WATERCO

water, the liquid of life

ANNUAL REPORT 2020

Waterco pioneers reliable solutions for healthy, safe water environments

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Contents

Company Profile

Waterco pioneers reliable solutions for healthy, safe water environments, which are used in residential, commercial and industrial applications in over 40 countries.

Established in 1981, it has since become a global brand recognised for designing and manufacturing filtration and sanitisation innovations for the swimming pool, spa, aquaculture, and water purification sectors.

Manufacturing Power House

Waterco's research & development team has created an innovative range of award winning products. Waterco delivers high quality products at exceptional value with its efficient manufacturing procedures, advanced fibreglass winding and pioneering plastic moulding.

Swimart
Pool care made easy!

Swimart is a market leading brand in the Pool care industry across Australia and New Zealand with over 37 years experience.

Swimart is focussed on making Pool Care Easy, with 68 retail stores and 9 mobile franchises across Australia and New Zealand. Swimart provides its customers a great range, service and advice through its highly trained and experienced technicians focussed on their Pool care needs through its fleet of over 250 Swimart service vans.

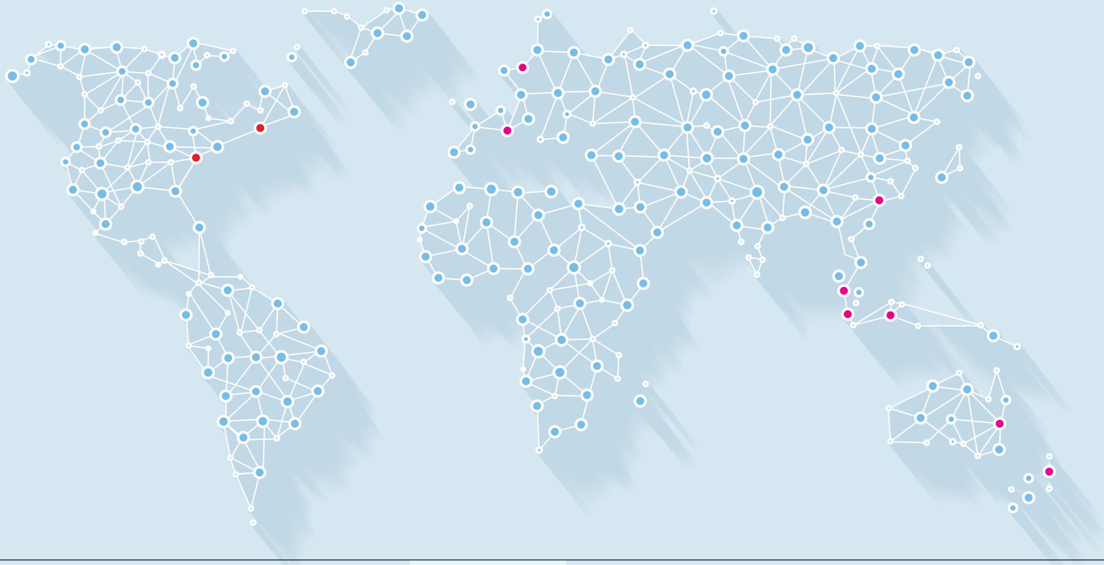
ZANE
Solar Pool Heating

Zane Solar Systems consists of a 30-strong dealer network throughout Australia. These highly skilled and trained professionals install solar, heat pump and gas pool heating systems for both domestic and commercial applications using Zane's Gulfstream and Gulfpanel solar absorber, Electroheat pool heat pumps and Turbotemp gas pool heaters.

Watershoppe

In certain regions of Malaysia, residents experience water discolouration caused by rust from unlined galvanised pipes. To service this market Waterco has set up a dealer network of 15 Watershoppes selling Waterco's range of water filters and drinking water purifiers.

Group Consolidated Financial Highlights



Financial Year Ended	2020	2019*	2018	2017	2016
Operating revenue ($ million)	98.47	88.24	87.83	85.21	83.97
Sales revenue ($ million)	93.58	85.62	86.26	82.51	81.72
Earnings Before Interest and Tax (EBIT) ($ million) from continuing operations	4.83	5.13	6.73	6.21	5.01
Earnings Before Interest and Tax (EBIT) ($ million) from discontinued operations	17.92	(0.71)	-	-	-
EBIT (continuing operations) / Sales Revenue	5.2%	6.0%	7.8%	7.5%	6.1%
Profit before income tax from continuing operations ($ million)	3.90	4.17	5.72	5.33	3.82
Profit/(loss) before income tax from discontinued operations ($ million	17.92	(0.86)	-	-	-
Net profit after tax ($ million)	17.56	2.28	3.95	3.71	2.85
Total assets ($ million)	146.21	116.83	116.59	100.78	92.39
Equity ($ million)	87.26	75.83	74.17	64.38	59.31
Basic Earnings per share from continuing and discontinued operations	48.8 cents	6.1 cents	10.3 cents	9.7 cents	7.6 cents
Basic Earnings per share from continuing operations	8.6 cents	8.4 cents	10.3 cents	9.7 cents	7.6 cents
Basic Earnings per share from discontinued operations	40.2 cents	(2.3 cents)	-	-	-
Dividends per share (Interim and Final)	5.0 cents	5.0 cents	5.0 cents	5.0 cents	5.0 cents
Net Tangible Assets per share	$2.43	$2.06	$1.99	$1.71	$1.57
Year-end share price	$2.55	$1.61	$2.05	$1.70	$1.28

*FY2019 Comparative numbers for discontinued operations in FY2020 have been adjusted.

Chief Executive Officer's Review Of Operations

SOON SINN GOH
Chairman/Group CEO

REVENUE AND PROFITABILITY

The Group reports a decrease in Net Profit After Tax (NPAT) and Earnings Before Interest and Tax (EBIT) from continuing operations. NPAT decreased by 4% to $3.01 million, while EBIT decreased by 6% to $4.83 million.

During the year the Group reported an abnormal gain (atax) of $15.7m from the Sale of Waterco (C) Ltd and an abnormal loss (atax) of $1.09m from the closure of Waterco Canada Inc. The continuing operations numbers for the previous financial year have been adjusted to reclassify the operations discontinued in the current year as "discontinued" in the prior year as well even though these operations were only discontinued operations in the current year. This is required to comply with Accounting Standard AASB5.

The major reasons for the improvement in sales was industry consolidation and retail consumers using the funds set aside for travel (restricted because of Covid 19) to make home improvements including renovating their existing pools or spending their travel money on a new pool instead.

The Australian and New Zealand Division, which accounts for a major portion of the Group's profitability and sales, registered a reduction in EBIT of 15%. This is mainly due to increased costs affected by the impact of the Covid 19 Pandemic and increased stock write offs compared to the previous year.

Swimart Division did not meet expectations due to an increase in company operated stores resulting in higher operating expenses, which adversely impacted its contribution for the year.

Since 30th June 2020, a number of company operated stores have been franchised.

The North America and Europe Division recorded an increase in EBIT resulting from restructuring over the last few years and the closure of Waterco Canada Inc at the end of May 2020. The division (excluding discontinued operations) achieved an increase of $453,000 from EBIT of $506,000 to an EBIT of $959,000.

