interim Financial Reporting*, or, the details of discontinuing operations they are required to disclose in their <sup>+</sup>accounts in accordance with *AASB 1042 Discontinuing Operations*.

In any case the information may be provided as an attachment to this Appendix 4B.

18. **Format**

This form is a Word document but an entity can re-format the document into Excel or similar applications for submission to the Companies Announcements Office in ASX.

---

<sup>+</sup> See chapter 19 for defined terms.

**WATERCO LIMITED AND CONTROLLED ENTITIES****ANNEXURE A****REVENUES AND EXPENSES FROM ORDINARY ACTIVITIES**

	Economic Entity	
	2003	2002
	\$	\$
<b>Revenues from ordinary activities</b>		
Revenue from sales or services	69,667,362	59,475,004
Interest revenue	18,241	11,581
Other relevant revenue		
Dividend received	72	305
Rent	194,996	212,658
Bad debts recovered	85,791	16,098
Other	298,461	295,407
Proceeds on disposal of property, plant and equipment	1,210,358	1,003,074
<b>Details of relevant expenses</b>		
Changes in inventories of finished goods and work in progress	2,525,986	(2,476,070)
Raw Materials and consumables used	(41,949,570)	(31,810,923)
Employee benefits expense	(10,615,560)	(8,560,696)
Borrowing costs expense	(1,200,661)	(1,202,533)
Advertising expense	(1,199,394)	(1,532,822)
Discounts allowed	(1,963,106)	(1,705,099)
Outward freight	(2,055,195)	(1,660,524)
Rent expense	(1,352,173)	(1,472,195)
Salary-Agency hire	(803,886)	(1,045,475)
Warranty	(522,059)	(496,735)
Commissions	(282,754)	(455,218)
Other expenses from ordinary activities	(5,558,478)	(5,508,203)
Depreciation and amortisation expense (excluding intangibles)	(1,188,396)	(1,291,888)
<b>Profit from ordinary activities (before income tax)</b>	<b>5,310,035</b>	<b>1,795,746</b>
<b>Income tax expense relating to ordinary activities</b>	<b>(1,497,498)</b>	<b>(595,115)</b>
<b>Profit from ordinary activities (after income tax)</b>	<b>3,812,537</b>	<b>1,200,631</b>
<b>Net profit/(loss) attributable to outside equity interests</b>	<b>(86,427)</b>	<b>15,694</b>
<b>Net profit attributable to members of Waterco Limited</b>	<b>3,898,864</b>	<b>1,184,937</b>

WATER61 2 98980507 TROLLED ENTITIES**ANNEXURE A  
SEGMENT REPORTING****(a) Industry Segments**

The economic entity 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.

**(b) Geographical Segments****2003**

	AUSTRALIA	S.E.ASIA	NEW ZEALAND	USA	OTHER	ELIMINATION	ECONOMIC ENTITY
	2003	2003	2003	2003	2003	2003	2003
	\$	\$	\$	\$	\$	\$	\$
REVENUE							
SALES TO CUSTOMERS OUTSIDE THE ECONOMIC ENTITY	55,083,051	3,359,181	3,490,290	5,276,587	2,458,253		69,667,362
INTERSEGMENT SALES	3,055,561	11,905,853	21,550	-	1,597,520	(16,580,484)	-
UNALLOCATED REVENUE						(16,580,484)	1,807,919
TOTAL REVENUE	58,138,612	15,265,034	3,511,840	5,276,587	4,055,773		71,475,281
SEGMENT RESULT	5,380,078	1,295,706	192,791	667,439	(222,187)	(195,873)	7,117,954
(UNALLOCATED EXPENSES NET OF UNALLOCATED REVENUE							(1,807,919)
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX							5,310,035
INCOME TAX EXPENSE							(1,497,498)
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX							3,812,537
SEGMENT ASSETS	41,308,844	11,180,482	1,620,381	1,645,145	2,060,867	(10,704,220)	47,111,499
SEGMENT LIABILITIES	24,446,090	5,156,339	1,110,312	1,696,480		(7,990,294)	25,783,100
DEPRECIATION & AMORTISATION	831,764	191,585	30,146	21,396	1,364,173	23,216	1,238,483

**2002**

	AUSTRALIA	S.E.ASIA	NEW ZEALAND	USA	OTHER	ELIMINATION	ECONOMIC ENTITY
	2002	2002	2002	2002	2002	2002	2002
	\$	\$	\$	\$	\$	\$	\$
REVENUE							
SALES TO CUSTOMERS OUTSIDE THE ECONOMIC ENTITY							59,475,004
INTERSEGMENT SALES	50,184,474	4,243,855	3,549,050	32,385	1,465,240	(14,982,517)	-
UNALLOCATED REVENUE	2,486,129	11,464,208	43,575	-	988,605		1,539,423
TOTAL REVENUE	52,670,603	15,708,063	3,592,625	32,385	2,453,845	(14,982,517)	61,014,427
SEGMENT RESULT	2,529,023	1,834,367	27,690	(731,857)	382,735	(706,789)	3,335,169
UNALLOCATED EXPENSES NET OF UNALLOCATED REVENUE							(1,539,423)
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX							1,795,746
INCOME TAX EXPENSE							(595,115)
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX							1,200,631
SEGMENT ASSETS	43,356,769	10,131,009	1,536,678	1,595,809	674,669	(10,114,930)	47,179,984
SEGMENT LIABILITIES	26,766,441	4,176,496	1,150,480	2,383,698		(8,150,517)	26,619,354
DEPRECIATION & AMORTISATION	994,101	248,059	34,521	18,481	292,756	23,216	1,338,138

