

**WATERCO LIMITED**  
**A.B.N. 62 002 070 733**  
**INTERIM FINANCIAL REPORT**  
**FOR THE HALF YEAR**  
**ENDED 31 DECEMBER, 2022**

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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, 2022.

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 2022 (Half-year), the Group reported a Net Profit After Tax of \$4.977 million (Previous Corresponding Period, or PCP \$4.059 million) and Earnings Before Interest & Tax (EBIT) of \$6.495 million (PCP \$5.635 million).

Total Revenue was \$70.428 million (PCP \$63.765 million).

#### DIVISIONAL EBIT PERFORMANCE

The breakdown of EBIT contribution by division is as follows:

	Dec 2022	Dec 2021	% Change
	(\$000)	(\$000)	
Australia and New Zealand	2,101	4,320	-51%
Asia	4,229	1,625	+160%
North America and Europe	165	(310)	+153%
<b>Consolidated Reported EBIT</b>	<b>6,495</b>	<b>5,635</b>	<b>+15%</b>

#### AUSTRALIA AND NEW ZEALAND (ANZ)

In Australia and New Zealand (ANZ) the 51% drop in EBIT was on the back of higher cost of sales due to weakness in exchange rate and abnormally high import freight costs compared to the PCP. These factors reduced trading margins significantly. Towards the end of the second half, the exchange rate has strengthened and import freight costs have started to come down. These higher freight costs that have impacted margins adversely in the first half will also have some impact on the second half. Sales in this division increased by 3.4% despite the fact that both local and overseas travel had returned to normal and expenditure on home refurbishments had dropped off compared to the previous few years.

#### ASIA

In Asia, The sector recorded a 160% increase in EBIT compared to the PCP brought about by 66% increase in Malaysia's external sales. Trading in Malaysia returned to normal in the current half year compared to the previous corresponding half which was impacted by the Covid-19 Pandemic Restrictions. Sales in China still impacted by the Covid-19 Pandemic Restrictions, managed a single digit increase compared to the PCP.

#### NORTH AMERICA AND EUROPE

In Northern America and Europe – namely Canada, the USA and Europe recorded a turnaround in EBIT during the current half year – External sales in USA experienced an increase of 43% during the current period while Waterco Europe recording a 2% drop only despite the fact that the number of pool constructions in FY23 had fallen as predicted.

Some of the European sales meant to be fulfilled by Christmas had to be postponed to the second half year due to over-stocking by our distributors.

In Europe, Waterco Europe saw an increase in Gross Margins of 12% as the company managed to pass on some of the increases in component costs and import shipping costs of stock purchase in the last quarter of FY22.

This was despite it recording a slight decrease in sales compared to the PCP.

In USA, Gross Margins fell but the fall was offset by the 43% increase in sales resulting in 15% increase in overall Gross Profit compared to the PCP. In addition, a new policy on charging freight resulted in net freight costs falling by 76% compared to the PCP.

The main business season for this Division is in the second half of the financial year. The Group remains cautiously optimistic of a positive contribution in this second half.

#### PRODUCT DEVELOPMENT AND WATER TREATMENT

In this Half-year, Waterco invested approximately \$1,105m (pcp \$0.76 million) on research and development, which was fully expensed. This increase reflects the return to the normal research and development program which was disrupted by the Covid 19 Panademic Lockdowns especially in Malaysian in the PCP. 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 2022 (\$000)	Dec 2021 (\$000)
Inventory	56,976	43,563
Debtors	21,429	19,461
Creditors	(18,484)	(19,745)
<b>TOTAL</b>	<b>59,921</b>	<b>43,279</b>

The group's working capital as at December 2022 saw an increase of \$16.642 million, which resulted from an increase in inventory and debtors and decrease in creditors.

#### DIVIDEND AND OUTLOOK

Based on this Half-year result, the Board declares a fully-franked interim dividend of 5 cents per share payable on 15 June 2023.

This Half-year has been a challenging one, with the building industry downturn in China ,China's ongoing trade issues with Australia and the continuing effects of the Covid-19 Pandemic in China. The Australian Dollar has also fluctuated significantly against the US Dollar.

