

**WATERCO LIMITED**

**Half Yearly Report for the Period Ended 31<sup>st</sup> December 2020**

**For announcement to the market**

			<u>\$A'000</u>
Revenues	up	16.6%	to 64,259
Profit (loss) after tax attributable to members	up	328.3%	to 10,484
<b>Dividends</b>		Amount per security	Franked amount per security
Interim dividend		3¢	3¢
Previous corresponding period		2¢	2¢
Date for determining entitlements to the dividend		5th May 2021	

**This half yearly report is to be read in conjunction with the 30<sup>th</sup> June 2020 annual financial report and any announcements made to the market during the period.**

## WATERCO LIMITED

### Half Yearly Report for the Period Ended 31<sup>st</sup> December 2020

#### For announcement to the market

			<u>\$A'000</u>
Revenues	up	16.6%	to 64,259
Profit (loss) after tax attributable to members	up	328.3%	to 10,484
<b>Dividends</b>		Amount per security	Franked amount per security
Interim dividend		3¢	3¢
Previous corresponding period		2¢	2¢
Date for determining entitlements to the dividend		5th May 2021	

This half yearly report is to be read in conjunction with the 30<sup>th</sup> June 2020 annual financial report and any announcements made to the market during the period.

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Current period - \$A'000	Previous corresponding period - \$A'000
Revenues	64,259	55,127
Expenses		
Borrowing costs	(227)	(524)
Other expenses	(56,957)	(50,511)
<b>Profit (loss) before tax</b>	<b>7,075</b>	<b>4,092</b>
Income tax benefit/(expense)	3,381	(939)
<b>Profit (loss) after tax</b>	<b>10,456</b>	<b>3,153</b>
Net profit (loss) attributable to non controlling interests	(28)	(40)
<b>Net profit (loss) for the period attributable to members</b>	<b>10,484</b>	<b>3,193</b>
<b>Other Comprehensive income</b>		
Net exchange differences recognised in equity	(2,541)	356
Property Revaluation increment/(decrement)	(565)	289
Other comprehensive income for the period	(3,106)	645
<b>Total comprehensive income/(loss) attributable to members of the parent entity</b>	<b>7,378</b>	<b>3,838</b>

### Earnings per security (EPS)

Basic EPS	29.2c	8.7c
Diluted EPS	29.2c	8.7c

### Calculation of Earnings per security (EPS)

	Current Period \$A'000	Previous corresponding Period \$A'000
Net Profit/(Loss)	10,456	3,153
Net Profit/(Loss) attributable to non-controlling interests	(28)	(40)
Earnings used in calculation of basic EPS	10,484	3,193
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	35,943	36,664

## Notes to the Consolidated Statement of Profit or Loss and Other Comprehensive Income

### Profit (loss) attributable to members

	Current period - \$A'000	Previous corresponding period - \$A'000
Profit (loss) after tax	10,456	3,153
Less (plus) non-controlling interests	(28)	(40)
<b>Profit (loss) after tax, attributable to members</b>	<b>10,484</b>	<b>3,193</b>

## Revenue and expenses - See Annexure A

<b>Capitalised outlays</b>		
Interest costs capitalised in asset values	--	--
Outlays capitalised in intangibles (unless arising from an acquisition of a business)	--	--

## Movement in Retained Profits

	Current period - \$A'000	Previous corresponding period - \$A'000
Retained profits at the beginning of the financial period	35,234	14,191
Adjustment for change in accounting policy AASB16(Ly:AASB15)	-	(36)
Retained profits at the beginning of the financial period- restated	35,234	14,155
Net profit (loss) attributable to members	10,484	3,193
Dividends and other equity distributions paid or payable	(1,074)	(1,094)
<b>Retained profits (accumulated losses) at end of financial period</b>	<b>44,644</b>	<b>16,254</b>

## Intangibles-Impairment/Amortisation

	<i>Consolidated - current period</i>			
	Before tax \$A'000	Related tax \$A'000	Related outside equity interests \$A'000	Amount (after tax) attributable to members \$A'000
Impairment of goodwill	36	--	--	36
Amortisation of other intangibles	--	--	--	--
<b>Total Impairment/ amortisation of intangibles</b>	<b>36</b>	<b>--</b>	<b>--</b>	<b>36</b>