DIVISIONAL EBIT PERFORMANCE

The breakdown of EBIT contribution by division is as follows:

Continuing Operations	FY20 ($000)	FY19 ($000)	% Change
Australia and New Zealand	2,517	2,970	(15%)
North America and Europe	959	506	90%
Asia	1,356	1,650	(18%)
Consolidated Reported EBIT From Continuing Operations	4,832	5,126	(6%)
Consolidated Reported EBIT From Discontinued Operations	17,915	(710)	2,624%
Consolidated Reported EBIT	**22,747**	**4,416**	415%

AUSTRALIA AND NEW ZEALAND (ANZ)

The Australia and New Zealand Division derives its revenue predominantly from the domestic swimming pool industry. In this market, Waterco offers a wide range of products, including chemicals for swimming pool water treatment. Waterco also owns the Swimart franchise, which features 68 pool stores and 9 mobiles in Australia and New Zealand. The success of these stores is built on more than three decades of experience, during which Waterco has developed an extremely good understanding of the factors that drive consumer demand in the after-market. Franchisees benefit from a programme that has been developed and improved on in-house since 1983, when a company-owned pool shop was opened in Sydney. This has since grown into the Swimart franchising retail system.

Steady market share in the domestic pool sector has underpinned the Division's performance.

Despite a challenging year in the ANZ Market, Waterco was able to achieve a 7.4% increase in sales on the previous year.

Swimart
Pool care made easy!

Swimart has unveiled its new logo and a three-year rebrand strategy, heralding an exciting phase for one of Australasia's biggest pool and spa networks.

NORTH AMERICA AND EUROPE

Waterco North America and Europe comprises the Group's operations in the USA, Canada, UK and France.

Waterco USA (WUSA) The US market is the largest in the world. Waterco has invested significantly in this market, through start-up operations, as well as a substantial acquisition of Baker Hydro in March 2005. Our operations in Augusta, Georgia, now distribute a wide range of filters and assemble commercial pumps.

This entity has experienced another significant sales growth (49%) during the year under review and is expected to further improve revenue in the ensuing year.

Waterco Canada (WCI) This Entity was the Group's original centre for the manufacture of heat pumps. The manufacturing operations have since been transferred to other manufacturing entities and WCI became a trading entity with heat pumps as their key product.

During the year, the Board decided to close down Waterco Canada Inc and the entity was officially deregistered on 31 May 2020.

The parent entity's investment in WCI had been fully impaired so the close down of Waterco Canada Inc did not have a major impact on the group. The bulk of the stock was returned to Waterco Far East and majority of the outstanding trade debts were collected – However, there was some write off of obsolete stock and bad debts, and expenses incurred in closing the business resulted in an abnormal loss of $CAD917,140.

MultiCyclone success in USA

Waterco USA has significantly increased sales of Waterco's patented MultiCyclone centrifugal filtration system. MultiCyclone's ability to dramatically reduce filter maintenance, captured the interest of the US market.

Climate Care Certification

Australia's newest benchmark in environmental sustainability for swimming pools and spas, the Climate Care Certification Program, has certified MultiCyclone for its ability to reduce water consumption.

MULTICYCLONE

CLIMATE CARE CERTIFIED

Electroheat MKV heat pump

Greater interest in environmentally friendly and cost-effective pool heating has seen an increase in the use of heat pumps to efficiently heat pools.

Waterco has recently re-designed its popular side vented Electroheat MKV.

Additional improvements based on customer feedback include a robust exterior to reduce noise and vibration.

Medical-grade filtration for hydrotherapy pool.

Southport, UK

Due to the limited access to Southport and Ormskirk Hospital's plantroom meant that Waterco's SMDT split tank filters provided the perfect solution.

Specifically designed for retrofitting, they can be delivered in two parts and easily assembled on-site in the plant room.

Thanks to the istallation of the SMDT filters, the spinal trauma patients now have access to crystal clear hydrotherapy pool.

Waterco Europe (WEL) Waterco started operations in the UK in 1999 and subsequently acquired the business of Lacron Ltd in 2003. This Entity, therefore, enjoys a continuous and successful history of almost 40 years in the manufacture of fibreglass filters. The renowned "Lacron" name is synonymous with quality filters and, coupled with Waterco's established progressive manufacturing techniques, this has enabled WEL to bring to the market filters of quality at acceptable prices. Today, both the Lacron and the Waterco brands are well-recognised as quality products in Europe. This recognition continues, even after the manufacturing operations had been transferred to Malaysia and China, because the same high standards have been maintained.

Waterco Europe achieved a 22% decrease in sales during the year despite the challenges in the European Market (including Brexit). This decline was expected to be more severe due to the extended lockdown but the impact has been reduced by strong local management in the UK. This Entity continues to reinforce its interest in commercial filters of high pressure ratings developed for water treatment, in particular, as pre-filtration for seawater desalination. The Group's ability to manufacture filters of such pressure ratings from composites provides an opportunity to enhance our presence into a market that has traditionally used steel to cope with such pressures.

ASIA

Waterco Far East in Malaysia (WFE) This Entity was borne out of Waterco's familiarity with the Southeast Asian market. WFE was initially a sales operation designed to service Waterco Australia's Southeast Asian customer base. In 1991 WFE added manufacturing operations to our undertakings in Kuala Lumpur, Malaysia. As well as bringing the Group closer to our markets in Southeast Asia, this also gave cost-efficiency in our manufacturing operations. Since then, WFE has become the principal manufacturing facility for pumps and filters for the Waterco Group. WFE continues to deliver new products to give the Group an edge in our marketing activities.

WFE has achieved ISO9001:2008 certification, the internationally recognised standard for the quality management of businesses, and demonstrates the existence of an effective and well-designed quality management system, which stands up to the rigours of an independent external audit. A key criterion of this standard is that the management system can provide confidence in creating products that meet expectations and requirements.

Local sales in Malaysia fell by 15% due to the Covid19 Pandemic lockdown and continuing political uncertainty. Increased volume, particularly in labour-intensive large commercial filters, has resulted in an increase in wages above expectation, with more overtime worked on top of the extra wages incurred to catch up with manufacturing after the lockdown ended. The Entity's capacity has been increased in the new financial year to address this and this is expected to lead to an improvement in financial performance.

Waterco China Waterco commenced operations in 2000, delivering advantages of low operational costs and a foothold into the huge China market. In 2018, Waterco Guanghzou Ltd (another fully owned subsidiary) took over the manufacturing operations from Waterco (C) Ltd. The property where the manufacturing operations take place was retained by Waterco (C) Ltd. The manufacturing of filters primarily for the European and the Australian markets has been relocated to Malaysia, leaving this entity to focus on development of commercial heat pumps and to improve marketing of pool equipment to the commercial pool market in China. External sales fell by 121% during the year due to the impact of the Covid19 Pandemic in addition to the ongoing trade issues and softer economic conditions that existed prior to the Covid19 Pandemic.

On 23 April 2020, Waterco Ltd signed an agreement to sell its shares in Waterco (C) Ltd to Guangzhou Yaolong Information Industry Co Ltd. The sale was subject to Regulatory Approval which was given on 3 June 2020 when the shares in the company were transferred to the purchaser. The gain on sale of Waterco (C) Ltd of $A15.7m has been treated as an abnormal item and shown as profit from discontinued operations.

Waterco's Malaysian manufacturing facility in Kuala Lumpur

Waterco's high-tech facility takes up 6.3 hectares and has a total work force of 450 staff.

The Malaysian facility manufactures an extensive range of fibreglass filters, from 400mm to 3000mm diameter vertical filters and 860mm diameter to 2200mm diameter horizontal filters.

Waterco's Micron commercial fibreglass filters are made from continuous strands of high-quality fiberglass filament wound under controlled tension to create a seamless, impervious vessel.

Waterco's quality control procedures ensure that the structural requisites of the product are achieved at every stage of production. This results in 100% compliance of the end product with the specifications.

