
Waterco Limited

Chairman's Address to the Annual General Meeting

20th October, 2006

Ladies and Gentlemen,

You would have read the report on the 05/06 operations included in the Annual Report. At this meeting, instead of repeating these details, I would like to focus on factors that lead us to arrive at Waterco's outlook for the new financial year 06/07.

We expect some growth in the Australian market with continued sales growth in the Swimart stores, boosted by the recent opening of two new franchised stores. Our strategy of constantly increasing the number of franchised stores remains in place and we expect to see more stores opened during this financial year. Our Chemical business will be soft, but additional sales of our heat pump products will more than compensate for this and we, therefore, expect to see Australian sales ending higher than the previous year.

The Northern Hemisphere season in our industry has yet to commence, but early indications are pointing to our projections being on track. Heat pumps will continue to feature strongly in sales in Europe, through our United Kingdom entity. Our two trade shows in Europe and the USA will be in November and December respectively, and by then, we should see firm indications of our expectations being met.

Our United Kingdom business is expected to contribute a \$1 million EBIT to our group results in the current year, which is a substantial improvement on the previous year's result.

As previously advised to shareholders, management have spent considerable time addressing issues associated with our Canadian operation. At this stage we expect a small loss for the current financial year and a more positive result in the 07/08 period.

For the financial year 06/07, assuming that the Australian dollar remains stable at today's value, we expect net profit after tax to be in the region of \$6.5 million, returning the Company close to normal profit growth.

I would like to thank Shareholders for their continuing support, and my fellow Directors, the Management and Employees for the efforts they have put in during the year.