The Board expects the second half-year to be more settled as the Australian Dollar stabilizes, China's ongoing trade issues with Australia are resolved and the Covid 19 Pandemic in China comes under control

#### 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  
16 February 2023

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 31 DECEMBER 2022  
WATERCO LIMITED AND CONTROLLED ENTITIES**

	Note	Consolidated Group	
		31/12/2022 \$000	31/12/2021 \$000
Sales revenue	3	68,463	61,735
Other revenue	3	1,965	2,030
Changes in inventories of finished goods and work in progress		(5,060)	(9,503)
Raw Materials and consumables used		(29,040)	(21,409)
Employee benefits expense		(15,061)	(13,554)
Depreciation and amortisation expense		(3,043)	(3,287)
Finance costs		(208)	(113)
Advertising expense		(1,350)	(1,176)
Discounts allowed		(439)	(222)
Outward freight expense		(1,205)	(1,508)
Rent expense		(546)	(518)
Research and development		(1,105)	(756)
Insurance general		(661)	(670)
Contracted staff expense		(162)	(203)
Warranty expense		(214)	(219)
Commission expense		(285)	(155)
Other expenses		(5,735)	(4,938)
<b>Profit before income tax</b>		<b>6,314</b>	<b>5,534</b>
Income tax benefit/(expense)	7	(1,337)	(1,475)
<b>Profit for the period</b>		<b>4,977</b>	<b>4,059</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)		141	261
<b>Items that maybe reclassified to profit or loss</b>			
Exchange differences on translation of foreign controlled entities		1,149	1,570
Other comprehensive income for the period		1,290	1,831
<b>Total comprehensive income for the period</b>		<b>6,267</b>	<b>5,890</b>
Profit attributable to:			
Members of the parent entity		4,989	4,106
Non-controlling interest		(12)	(47)
		4,977	4,059
<b>Total comprehensive income for the period attributable to:</b>			
Members of the parent entity		6,279	5,937
Non-controlling interest		(12)	(47)
<b>Total comprehensive income for the period</b>		<b>6,267</b>	<b>5,890</b>
<b>Earnings per share</b>			
Basic earnings per share (cents per share)		14.1	11.5
Diluted earnings per share (cents per share)		14.1	11.5

The accompanying notes form part of this financial report.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2022  
WATERCO LIMITED AND CONTROLLED ENTITIES**

	Note	Consolidated Group	
		31/12/2022 \$000	30/6/2022 \$000
<b>Current Assets</b>			
Cash and cash equivalents		9,368	11,946
Trade and other receivables		21,429	17,201
Inventories		56,976	48,688
Other current assets		1,450	1,077
<b>Total Current Assets</b>		<b>89,223</b>	<b>78,912</b>
<b>Non-Current Assets</b>			
Property, plant & equipment		60,718	59,986
Right of use assets		13,095	15,794
Intangible assets		1,084	1,119
Deferred tax assets		2,160	1,842
<b>Total Non-Current Assets</b>		<b>77,057</b>	<b>78,741</b>
<b>Total Assets</b>		<b>166,280</b>	<b>157,653</b>
<b>Current Liabilities</b>			
Trade and other payables		18,484	14,211
Borrowings		10,928	8,271
Current tax liabilities		1,435	2,547
Short-term provisions		5,215	3,964
<b>Total Current Liabilities</b>		<b>36,062</b>	<b>28,993</b>
<b>Non-Current Liabilities</b>			
Borrowings		10,737	12,614
Deferred tax liabilities		4,772	4,823
Long-term provisions		229	213
<b>Total Non-Current Liabilities</b>		<b>15,738</b>	<b>17,650</b>
<b>Total Liabilities</b>		<b>51,800</b>	<b>46,643</b>
<b>Net Assets</b>		<b>114,480</b>	<b>111,010</b>
<b>Equity</b>			
Issued capital	4	33,906	34,847
Reserves		21,958	20,664
Retained earnings		58,218	54,992
Parent interest		114,082	110,503
Non-controlling interest		398	507
<b>Total Equity</b>		<b>114,480</b>	<b>111,010</b>