SolarMate water heating, Malaysia

Since 1980, SolarMate Malaysia has paved the way with its innovations in design, product quality and product enhancements on its solar stainless-steel pressure tanks and solar panels (thermal), and the use of recyclable materials for long-term sustainability.

SolarMate was acquired by Waterco in 2019.

Waterco International in Singapore (WI) This Entity focuses on sales in Asian countries, other than Malaysia and China, where we have our own trading entities. WI also provides technical assistance to our Indonesian entity and has been able to contribute to the growth of the latter. Performance during the year was steady.

PRODUCT DEVELOPMENT AND WATER TREATMENT

The Group continues to invest in Research and Development in order to be at the forefront of the industry.

Product innovation and research and development in the water-treatment subsector are considered to be critical to Waterco staying at the forefront of the industry. Waterco considers water-treatment products and systems to be a key revenue driver for the Group. As such, ensuring that our products and systems are appropriately protected is of value and importance.

The array of technology advances and patents will improve Waterco's position in the servicing of swimming pool markets globally and are expected to improve the appeal of the Swimart franchise.

DIVIDEND AND OUTLOOK

The results (Net Profit After Tax of $3.01m from continuing operations), is 16% above the profit guidance of $2.6m provided to the market on 25 October 2019 and withdrawn on 9 April 2020 due to the uncertain impact of the Covid19 Pandemic on the group. While Australia/New Zealand and Asia reported EBIT (from continuing operations) fell from last year, EBIT for North America and Europe showed a strong improvement on the previous year. This is especially pleasing, as losses in the US and Canadian entities (in the North America and Europe Division) are not tax-effected, accentuating their impact.

The Board will provide a profit guidance at a later stage for the financial year ending 30 June 2021, as more information becomes available during the year.

Waterco declares a final dividend payment of 3 cents per share, payable to shareholders on 16 December 2020. With an interim dividend of 2 cents per share, declared after the announcement of the Half-Year results, this maintains the total dividend for the year at 5 cents per share.

Board of Directors

SOON SINN GOH - B COM FCPA
Chairman/Group CEO

Mr. Goh is the founder of Waterco Limited. He has been a member of the Board since the Company's incorporation in February 1981. Prior to the inception of Waterco, he was the Managing Director of a company specialising in the construction of water and sewage treatment facilities. His extensive experience in the water treatment industry is instrumental to the success of Waterco.

He held no other listed company directorships during the past three financial years.

BRYAN GOH - B ECON
Group Marketing Director

Mr. Goh was appointed to the Board in June 2010.

As the Group Marketing Director, Mr. Goh has overall responsibility for business and product development in Australia and oversees the marketing activities of Waterco's overseas subsidiaries.

Mr. Goh was on the board of directors of The Swimming Pool & Spa Association of New South Wales Ltd (from February 2005 to February 2009), a non-profit organisation dedicated to maintaining and improving standards within the industry for the betterment of consumers, pool builders and suppliers.

He held no other listed company directorships during the past three financial years.

GARRY NORMAN - B COM CA (retired 25 October 2019)
Non-Executive Director

Mr. Norman was appointed to the Board as a Non-Executive Director in October 1993.

He has been in public practice as a Chartered Accountant since 1990, having been previously employed by Duesburys Chartered Accountants (now Deloitte) for fourteen years before leaving to establish his own Chartered Accounting firm - G R Norman & Co.

He has an extensive background in accounting and taxation matters, having been involved with a wide range of clients in both city and suburban practices – previously in his role as a manager of the Business Services Division of Duesburys and currently in his role as principal of a suburban practice.

Mr. Norman was Chairman of the Audit Committee and a member of the Remuneration Committee up to 25 October 2019.

He held no other listed company directorships during the past three financial years.

Mr Norman retired as a director on 25 October 2019 after the conclusion of the Annual General Meeting of the Company.

BEN HUNT - PHD (ANU)
Non-Executive Director

Dr. Hunt was appointed to the Board as a Non-Executive Director in June 1998. He has held academic appointments as the Head of the Graduate School of Business, Associate Dean of the Faculty of Business and Associate Professor of Finance at the University of Technology, Sydney (UTS).

He has a doctorate from the Australian National University. Although Dr Hunt has written extensively on Australian financial markets (he is the co-author of the text Australian Institutions and Markets, 7th Ed.), his knowledge extends to the South East Asian region. He is a regular presenter of financial seminars in Hong Kong and Singapore for the UK publishing and training company Euromoney.

Dr Hunt is the Chairman of the Remuneration Committee and a member of the Audit Committee.

He held no other listed company directorships during the past three financial years.

(RICHARD) CHENG FAH LING - B COM CA
Non-Executive Director

Mr. Ling was appointed to the Board as a Non-Executive Director in May 2009. He holds a Bachelor of Commerce degree from the University of Newcastle, Australia. He is a member of Chartered Accountants Australia and New Zealand and the Malaysian Institute of Accountants. He has experience in total logistics and corporate finance in capital markets. Mr. Ling is currently a Non-Executive Director of Tiong Nam Logistics Holdings Berhad, a public company listed on Bursa Malaysia (Malaysian Stock Exchange). He is a member of the Remuneration and Nomination Committee and Chairman of the Audit Committee of Tiong Nam Logistics Holdings Berhad.

Mr. Ling is Chairman of the Audit Committee (from 26 October 2019) and a member of the Remuneration Committee of Waterco Limited.

He held no other listed company directorships during the past three financial years.

JUDY RAPER AM, BE (Hons), PHD, FATSE, FAICD, FIE(Aust), MIET (appointed 1 April 2020)
Non-Executive Director

Professor Raper holds a Bachelor of Engineering (Hons) and has a doctorate from The University of New South Wales. She has held several academic and non-academic appointments in Australia, the United States and the UK as the Dean of Engineering at the University of Sydney, Head of Chemical & Biological Engineering at University of Missouri in United States, Division Director of Chemical, Bioengineering, Environmental Engineering and Transport Systems at the National Science Foundation in United States and Deputy Vice-Chancellor (Research & Innovation) at the University of Wollongong. She is currently the Dean and Chief Executive Officer of TEDI-London responsible for the development of a new start up Engineering Institution.

Professor Raper is a Fellow of the Australian Academy of Technology, a fellow of the Australian Institute of Company Directors and an Honorary Fellow of Engineers Australia.

Professor Raper is a member of the Remuneration Committee and the Audit Committee of Waterco Limited.

She held no other listed company directorships during the past three financial years.

Statement of Corporate Governance Practices

This statement explains how Waterco Limited ACN 002 070 733 (***Waterco*** or **Company**) has complied with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations – 3rd Edition, published 27 March 2014 (**ASX Recommendations**), during the financial year ended 30 June 2020 (**Reporting Period**).

The Company will comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations – 4th Edition, published February 2019 for the financial year ended 30 June 2021.

All Waterco charter, codes and policy documents referred to in this statement are available in the Corporate Governance section of the Company's website, www.waterco.com.

This statement has been adopted by the Board as current as of 26 August 2020.