The pricing of intersegment transactions is at rates comparative with amounts charged to parties outside the economic entity after taking into account the value and terms of these transactions.

## Annexure Comments by Directors

During the year in review, Waterco achieved record sales revenue, improving by 17 percent over the previous years. The Company's Australian operations performed strongly and with good sales in the USA in the last six months. Waterco produced the best organic growth seen in the last seven years.

Results are pleasing, with a record profit of \$3,898,964, despite the fact that there is a large unrealised foreign currency translation loss of \$1,012,621. This is partly offset by a capital gain on disposal of non-current assets mainly from a sale of the property in Perth amounting to \$479,000.

Excluding the two large non-recurring factors, the foreign exchange fluctuations and the sale of the Perth property, the margin of Earnings Before Interest and Tax (EBIT) on Sales Revenue improved to 10.0 percent this year from 5.7 percent in the previous year. Including the non-recurring factors, the margin would be 9.3 percent this year up, from 5.0 percent in the previous year.

Key factors responsible for the increase in sales in Australia were availability of an extended range of swimming pool pumps and additional products in the pool maintenance range. Swimart Franchisees, with their buoyant sales increased their purchases from Waterco. Trading margins improved over the previous year's with price increases well accepted by our customers, bringing profitability back to normal.

In the Franchising division, the total number of stores trading as "Swimart" increased to 48, as at the date of this review, and if stores in New Zealand were included, it would be increased to 52. Total store sales continued to increase steadily and exceeded the previous year's by 11 percent. This is one of the best year in terms of growth in the number of stores and this division will continue to be a significant contributor to growth of the Waterco Economic Entity.

Sales in New Zealand were slow during the year. However, with the acquisition, after the financial year end, of part of the business assets of Poolcare FPI Services Limited, comprising four pool and spa services retail shops in Auckland, Waterco New Zealand is able to commence the Swimart retail system. These four shops will be franchised at a later date, similar to those in Australia. They will also provide a base for additional stores to be opened over the next few years, replicating our successful operations in Australia.

Waterco USA performed very well, extending sales to a wider base of customers. Our largest customer increased their purchase of pump components after the introduction of the new range of pumps developed in Australia. The second half year's performance was very strong, reversing completely the previous year's poor performance.

In Asia, sales of Waterco's swimming pool pumps and filters and of its complete household filtration systems were steady. We expect the Asian Market for filters, which treat the entire household water, rather than just drinking water, to continue to grow. Watershoppe, our dealership network in Malaysia which sells household filtration systems, expanded to 10 outlets.

Waterco's plastic injection moulding division in Malaysia, which manufactures pumps for local sale and export to Australia, the United States and Europe, is now firmly established with its production facilities continuing to increase. In addition to pumps, we developed a new process to manufacture high pressure filters, increasing volume and improving efficiency, which allows us to stay competitive in the international market.

Our chemical packaging operations in China expanded to service the growth in sales in Australia and New Zealand, after relocation to larger premises. With the new facility, we began manufacturing filters for sales within China. At a later stage, we will manufacture for Europe and the USA.

Both our Malaysian and Australian operations recently received TUV Rheinland accreditation as an assembly point for pumps. TUV Rheinland is an independent testing organisation authorised by the German government, and its accreditations are recognised internationally as guarantees of product safety and reliability.



Another highlight of the year was in April, when Waterco acquired the business assets of Lacro Limited in the United Kingdom, strengthening our entry into the lucrative European market. Lacro has manufactured high quality filters for more than 30 years, selling them extensively both in Europe and around the globe. It has an excellent reputation in the market due to its advanced technology in manufacturing processes. We plan to invest in developing these processes in the UK plant. We will also relocate our sales office from Saffron Walden to Lacro's site at Sittingbourne, Kent, to consolidate our European operations.

We continue to monitor the market and invest significantly in research and development to maintain our competitiveness. We developed a new range of pumps as a result of last year's research. These new pumps were well received in Australia and the US, and we are now introducing them in Europe. We have increased our resources for research and development as we continue to build for the future with new products and manufacturing processes.

In the future, we expect solid sales growth in Australia and our Asia-Pacific markets. We expect New Zealand sales to grow with the establishment of the Swimart system, which achieved an average annual growth rate of 11 per cent over the past five years in Australia. Together with our recent acquisition of Lacro, Waterco is likely to achieve revenue of \$80 million in the new financial year.