The accompanying notes form part of this financial report.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2022  
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	Share options reserve \$000	Non- controlling Interest \$000	Total \$000
Balance at 30/6/21	35,590	45,842	211	25,768	(7,536)	-	574	100,449
<b>Comprehensive income</b>								
Profit for the period	-	4,106	-	-	-	-	(47)	4,059
Exchange differences on translation of foreign controlled entities	-	-	-	-	1,570	-	-	1,570
Other comprehensive income				261				261
<b>Total comprehensive income/(loss) for the period</b>	-	4,106	-	261	1,570	-	(47)	5,890
<b>Transactions with owners in their capacity as owners and other transfers</b>								
Cancellation of shares under Waterco Share Buy Back	(291)	-	-	-	-	-	-	(291)
Dividends paid	-	(1,426)	-	-	-	-	-	(1,426)
<b>Total transactions with owners and other transfers</b>	(291)	(1,426)	-	-	-	-	-	(1,717)
<b>Balance at 31/12/21</b>	<b>35,299</b>	<b>48,522</b>	<b>211</b>	<b>26,029</b>	<b>(5,966)</b>	<b>-</b>	<b>527</b>	<b>104,622</b>
Balance at 30/6/22	34,847	54,992	211	26,444	(6,004)	13	507	111,010
<b>Comprehensive income</b>								
Profit for the period	-	4,989	-	-	-	-	(12)	4,977
Exchange differences on translation of foreign controlled entities	-	-	-	-	1,147	-	-	1,147
Other comprehensive income				140		7		147
<b>Total comprehensive income/(loss) for the period</b>	-	4,989	-	140	1,147	7	(12)	6,271
<b>Transactions with owners in their capacity as owners and other transfers</b>								
Cancellation of shares under Waterco Share Buy Back	(941)	-	-	-	-	-	-	(941)
Dividends paid	-	(1,763)	-	-	-	-	(97)	(1,860)
<b>Total transactions with owners and other transfers</b>	(941)	(1,763)	-	-	-	-	(97)	(2,801)
<b>Balance at 31/12/22</b>	<b>33,906</b>	<b>58,218</b>	<b>211</b>	<b>26,584</b>	<b>(4,857)</b>	<b>20</b>	<b>398</b>	<b>114,480</b>

The accompanying notes form part of this financial report.

**CONSOLIDATED CASHFLOW STATEMENT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2022  
WATERCO LIMITED AND CONTROLLED ENTITIES**

	<b>Consolidated Group</b>	
	<b>31/12/2022</b>	<b>31/12/2021</b>
	<b>\$000</b>	<b>\$000</b>
<b><u>Cash Flows from Operating Activities</u></b>		
Receipts from customers	70,117	60,899
Payments to suppliers and employees	(68,806)	(58,014)
Interest received	27	12
Other income	658	517
Finance costs	(208)	(113)
Income tax	(2,818)	(1,091)
Net cash (used in)/provided by operating activities	<u>(1,030)</u>	<u>2,210</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Dividends received	1	1
Payment for property, plant & equipment	(2,142)	(1,959)
Proceeds from sale of property, plant & equipment	45	65
Payment for business	(520)	(520)
Net cash (used in) investing activities	<u>(2,616)</u>	<u>(2,413)</u>
<b><u>Cash Flows from Financing Activities</u></b>		
Proceeds from borrowings	3,787	2,005
(Repayment) of borrowings	(45)	(97)
Payment of rou liabilities	(160)	(1,071)
Share buyback	(941)	(291)
Dividends paid	(1,861)	(1,426)
Net cash provided by/(used in) financing activities	<u>780</u>	<u>(880)</u>
Net (decrease)/increase in cash held	<u>(2,866)</u>	<u>(1,083)</u>
Cash and cash equivalents at the beginning of period	11,946	11,694
Effects of exchange rate changes on balance of cash and cash equivalents held in foreign currencies	288	1,943
Cash and cash equivalents at the end of period	<u>9,368</u>	<u>12,554</u>

The accompanying notes form part of this financial report.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2022  
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 2022 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. Compliance with AASB134 ensures compliance with International Financial Reporting Standard IAS134 "Interim Financial Reporting".

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 2022 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 2022 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.