Principle 1: Lay solid foundations for management and oversight

RECOMMENDATION		WATERCO'S COMPLIANCE WITH ASX RECOMMENDATIONS
1.1	**Role of Board and management**	The Board Charter sets out the roles and responsibilities of the Board. The Board is ultimately responsible for the growth, strategic direction and success of the Company and has set out specific matters reserved for its decision and matters delegated to the management.
1.2	**Information regarding election and re-election of director candidates**	The Company has in place a policy for nomination and appointment of directors. Before appointing a director, the Company will undertake appropriate checks on a candidate for directorship and will provide all material information in its possession to its shareholders to make a decision on whether or not to elect or re-elect a director. When considering the re-election of an incumbent director or election of a new director, the Board takes into account the following: • business experience, particularly in respect of the industries in which the company operates; • standing in the community; • educational qualifications; • checks against the person's character, criminal record and bankruptcy history; • availability and other directorships; • the possession of particular skills such as finance, marketing or risk management; • whether the appointment or re-appointment will contribute positively to the skill set and diversity of the Board as a whole; and • gender diversity policy of the Company.

1.3 Written appointment

In addition to being set out in the Board Charter, the letters of appointment executed with all directors describe the key duties and responsibilities of each member of Board, and further include the terms of appointment, remuneration, time commitment envisaged, expectations regarding committee work, the requirement to disclose directors' interests and confidentiality obligations.

Mr Soon Sinn Goh has an employment agreement with the Company as the Group Chief Executive Officer. As Mr Goh spends a majority of his time developing and enhancing manufacturing capabilities in Malaysia and sales in various entities other than Australia and New Zealand, he also has a letter of employment with Waterco (Far East) Sdn Bhd setting out his role in Malaysia and a letter of employment with Waterco International Pte Ltd for his role in Singapore.

Key Management Personnel have written employment agreements setting out a description of key duties and responsibilities, reporting lines, remuneration and termination rights.

1.4 Company Secretary

The Company Secretary is appointed by and accountable to the Board and has particular responsibility for:

- advising the board and its committees on governance matters;
- monitoring whether board and committee policy and procedure are being followed;
- coordinating timely completion of board and committee papers;
- ensuring that business conducted at board and committee meetings are accurately recorded in the minutes; and
- helping to organise the induction and professional development of directors.

The Board Charter explicitly reflect this delegation by the Board to the Company Secretary.

1.5 Diversity

The Board recognises diversity and equity as strengths and adopted a Diversity & Equity Policy for the Company which includes an express requirement for the Board to set measurable objectives for achieving gender diversity.

The Diversity & Equity Policy is available in the Corporate Governance section of the Company's website, www.waterco.com. In accordance with the Diversity & Equity Policy, the Board set objectives for achieving gender diversity across its organisation. The objectives for the Reporting Period were

	Measurable objective %
Women on the Board	0%
Women in senior executive positions (excluding Board Members)	25%
Women employees in the company	25%

The Board assessed the progress towards these objectives during the Reporting Period by reviewing the relative proportion or women and men in the Company's workforce at all levels. As at 18 June 2020, women represented 25.7% of the overall workforce. Women made up 50% of senior executives (defined by the company as the Key Management Personnel). At the Board level, there is one female director appointed during the Reporting Period. Gender diversity will be considered at any time of Board renewal or additions.

1.6	**Board reviews**	The Board is committed to an ongoing internal process of performance evaluation of the Board, its committees and individual directors to ensure the diligent and effective discharge of responsibilities and a consistent mind set in improving corporate governance practices. The Board has undertaken an evaluation on the performance of the Board, its committees and individual directors for the Reporting Period.
1.7	**Management reviews**	The Company is committed to an ongoing internal process of performance evaluation of Key Management Personnel to ensure the diligent and effective discharge of their responsibilities The CEO has undertaken a performance evaluation review of Key Management Personnel for the Reporting Period except for Sze Tin Lim who retired on 23 July 2019 and Bee Hong Leo who will be retiring in October 2020.

Principle 2: Structure the Board to add value

RECOMMENDATION		**WATERCO'S COMPLIANCE WITH ASX RECOMMENDATIONS**
2.1	**Nominations committee**	The Company has not established a nomination committee. The ASX Recommendations acknowledge that such committees may not be required for smaller boards. The Board is of the opinion that it is appropriate for a company the size of Waterco for matters that come under the purview of a nomination committee to be undertaken by the Board through the Remuneration Committee. Furthermore, the Board has established processes in place to raise and address issues that would otherwise be considered by a nomination committee. The Board comprises an executive Chairman who is also the Group Chief Executive Officer (CEO), an Executive Director and three Non-Executive Directors. The Board views each of the three Non-Executive directors as being independent. The Board's membership is reviewed periodically to ensure that it maintains an appropriate mix of skills, qualifications and experience. In particular the Board has identified skills and experience in corporate finance, international trade and international business environment, marketing and accounting and technical and industry knowledge in the water treatment and pool industries to be important. The Board composition represents diversity in gender, age, ethnicity and background. At each Annual General Meeting (AGM), one third of the directors (excluding the CEO) and any director appointed to fill a casual vacancy since the previous AGM must retire but may stand for re-election. The Company achieved its preferred Board composition of at least five directors during the Reporting Period, with a majority of Non-Executive (and, where possible, independent) Directors.

2.2	**Board skills matrix**	Below is the matrix of skills and attributes that Waterco is aiming to achieve across its Board membership. This matrix was adopted by the Board on 23 June 2015. The Board is conscious of the need to improve in some areas, such as legal and engineering experience and female representation, and is considering addressing these shortcomings by attracting new candidates.

General	Governance
Executive and Non-Executive	Governance committee
Leadership	Risk management
Strategic thinking	Ethical and fiduciary duties
Industry experience	Environment and sustainability

Technical	Diversity
Legal	Female
Financial	Male
Engineering	Different ethnicities and cultures
Human resources	Languages other than English

2.3 Disclose independence and length of service

The names of the independent directors in office during the Reporting Period were:

- Garry Norman (for the period 1 July 2019 through to 25 October 2019);
- Ben Hunt;
- (Richard) Cheng Fah Ling ;
- Judy Raper (from 1 April 2020).

The Company's assessment of the materiality of a director's interest is considered on a case by case basis by the Board. Where an entity associated with a Director provides services to the Company, the Board uses a threshold of $100,000 in fees in a financial year as a guideline. However the Board does not follow an inflexible set of criteria but considers whether the relationship in question is reasonably likely to interfere with that Director's independent judgement. Further details of the directors' skills, experience, expertise and lengths of service are set out in the Board of Directors' section of the Company's Annual Report.

2.4 Majority of directors independent

For the majority of the Reporting Period, a majority of the Board were independent directors, taking into account the factors relevant to "independence" under the ASX guidelines.

Garry Norman resigned as a director on 25 October 2019 and Judy Raper was appointed as a director on 1 April 2020. For the period that the Company was looking for an appropriate replacement for Garry Norman, the majority of the Board did not consist of independent directors.

2.5 Independent Chair

The roles of Chairperson and Group CEO are both held by Mr Soon Sinn Goh. The Board believes that Mr Goh brings a vital level of industry experience to the operations of the Company. Also, as the major shareholder of the Company, Mr Goh's commitment to the success of the Company is unquestionable. Therefore, it is the Board's opinion that it is appropriate in the Company's circumstances that the two roles be combined. With the majority of the Directors being independent, and with Independent Directors chairing the Audit and the Remuneration Committees, the Board is also of the opinion that it is not necessary that the office of Chairperson be held by an Independent Director.

2.6 Induction and professional development

All new directors undergo an induction to familiarise them with the business of the Company, the Company's internal control and risk management practices and policies and procedures. The Company also seeks to provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

Principle 3: Act ethically and responsibly

RECOMMENDATION		WATERCO'S COMPLIANCE WITH ASX RECOMMENDATIONS
3.1	**Code of conduct**	The Board has established a Code of Conduct for directors, key management personnel and employees.