## Consolidated Statement of Financial Position

	At end of current period \$A'000	As shown in last annual report \$A'000	As in last half yearly report \$A'000
<b>Current assets</b>			
Cash	12,631	9,697	8,920
Receivables	19,117	36,848	20,340
Inventories	36,500	33,060	36,882
Other	1,383	792	1,002
<b>Total current assets</b>	<b>69,631</b>	<b>80,397</b>	<b>67,144</b>
<b>Non-current assets</b>			
Property, plant and equipment (net)	49,929	51,606	61,350
Right of use assets	12,131	13,350	11,897
Intangibles (net)	1,202	292	390
Deferred Tax assets	578	560	749
<b>Total non-current assets</b>	<b>63,840</b>	<b>65,808</b>	<b>74,386</b>
<b>Total assets</b>	<b>133,471</b>	<b>146,205</b>	<b>141,530</b>
<b>Current liabilities</b>			
Payables	20,407	14,056	19,493
Interest bearing liabilities	263	12,470	13,159
Right of use liabilities	4,348	4,291	4,715
Current tax liabilities	911	810	567
Provisions exc. tax liabilities	3,156	1,956	1,945
<b>Total current liabilities</b>	<b>29,085</b>	<b>33,583</b>	<b>39,879</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	1,106	9,816	10,295
Right of use liabilities	8,041	9,361	7,292
Deferred tax liabilities	1,637	5,974	5,890
Provisions exc. tax liabilities	225	210	209
<b>Total non-current liabilities</b>	<b>11,009</b>	<b>25,361</b>	<b>23,686</b>
<b>Total liabilities</b>	<b>40,094</b>	<b>58,944</b>	<b>63,565</b>
<b>Net assets</b>	<b>93,377</b>	<b>87,261</b>	<b>77,965</b>
<b>Equity</b>			
Issued capital	35,821	35,982	37,144
Reserves	12,306	15,413	23,868
Retained profits	44,644	35,233	16,254
<b>Parent entity interest</b>	<b>92,771</b>	<b>86,628</b>	<b>77,266</b>
Non-controlling interest	606	633	699
<b>Total equity</b>	<b>93,377</b>	<b>87,261</b>	<b>77,965</b>

## Consolidated cash flow statement

	Current period \$A'000	Previous corresponding period \$A'000
<b>Cash flows related to operating activities</b>		
Receipts from customers	56,566	48,016
Payments to suppliers and employees	(53,980)	(40,853)
Other Income	2,843	624
Interest received	16	29
Interest and other costs of finance paid	(227)	(524)
Income taxes refund/paid	(874)	(205)
<b>Net operating cash flows</b>	<b>4,344</b>	<b>7,087</b>
<b>Cash flows related to investing activities</b>		
Payment for purchases of property, plant and equipment	(376)	(767)
Proceeds from sale of property, plant and equipment	72	82
Proceeds from sale of business	27,402	-
Payment for business	(1,426)	-
Payment for intangibles	-	-
Dividends received	1	1
<b>Net investing cash flows</b>	<b>25,673</b>	<b>(684)</b>
<b>Cash flows related to financing activities</b>		
Proceeds from issues of shares		
Share buyback	(160)	(533)
Proceeds from borrowings	-	1,397
Repayment of borrowings	(19,598)	(2,214)
Payment of ROU Liabilities	(2,394)	-
Dividends paid	(1,074)	(1,094)
<b>Net financing cash flows</b>	<b>(23,226)</b>	<b>(2,444)</b>
<b>Net increase (decrease) in cash held</b>	<b>6,791</b>	<b>3,959</b>
Cash at beginning of period (see <i>Reconciliation of cash</i> )	8,312	4,166
Exchange rate adjustments	(2,472)	(582)
<b>Cash at end of period</b> (see <i>Reconciliation of cash</i> )	<b>12,631</b>	<b>7,543</b>

Non-cash financing and investing activities: During the period, the economic entity acquired  
a) plant and equipment amounting to \$64,351 (2019 \$91,332) by means of finance leases.  
b) ROU Property Assets amounting to \$65,492 by means of operating leases  
These financing activities are not reflected in the Cash flow statement.

## Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the cash flow statement) to the related items in the accounts is as follows.	Current period \$A'000	Previous corresponding period - \$A'000
Cash on hand and at bank	12,631	8,920
Bank overdraft	-	(1,377)
Other (commercial bills)		
<b>Total cash at end of period</b>	<b>12,631</b>	<b>7,543</b>

## Other notes to the financial statements

<b>Ratios</b>	Current period	Previous corresponding Period
<b>Profit before tax / revenue</b> Profit (loss) before tax as a percentage of revenue	11.0%	7.42%
<b>Profit after tax / equity interests</b> Profit (loss) after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	11.3%	4.13%

<b>NTA Per Share</b>	Current period	Previous corresponding Period
Net tangible asset backing per ordinary security	\$2.58	\$2.13

## Dividends

Date shares trade ex-dividend	4th May 2021
Record date to determine entitlements to the dividend	5th May 2021
Date the dividend is payable	15 <sup>th</sup> June 2021

## Amount per security

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
<b>Interim dividend:</b> Current year	3¢	3¢	¢
Previous year	2¢	2¢	¢

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

The Waterco Dividend Reinvestment Plan has been suspended until further notice.

## Issued and quoted securities at end of current period

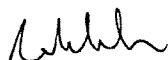
Category of securities	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
<b>Ordinary securities</b>	35,795,675	35,795,675		
Changes during current period				
(a) Increases through issues Waterco DRP				
(b) Decreases through returns of capital, buybacks	59,546	59,546	\$2.6892	\$2.6892

**Segment reporting - See Annexure B**

**Review Of Operations - See Annexure C**

## Compliance statement

- 1 This report has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting.
- 2 This report and the accounts upon which the report is based use the same accounting policies.
- 3 This report does give a true and fair view of the matters disclosed
- 4 This report is based on accounts which have been subject to review.
- 5 The entity has a formally constituted audit committee.



Soon Sinn Goh  
Chief Executive Officer

23rd February 2021

## Notes

1. **Income tax** Reconciliation of income tax *prima facie* payable on the profit before tax to income tax expense
2. **Rounding of figures** This report anticipates that the information required is given to the nearest \$1,000 (where stated)
3. **Comparative figures** When required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.



**WATERCO LIMITED AND CONTROLLED ENTITIES**

**Half Yearly Report for the Period Ended 31 December 2020**

**ANNEXURE A**

**REVENUE AND EXPENSES**

	<b>Consolidated Group</b>	
	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>\$000</b>	<b>\$000</b>
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)
<b>Profit before income tax</b>	<b>7,075</b>	<b>4,092</b>
Income tax benefit/(expense)	3,381	(939)
<b>Profit for the period</b>	<b>10,456</b>	<b>3,153</b>
 <b>Other comprehensive income</b>		
<b>Items that will not be classified subsequently to profit or loss</b>		
Property revaluation increment/(decrement) (net of tax and reversals)	(565)	289
<b>Items that maybe reclassified to profit or loss</b>		
Exchange differences on translation of foreign controlled entities	(2,541)	356
Other comprehensive income for the period	(3,106)	645
 <b>Total comprehensive income for the period</b>	 <b>7,350</b>	 <b>3,798</b>
 Profit attributable to:		
Members of the parent entity	10,484	3,193
Non-controlling interest	(28)	(40)
	10,456	3,153

**WATERCO LIMITED AND CONTROLLED ENTITIES**

**Half Yearly Report for the Period Ended 31<sup>st</sup> December 2020**

**ANNEXURE B**

**OPERATING SEGMENTS**

**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.

**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 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>

## WATERCO LIMITED AND CONTROLLED ENTITIES

### Half Yearly Report for the Period Ended 31<sup>st</sup> December 2020

## ANNEXURE C

### REVIEW OF OPERATIONS

#### 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%
<b>Consolidated Reported EBIT</b>	<b>7,286</b>	<b>4,586</b>	<b>+58.9%</b>

##### 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.

##### 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)
<b>TOTAL</b>	<b>35,210</b>	<b>37,729</b>

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

	Dec 2020 (\$000)
Earnings per Share	
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.

## WATERCO LIMITED AND CONTROLLED ENTITIES

Half Yearly Report for the Period Ended 31<sup>st</sup> December 2020

### ANNEXURE D 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%