**Note 2: Dividends**

	<b>Consolidated Group</b>	
	<b>31/12/2022</b>	<b>31/12/2021</b>
	<b>\$000</b>	<b>\$000</b>
Dividends paid		
Final fully franked dividend declared on 26 <sup>th</sup> August 2022 of 5c (2021:4c) per share franked at the tax rate of 30% (2021 30%)	1,763	1,426
Dividend paid by Waterco Indonesia to minority shareholders	97	-
	<u>1,860</u>	<u>1,426</u>

**Note 3: Revenue**

Timing of revenue recognition

- Goods transferred at a point in time	68,463	61,735
- Services transferred over time	1,965	2,030
	<u>70,428</u>	<u>63,765</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2022  
WATERCO LIMITED AND CONTROLLED ENTITIES**

<b>Note 4: Issued capital</b>	<b>31/12/2022</b>	<b>30/6/2022</b>
Ordinary shares are classified as equity.		
35,493,146 ordinary shares fully paid at beginning of the year (2022: 35,715,248)	34,847	35,590
On 31 July 2022, 100,885 shares were purchased at \$3.74 and cancelled under Waterco Ltd Share-buyback Scheme	(378)	-
On 31 August 2022, 14,424 shares were purchased at \$3.74 and cancelled under Waterco Ltd Share-buyback Scheme	(55)	-
On 30 September 2022, 67,485 shares were purchased at \$4.00 and cancelled under Waterco Ltd Share-buyback Scheme	(270)	-
On 31 October 2022, 47,002 shares were purchased at \$4.00 and cancelled under Waterco Ltd Share-buyback Scheme	(188)	-
On 30 November 2022, 8,104 shares were purchased at \$4.00 and cancelled under Waterco Ltd Share-buyback Scheme	(32)	-
On 31 December 2022, 4,517 shares were purchased at \$4.00 and cancelled under Waterco Ltd Share-buyback Scheme	(18)	-
On 31 July 2021, 27,363 shares were purchased at \$2.90 and cancelled under Waterco Ltd Share-buyback Scheme	-	(79)
On 30 September 2021, 9,052 shares were purchased at \$3.14 and cancelled under Waterco Ltd Share-buyback Scheme	-	(28)
On 31 October 2021, 26,596 shares were purchased at \$3.15 and cancelled under Waterco Ltd Share-buyback Scheme	-	(84)
On 30 November 2021, 19,905 shares were purchased at \$3.28 and cancelled under Waterco Ltd Share-buyback Scheme	-	(65)
On 31 December 2021, 10,310 shares were purchased at \$3.30 and cancelled under Waterco Ltd Share-buyback Scheme	-	(34)
On 28 February 2022, 4,862 shares were purchased at \$3.30 and cancelled under Waterco Ltd Share-buyback Scheme	-	(16)
On 31 March 2021, 21,328 shares were purchased at \$3.31 and cancelled under Waterco Ltd Share-buyback Scheme	-	(71)
On 30 April 2022, 91,022 shares were purchased at \$3.56 and cancelled under Waterco Ltd Share-buyback Scheme	-	(324)
On 31 May 2022, 4,460 shares were purchased at \$3.60 and cancelled under Waterco Ltd Share-buyback Scheme	-	(16)
On 30 June 2022, 7,204 shares were purchased at \$3.60 and cancelled under Waterco Ltd Share-buyback Scheme	-	(26)
35,250,729 ordinary shares fully paid at the end of the year (2022: 35,493,146)	33,906	34,847

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2022  
WATERCO LIMITED AND CONTROLLED ENTITIES**

**Note 5: 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.

*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 valued 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 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 2022  
WATERCO LIMITED AND CONTROLLED ENTITIES**