Principle 4: Safeguard integrity in corporate reporting

RECOMMENDATION		WATERCO'S COMPLIANCE WITH ASX RECOMMENDATIONS
4.1	**Audit committee**	The Audit Committee operates under the Audit Committee Charter. The role of the Audit Committee is to assist the Board with its oversight of the integrity of the financial statements, including overseeing the existence and maintenance of internal controls, accounting systems, and the financial reporting process. The Committee also nominates external auditors, reviews existing audit arrangements and co-ordinates external and internal auditing functions. In addition, the Audit Committee examines any other matters referred to it by the Board. Throughout the Reporting Period the Audit Committee consisted of 3 Independent Non-Executive Directors and was headed by an Independent Chairperson not holding the position of Chairperson of the Board. The members of the Audit Committee during the Reporting Period were: • Garry Norman (for the period 1 July 2019 to 25 October 2019); • (Richard) Chang Fah Ling – Chairman (from 26 October 2019); • Ben Hunt; and • Judy Raper (from 1 April 2020) For the period that the Company was looking for an appropriate replacement for Garry Norman, the majority of the Board did not consist of independent directors. The number of Audit Committee meetings and details of Committee members' attendance are included in the Directors' Report section of the Company's Annual Report.
4.2	**CEO and CFO certification of financial statements**	The Board has received a written statement from its Group CEO and Chief Financial Officer (CFO) which includes a declaration under section 295A of the Corporations Act 2001 (Cth) advising that: • in their opinion the Company's financial reports have been properly maintained and have complied with the appropriate accounting standards and give a true and fair view of the Company's financial position and performance; and • the opinion has been formed on the basis of a system of risk management and internal control adopted by the Board, and that this system is operating efficiently.
4.3	**External auditor at AGM**	The external auditor attends the AGM for the purpose of answering shareholder questions regarding the conduct of the audit and the preparation and content of the audit report.

Principle 5: Make timely and balanced disclosure

RECOMMENDATION		WATERCO'S COMPLIANCE WITH ASX RECOMMENDATIONS
5.1	**Disclosure and Communications Policy**	The Company's Continuous Disclosure Policy sets out the rules and responsibilities for Waterco's officers and employees to ensure compliance with ASX Listing Rules and promote factual and timely disclosure of all material matters concerning the Company.

Principle 6: Respect the rights of security holders

RECOMMENDATION		WATERCO'S COMPLIANCE WITH ASX RECOMMENDATIONS
6.1	**Information on website**	Waterco keeps investors informed by publishing information on the Company's website. All disclosures made to the ASX and all information provided to analysts or the media during briefings are promptly posted on the Company's website after they have been released to the ASX.
6.2	**Investor relations programs**	The Company's Shareholder Communication Policy details the mechanisms put in place to ensure that the rights of shareholders are respected and to facilitate the effective exercise of those rights. The Shareholder Communication Policy contains information on persons whom shareholders can contact in relation to procedures at shareholders meetings, matters being considered at shareholders meetings and other issues. It also indicates the predominant sources for investors to engage with the Company at general meetings of the Company.
6.3	**Facilitate participation at meetings of security holders**	Shareholders who are unable to attend any of the Company's meetings are encouraged to vote on the proposed motions by appointing a proxy. Proxy forms are included with meeting notices which also provides details on how proxy forms should be completed and submitted.
6.4	**Facilitate electronic communications**	The Company recognises the benefits of the use of electronic communications. Shareholders have the option of selecting to receive the following information electronically from the share registry: dividend statements; annual reports; notices of meetings and proxy forms and the ability to vote online; and other general company communications. With this in place, shareholders can log into their account to make changes to their communication preferences. The share registry can also be contacted via email or telephone. Contact details can be found on the Company's website.

Principle 7: Recognise and manage risk

RECOMMENDATION		WATERCO'S COMPLIANCE WITH ASX RECOMMENDATIONS
7.1	**Risk committee**	The Company has not established a Risk Committee. The functions of the Risk Committee are performed by the Audit Committee who reports to the Board on the effectiveness of the risk management and internal control processes of the Company regularly by circulation of Minutes of Meetings to the directors and through other means of formal and informal reporting. Further details regarding the Audit Committee, its membership and the number of meetings held during the Reporting Period are set out in response to Recommendation 4.1.
7.2	**Annual risk review**	The Board reviews the risk management framework of the Company periodically as and when necessary to meet the operational requirements of the Company and changes in the law through the Audit Committee. The Board has performed the review for the Reporting Period.
7.3	**Internal audit**	The Company reviews and continually improves the effectiveness of its risk management and internal control processes. Further details regarding audit functions are set out in response to Recommendation 4.1.
7.4	**Sustainability risks**	The Board considers that the Company is not materially exposed to economic, environmental and social sustainability risks.

Principle 8: Remunerate fairly and responsibly

RECOMMENDATION		WATERCO'S COMPLIANCE WITH ASX RECOMMENDATIONS
8.1	**Remuneration committee**	The Remuneration Committee is responsible for making recommendations to the Board on remuneration packages and policies for the Executive Directors and the Key Management Personnel. The Remuneration Committee Charter is published on the Company's website. For the majority of the reporting period, the Remuneration Committee consisted of three independent Non-Executive Directors and was headed by an independent Chairperson not holding the position of Chairperson of the Board. The members of the Remuneration Committee during the Reporting Period were: • Ben Hunt – Chairman; • Garry Norman (for the period 1 July 2019 to 25 October 2019); • (Richard) Cheng Fah Ling; and • Judy Raper (from 1 April 2020). The number of Remuneration Committee meetings and details of Committee members' attendance during the Reporting Period are set out in the Directors' Report section of the Company's Annual Report. For the period that the Company was looking for an appropriate replacement for Garry Norman, the majority of the Board did not consist of independent directors.
8.2	**Disclosure of Executive and Non-Executive Director remuneration policy**	Remuneration of the Company's Non-Executive Directors operates on different principles to the remuneration of Executive Directors. Non-Executive Directors receive fixed fees, and are not entitled to any retirement benefits other than statutory superannuation. The Remuneration Report at the Directors' Report section of the Annual Report sets out: • information about the Remuneration Policy developed by the Remuneration Committee and adopted by the Board; and • details of remuneration of the directors (executive and non-executive) and Key Management Personnel.
8.3	**Policy on hedging equity incentive schemes**	The Company did not offer an equity-based remuneration scheme during the Reporting Period.

Directors' Report

Your directors present their report on the Company and its controlled entities for the financial year ended 30 June 2020.

Directors

The names of directors in office during and since the end of the financial year are:

- Soon Sinn Goh
- Bryan Goh
- Garry Norman (retired 25 October 2019)
- Ben Hunt
- (Richard) Cheng Fah Ling
- Judy Raper (appointed 1 April 2020)

All directors have been in office since the start of the financial year except Judy Raper who was appointed on 1 April 2020 and Garry Norman who retired on 25 October 2019

For details of the directors' qualifications and experience, refer to the section titled "Board of Directors" which is to be read as part of this report.

Company Secretaries

The following persons held the position of Joint Company Secretary throughout the financial year:

- Bee Hong Leo
  Mrs Leo was appointed Company Secretary on 3 March 1983. She has been employed by Waterco since March 1981 performing management roles in the administration and legal divisions. Mrs Leo will be retiring on 30 October 2020.

- Gerard Doumit FCPA JP
  Mr Doumit was appointed Company Secretary on 22 July 1991. He has been employed by Waterco since January 1987 as an Accountant and is currently Chief Financial Officer (CFO) and Company Secretary.
  He holds a Bachelor of Economics (Accounting) from Macquarie University.

- Sin Wei Yong
  Mr Yong was appointed Company Secretary on 1 July 2020.
  He is an admitted solicitor and holds a Bachelor of Laws (Hons) from Northumbria University, United Kingdom. He joined the Company in 2014 as a Legal Officer. He has extensive experience in corporate governance and has more than 15 years' experience in legal and regulatory compliance in a financial services group prior to joining the Company.

Principal Activities

The principal activities of the consolidated Group during the financial year were:

- wholesale, export and manufacture of equipment and accessories in the swimming pool, spa pool, spa bath, rural pump and water treatment industries;
- manufacture and sale of solar heating systems for swimming pools and pre-heat industrial solar systems;
- franchise of retail outlets for swimming pool equipment and accessories; and
- formulating, packing and distribution of swimming pool chemicals to independent pool stores and stores in its Swimart franchise network.

There were no significant changes in the nature of the consolidated Group's principal activities during the financial year.

Consolidated Results

The consolidated profit of the Group after providing for income tax and eliminating non controlling interests amounted to $17.662 million.

Dividends

Dividends paid or declared for payment are as follows:

- Final ordinary dividend of 3 cents per share paid on 16 December 2019 as recommended in last year's report - $1.094 million
- Interim dividend of 2 cents per share paid on 15 June 2020 as declared in the half yearly report - $0.718m
- Final ordinary dividend of 3 cents per share declared by the directors to be paid on 16 December 2020 - $1.099 million.

All dividends paid or declared since the end of the previous financial year were fully franked.

Review of Operations

A review of operations of the Consolidated Group during the financial year and of the results of those operations together with likely developments in the operations of the consolidated Group and the expected results of those operations are set out in the Chief Executive Officer's Review of Operations.

Financial Position

The net assets of the Consolidated Group have increased by $11.43 million from $75.83 million in June 2019 to $87.26 million in June 2020.

The change has largely resulted from:

- Upward movement in profits less dividends paid of $21.04 million;
- Net decrease in the asset revaluation reserve of group companies of $5.08 million
- Net decrease in non-controlling Interests of $0.10 million
- Foreign currency translation loss of $2.74 million;
- Net decrease in share capital of $1.69 million from the Waterco Share Buy-Back.

The Group's working capital being current assets less current liabilities increased from $30.62 million in 2019 to $46.81 million in 2020.

The Directors believe that the Group is in a strong and stable financial position.

Significant Changes in State of Affairs

The Directors are not aware of any significant changes in the state of affairs of the Consolidated Group that occurred during the financial year which have not been covered elsewhere in this report.

After Balance Date Events

The impact of the Coronavirus (COVID 19) pandemic is ongoing and while it has been financially positive for the consolidated entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 2 June 2020 Waterco Ltd signed an agreement to acquire the business of Automated Pool Products Pty Ltd (a leading distributor of equipment in the Pool Market) for consideration of $3.085 Million.The purchase was completed on 17 July 2020.

Since the end of the reporting period, the Board resolved to pay a final dividend of 3 cents per share fully franked

Future Developments, Prospects and Business Strategies

Information as to future developments, prospects and business strategies in the operations of the Consolidated Group are included in the Chief Executive Officer's Review of Operations. Other possible developments have not been included in this report as such inclusions would, in the opinion of the Directors, prejudice the interests of the Consolidated Group.

Environmental Issues

The Consolidated Group's operations are subject to some environmental regulations, particularly with regard to the storage of chemicals and waste management. The Consolidated Group has adequate systems in place for the management of its environmental requirements. The Directors are not aware of any breaches of the environmental regulations during the financial year.

Directors' Shareholdings

Details of the Directors' shareholdings are contained in Note 7 to the Financial Statements.

Meetings of Directors

During the financial year, 14 meetings of directors (including Audit and Remuneration Committees) were held. Attendances are set out below:

Director	Directors' Meeting		Audit Committee Meeting		Remuneration Committee Meeting	
	Number Eligible To Attend	Number Attended	Number Eligible To Attend	Number Attended	Number Eligible To Attend	Number Attended
Soon Sinn Goh	5	5	-	-	-	-
Bryan Goh	5	5	-	-	-	-
Garry Norman	2	2	2	2	1	1
Ben Hunt	5	5	5	5	4	4
(Richard) Ling	5	5	5	5	4	4
Judy Raper	2	2	2	2	2	2

Indemnifying Officers or Auditor

During and since the financial year, the Company has paid premiums to insure all directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity as director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or any related body corporate against a liability incurred by such an officer or auditor.

Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit arising from a contract made by the parent entity, or a related body corporate with a director, a firm of which a director is a member or a director or an entity in which a director has a substantial financial interest other than:

i. Sales made by a controlled entity to Asiapools (M) Sdn Bhd of which Mr Soon Sinn Goh is a director and shareholder.

ii. Payments made for rental of warehouses, offices and a pool shop to Mint Holdings Pty Ltd of which Mr Soon Sinn Goh is a director and shareholder.

iii. Rent charged to Mint Holdings Pty Ltd for office space in Rydalmere,NSW.

This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors and shown in the Company's accounts or the fixed salary of a full time employee of the parent entity, controlled entity or related body corporate.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-Audit Services

The Board of Directors, in accordance with advice from the Audit Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and

- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2020 has been received and is included in the directors' report.

ASIC Corporations (rounding in Financial/Directors Reports) Instruments 2016/191

The amounts in the financial reports and directors' report have been rounded to the nearest thousand dollars in accordance with ASIC Corporations Instruments 2016/191.

Remuneration Report

Introduction

This report provides remuneration policy and payment details applying in the financial year for persons who were members of Key Management Personnel of the Company.

2020 Remuneration Policy

The Remuneration Committee governs the Company's Remuneration Policy. The Committee comprises Independent Non-Executive Directors.

It has the following objectives:

- attract, retain and motivate management of the appropriate calibre to further the success of the business;
- align management reward with shareholder value;
- ensure that total remuneration is reasonable and comparable with market standards;
- ensure that remuneration should realistically reflect the responsibilities of the executives;
- ensure that incentive schemes reward superior company performance and be clearly linked to appropriate performance benchmarks based on improved company performance; and
- ensure that the remuneration costs are disclosed in accordance with the requirements of law and relevant accounting standards.

The remuneration structure for Key Management Personnel of the Waterco Group comprises:

- Fixed remuneration. This consists of base salary and the full costs of other benefits; and
- Incentives. The level varies with performance. It consists of an annual incentive plan.

The Remuneration Committee reviews market data and the performance of the Group CEO. The Committee then recommends the fixed remuneration and annual incentive payment of the Group CEO for approval by the Board.

The Group CEO recommends Key Management Personnel's fixed remuneration and annual incentive payments to the Remuneration Committee. Fixed remuneration for Key Management Personnel is reviewed annually and determined by reference to appropriate benchmark information of comparable companies, taking into account their responsibility, performance, qualifications, experience and potential. Adjustments are made only if there is the prospect of fixed remuneration levels falling behind market levels.

The remuneration of Non-Executive Directors is fixed and does not change according to the performance of the company. They do not participate in any incentive plans available to managers. Non-Executive Directors are paid fees based on the nature of their work and their responsibilities. The Company makes superannuation guarantee (SG) payments, in addition to those fees. The level and structure of fees is based upon the need for the Company to be able to attract and retain Non-Executive Directors of an appropriate calibre, the demands of the role and prevailing market conditions.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is $300,000. This was approved by shareholders at the Annual General Meeting held on 25 October 2019.