**Note 5: Operating Segments (continued)**

**Geographical Segments**

	<b>2022</b>				
	<b>AUSTRALIA &amp; NEW ZEALAND 31/12/2022 \$000</b>	<b>ASIA 31/12/2022 \$000</b>	<b>NORTH AMERICA &amp;EUROPE 31/12/2022 \$000</b>	<b>ELIMINATION 31/12/2022 \$000</b>	<b>CONSOLIDATED GROUP 31/12/2022 \$000</b>
Revenue					
Sales to customers outside the economic entity	48,845	8,418	11,200		68,463
Intersegment sales	485	23,603	345	(24,433)	-
Unallocated revenue					
Total revenue	<u>49,330</u>	<u>32,021</u>	<u>11,545</u>	<u>(24,433)</u>	<u>68,463</u>
Segment result	3,918	4,173	188		8,279
Unallocated expenses net of unallocated revenue					(1,965)
Profit before income tax					6,314
Income tax benefit/(expense)					(1,337)
Profit after income tax					<u>4,977</u>
Segment assets	<u>134,772</u>	<u>76,317</u>	<u>6,605</u>	<u>(51,414)</u>	<u>166,280</u>
Segment liabilities	<u>53,228</u>	<u>39,987</u>	<u>10,828</u>	<u>(52,243)</u>	<u>51,800</u>
	<b>2021</b>				
	<b>AUSTRALIA &amp; NEW ZEALAND 31/12/2021 \$000</b>	<b>ASIA 31/12/2021 \$000</b>	<b>NORTH AMERICA &amp;EUROPE 31/12/2021 \$000</b>	<b>ELIMINATION 31/12/2021 \$000</b>	<b>CONSOLIDATED GROUP 31/12/2021 \$000</b>
Revenue					
Sales to customers outside the economic entity	47,222	5,100	9,413		61,735
Intersegment sales	729	19,580	336	(20,645)	
Unallocated revenue					
Total revenue	<u>47,951</u>	<u>24,680</u>	<u>9,749</u>	<u>(20,645)</u>	<u>61,735</u>
Segment result	6,167	1,733	(336)		7,564
Unallocated expenses net of unallocated revenue					(2,030)
Profit before income tax					5,534
Income tax benefit/(expense)					(1,475)
Profit after income tax					<u>4,059</u>
Segment assets	<u>128,513</u>	<u>58,522</u>	<u>17,928</u>	<u>(49,842)</u>	<u>155,121</u>
Segment liabilities	<u>48,332</u>	<u>28,069</u>	<u>24,750</u>	<u>(50,652)</u>	<u>50,499</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2022  
WATERCO LIMITED AND CONTROLLED ENTITIES**

**Note 6: 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.

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 2022  
WATERCO LIMITED AND CONTROLLED ENTITIES**

**Note 6: Fair Value Measurements (continued)  
a) Fair Value Hierarchy (continued)**

**Valuation techniques (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 2022			
	Note	Level 1	Level 2	Level 3	Total
		\$000	\$000	\$000	\$000

**Recurring fair value measurements**

Non-financial assets

*Freehold land*

- - 19,654 19,654

Freehold buildings

- - 31,437 31,437

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

- - 51,091 51,091

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

- - 51,091 51,091

		30 June 2022			
	Note	Level 1	Level 2	Level 3	Total
		\$000	\$000	\$000	\$000

**Recurring fair value measurements**

Non-financial assets

*Freehold land*

- - 19,486 19,486

Freehold buildings

- - 31,739 31,739

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

- - 51,225 51,225

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

- - 51,225 51,225

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2022  
WATERCO LIMITED AND CONTROLLED ENTITIES**

**Note 6: Fair Value Measurements (continued)**

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

Description	Fair Value at 31 December 2022	Valuation Technique(s)	Inputs Used
	\$000		
<i>Non-financial assets</i>			
Freehold land <sup>(i)</sup>	19,654	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>	31,437	Market approach using recent observable market data for similar properties; income approach using discounted cash flow methodology	Price per square metre; market borrowing rate
	51,091		

(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 2022  
WATERCO LIMITED AND CONTROLLED ENTITIES**

**Note 7 Income tax expense**

<b>Consolidated Group</b>	
<b>31/12/2022</b>	<b>31/12/2021</b>
<b>\$000</b>	<b>\$000</b>

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

Profit before income tax	6,314	5,534
Prima facie tax payable on profit before income tax at 30% (2021: 30%)	1,894	1,660
Add		
Tax effect of:		
• Depreciation of buildings	58	61
• Foreign controlled entities tax losses not tax effected	60	121
• Unrealised foreign exchange losses		
• ROU assets		70
• Non deductible expenses		
• Asset Revaluation Reserve of controlled entity sold		
• Other	19	5
Less		
Tax effect of:		
• Research and development	66	
• ROU assets	54	-
• Effects of lower rates in overseas countries	355	119
• Unrealised foreign exchange gains	61	27
• Exempt income		
• Overprovision for tax in prior years	158	55
• Reinvestment allowance	-	241
• Foreign controlled entities tax losses not tax effected		
• Other		
Income tax expense attributable to entity	1,337	1,475
The applicable weighted average effective tax rates are as follows:	21%	27%

**Note 8 Events Subsequent to Reporting Date**

There are no material subsequent events since the half year ended 31 December 2022.

**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 15 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 2022 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 16th day of February 2023

**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 2022, 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 2022 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 2022 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 AUSTRALIA PARTNERS**



**C J Hume**  
Partner

Sydney, NSW

Dated: 16 February 2023

**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 2022, 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: 16 February 2023