There has been an increase of 2% in the Non-Executive Director fees for the 2020/2021 financial year. The total fees are now at an aggregate of $188,663 plus Superannuation Guarantee Charge.

The Remuneration Committee seeks independent external advice when required.

Performance–based Remuneration policy, and its relationship with Company performance

There is an annual incentive plan in place for all Key Management Personnel. This is a payment that varies with performance measured over a twelve-month period.

There have been no changes in performance based remuneration policy compared with the prior reporting period.

Maximum payments are capped.

In the case of the Group CEO, the Remuneration Committee sets the performance requirements; in the case of other Key Management Personnel, the Group CEO recommends performance requirements for consideration by the Remuneration Committee.

The annual incentive performance criteria relate to the employee's responsibilities. If requirements are achieved, there will be an improvement in shareholder value.

The key performance requirements for an incentive payment are Net Profit After Tax (NPAT). From 1 July 2020, the basis for key performance requirements for an incentive payment has been changed to Earnings Before Interest and Tax (EBIT).

This provides a clear alignment between the interests of shareholders and the level of reward for eligible employees.

Performance criteria are tabulated below

Key Management Personnel with annual incentives	Summary of Performance Condition FY 20	Why Chosen
Soon Sinn Goh – Group CEO	Budgeted NPAT for the Waterco Group.	Encourage Group CEO to improve the performance levels of the Group as a whole and thereby increase shareholder wealth.
Key Management Personnel	Budgeted NPAT for the Waterco Group.	The performance of other Key Management Personnel can have a Group impact, so targets are based on Group performance.

The satisfaction of the performance conditions of the annual incentive is based on a review of the audited financial statements of the Group.

If the Group's performance, as a whole does not reach the relevant target levels, then no annual incentive payments are made.

None of the Company's Key Management Personnel achieved their performance targets in the year-ended 30 June 2020.

The following table shows the Sales Revenue, Net Profit Before Tax (NPBT), Net Profit After Tax (NPAT), Earnings Per Share (EPS), dividends and year-end share price in the financial year just ended and the previous four financial years for the consolidated Group.

Year ended	June 20	June 19	June 18	June 17	June 16
Sales revenue ($million) from continuing and discontinued operations	93.58	89.62	86.26	82.51	81.72
NPBT ($million) from continuing and discontinued operations	21.83	3.31	5.72	5.33	3.82
EPS (cents) from continuing and discontinued operations	48.8	6.1	10.3	9.7	7.6
Dividends per share paid (cents)	5.0	5.0	5.0	5.0	5.0
Year end share price ($)	2.55	1.61	2.05	1.70	1.28
NPAT ($million) continuing operations	3.01	3.14	3.95	3.71	2.85
NPAT ($million) discontinued operations	14.54	(0.86)	-	-	-

Please see commentary on performance on page 22.

Employment Details of Key Management Personnel

The following table provides employment details for the financial year for Key Management Personnel. The table also illustrates the proportion of remuneration that was performance and non-performance based.

			Proportions of elements of remuneration related to performance			Proportions of elements of remuneration not related to performance	
	Position held as at 30 June 2020 and any change during the year	Contract details (duration & termination)	Non- salary cash-based incentives %	Shares/ Units %	Options/ Rights %	Fixed Salary/ Fees %	Total %
Key Management Personnel							
S S Goh	Chairman & Group CEO	No fixed term; may be terminated on 6 months' notice by either party	-	-	-	100	100
B Goh	Group Marketing Director - Executive	No fixed term; may be terminated on 2 months' notice by either party	-	-	-	100	100
G Norman 1)	Director - Non-Executive	No fixed term, but subject to member confirmation every 3 years after AGM when first appointed.	-	-	-	100	100
B Hunt	Director - Non-Executive	No fixed term, but subject to member confirmation every 3 years after AGM when first appointed.	-	-	-	100	100
R Ling	Director - Non-Executive	No fixed term, but subject to member confirmation every 3 years after AGM when first appointed.	-	-	-	100	100
J Raper 2)	Director - Non-Executive	No fixed term, but subject to member confirmation every 3 years after AGM when first appointed.	-	-	-	100	100
S T Lim 3)	Chief Financial Officer	No fixed term, may be terminated on 2 months' notice by either party	-	-	-	100	100
B H Leo	Company Secretary	No fixed term, may be terminated on 2 months' notice by either party	-	-	-	100	100
G Doumit	Chief Financial Officer/ Company Secretary	No fixed term, may be terminated on 2 months' notice by either party	-	-	-	100	100

Changes in Directors and Key Management Personnel during the Year

1) On 25 October 2019, Mr Garry Norman retired as a Director of Waterco Ltd.
2) On 1 April 2020, Ms Judy Raper was appointed as a Non-Executive Director of Waterco Ltd
3) On 23 July 2019, Mr Sze Tin Lim retired as Chief Financial Officer of Waterco Ltd

Changes in Directors and Key Management Personnel Subsequent to Year-end

There have been no changes in Directors and Key Management Personnel subsequent to year-end.

Key Management Personnel Shareholding

Number of Shares held by Key Management Personnel

2020

Key Management Personnel	Balance 1.7.2019	Received as Remuneration	Net Change Other	Balance 30.6.2020
Mr S S Goh	21,721,853	-	-	21,721,853
Mr B Goh	540,121	-	-	540,121
Mr G Norman 1)	155,114	-	(155,114)	-
Mr B Hunt	170,223	-	-	170,223
Mr R Ling	-	-	-	-
Ms J Raper 2)	-	-	-	-
Mr S T Lim 3)	102,817	-	(102,817)	-
Mrs B H Leo	-	-	-	-
Mr G Doumit	71,300	-	-	71,300
			-	

2019

Key Management Personnel	Balance 1.7.2018	Received as Remuneration	Net Change Other	Balance 30.6.2019
Mr S S Goh	21,721,853	-	-	21,721,853
Mr B Goh	540,121	-	-	540,121
Mr G Norman	155,114	-	-	155,114
Mr B Hunt	370,223	-	(200,000)	170,223
Mr R Ling	-	-	-	-
Mr S T Lim	102,817	-	-	102,817
Mrs B H Leo	6,000	-	(6,000)	-
Mr G Doumit	71,300	-	-	71,300

1) On 25 October 2019, Mr Garry Norman retired as a Director of Waterco Ltd.

2) On 1 April 2020, Ms Judy Raper was appointed as a Non-Executive Director of Waterco Ltd

3) On 23 July 2019, Mr Sze Tin Lim retired as Chief Financial Officer of Waterco Ltd

Remuneration Details

The following table provides remuneration details for the 2020 and 2019 financial years for Key Management Personnel.

		Short-term benefits			Post-employment benefits	Long-term benefits	
		Renumeration incl Salary, fees and leave	Profit share and bonus	Non-monetary (5)	Pension and super-annuation	LSL	Total
		$	$	$	$	$	$
Key Management Personnel							
Soon Sinn Goh 1)	2020	428,914	-	-	12,773	3,002	444,689
	2019	416,420	-	-	12,401	3,127	431,948
Bryan Goh	2020	248,527	-	-	21,003	9,205	278,735
	2019	232,269	-	-	20,531	7,723	260,523
Garry Norman 2)	2020	21,342	-	-	2,028	-	23,370
	2019	59,859	-	-	5,686	-	65,545
Ben Hunt	2020	61,655	-	-	5,857	-	67,512
	2019	59,859	-	-	5,686	-	65,545
(Richard) Ling	2020	61,655	-	-	5,857	-	67,512
	2019	59,859	-	-	5,686	-	65,545
Judy Raper 3)	2020	14,228	-	-	1,352	-	15,580
	2019	-	-	-	-	-	-
Sze Tin Lim 4)	2020	146,803	-	-	1,676	254	148,733
	2019	228,455	-	-	20,531	4,348	253,334
Bee Hong Leo	2020	207,766	-	-	19,675	3,742	231,183
	2019	201,715	-	-	19,136	7,728	228,579
Gerard Doumit	2020	204,752	-	24,576	19,451	6,158	254,937
	2019	178,045	-	22,944	16,914	18,835	236,738

(1) S S Goh's Remuneration of $444,689 is made up of $150,231 paid/payable by Waterco Ltd, $147,229 paid by Waterco (Far East) Sdn Bhd (a subsidiary) and $147,229 paid by Waterco International Pte Ltd (a subsidiary).

(2) Garry Norman's Remuneration has been calculated up to the date of his retirement 25 October 2019

(3) Judy Raper's Remuneration has been calculated from the date of her appointment 1 April 2020

(4) Sze Tin Lim's Remuneration has been calculated up to the date of his retirement 23 July 2019

(5) Non-monetary benefits are made up of Company vehicle benefits.

Securities Received that are not Performance Related

No Key Management Personnel are entitled to receive securities which are not performance based as part of their remuneration package.

Cash incentives, Performance-related Bonus and Share-based Payments

No options or other share based payments were granted in the 2020 financial year.

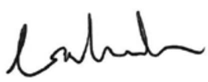
Maximum cash incentives expressed as a percentage of fixed remuneration and the maximum value that could have been earned in 2019/2020 if stretch performance targets were achieved are tabulated below:

Position	Maximum possible incentive	Maximum possible incentive $
Key Management Personnel		
Group CEO, Waterco Limited	34%	$150,000
Group Marketing Director, Waterco Limited	27%	$75,000
Chief Financial Officer / Company Secretary, Waterco Limited	20%	$50,000
Company Secretary, Waterco Limited	15%	$35,000

The percentage of cash incentives payable and forfeited for the year to key management personnel.

Key Management Personnel	Short term incentive in respect of 2020 financial year	
	Payable %	Forfeited %
S S Goh	0%	100%
B Goh	0%	100%
B H Leo	0%	100%
G Doumit	0%	100%

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors:



Soon Sinn Goh
Chairman

Dated at Sydney this 11 September 2020

Auditor's Independence Declaration

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Waterco Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM AUSTRALIA PARTNERS

C J Hume
Partner

Sydney, NSW
Dated: 11 September 2020

Consolidated Financial Report

for the year ended 30 June 2020

Consolidated Statement of Profit or Loss and other Comprehensive Income

For The Year Ended 30 June 2020

	Note No.	Consolidated Group 2020 $000	2019 $000
Continuing Operations			
Revenues	3	98,466	88,242
Changes in inventories of finished goods and work in progress		6,327	(3,585)
Raw materials and consumables used		(54,663)	(39,586)
Employee benefits expense		(22,043)	(19,405)
Depreciation and amortisation expense	4	(6,566)	(1,603)
Finance costs	4	(959)	(1,137)
Advertising expense		(2,043)	(2,044)
Discounts allowed		(306)	(252)
Outward freight expense		(2,010)	(2,075)
Rent expense	4	(1,324)	(2,698)
Research and development		(1,366)	(1,490)
Insurance – general		(1,051)	(917)
Contracted staff expense		(269)	(242)
Warranty expense		(281)	(621)
Commission expense		(409)	(336)
Other expenses		(7,599)	(8,081)
Profit before income tax expense		3,904	4,170
Income tax expense	6	(890)	(1,031)
Profit for the year from Continuing operations		3,014	3,139
Discontinued Operations			
Profit from Discontinued Operations after tax	7	14,542	(857)
Net Profit for the year		17,556	2,282
Other comprehensive income			
Items that will not be classified subsequently to profit or loss			
Property revaluation increment (net of tax)		433	591
Items that maybe reclassified to profit or loss			
Exchange translation differences		(2,730)	1,697
Other comprehensive income for the year		(2,297)	2,288
Total comprehensive income for the year		15,259	4,570
Profit attributable to :			
Members of the parent entity		17,662	2,242
Non-controlling interest		(106)	40
		17,556	2,282
Total comprehensive income for the year			
Members of the parent entity		15,365	4,530
Non-controlling interest		(106)	40
Total comprehensive income for the year		15,259	4,570
Earnings per share			
Basic earnings per share from continuing and discontinued operations (cents per share)	31	48.8	8.4
Basic earnings per share from continuing operations (cents per share)	31	8.6	6.1
Basic earnings per share from discontinued operations (cents per share)	31	40.2	(2.3)
Diluted earnings per share from continuing and discontinued operations (cents per share)	31	48.8	6.1

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As At 30 June 2020

		Consolidated Group	
	Note No.	2020 $000	2019 $000
ASSETS			
Current Assets			
Cash and cash equivalents	9	9,697	5,310
Trade and other receivables	10	36,848	12,120
Inventories	11	33,060	36,189
Other current assets	12	792	829
Total Current Assets		80,397	54,448
Non-Current Assets			
Property, plant & equipment	14	51,606	61,459
Right of use assets	15	13,350	-
Intangible assets	16	292	432
Deferred tax assets	19	560	487
Total Non-Current Assets		65,808	62,378
Total Assets		146,205	116,826
LIABILITIES			
Current Liabilities			
Trade and other payables	17	14,056	11,159
Borrowings	18	16,761	11,268
Current tax liabilities	19	810	(407)
Short term provisions	20	1,956	1,811
Total Current Liabilities		33,583	23,831
Non-Current Liabilities			
Borrowings	21	19,177	11,094
Deferred tax liabilities	19	5,974	5,869
Long-term provisions	22	210	202
Total Non-Current Liabilities		25,361	17,165
Total Liabilities		58,944	40,996
Net Assets		87,261	75,830
EQUITY			
Issued capital	23	35,982	37,676
Reserves	24	15,413	23,224
Retained earnings	25	35,233	14,191
Parent interest		86,628	75,091
Non-controlling interest		633	739
Total Equity		87,261	75,830

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

Consolidated Group	Note No.	Ordinary Shares $000	Retained Earnings $000	Capital Profits Reserve $000	Asset Revaluation Reserve $000	Foreign Currency Translation Reserve $000	Non-Controlling Interests $000	Total $000
Balance at 30/6/18		38,590	13,944	211	24,643	(3,918)	699	74,169
Adjustment for change in accounting policy (note 1)		-	(154)	-	-	-	-	(154)
Restated Balance at 30/6/18		38,590	13,790	211	24,643	(3,918)	699	74,015
Comprehensive income								
Profit for the year		-	2,242	-	-	-	40	2,282
Other comprehensive income for the year		-	-	-	591	1,697	-	2,288
Total comprehensive income for the year		-	2,242	-	591	1,697	40	4,570
Transactions with owners, in their capacity as owners and other transfers								
Cancellation of shares under Waterco Share Buyback		(914)	-	-	-	-	-	(914)
Dividends paid	30	-	(1,841)	-	-	-	-	(1,841)
Total transactions with owners and other transfers		(914)	(1,841)	-	-	-	-	(2,755)
Balance at 30/6/19		37,676	14,191	211	25,234	(2,221)	739	75,830
Adjustment for change in accounting policy (note 1)		-	(36)	-	-	-	-	(36)
Restated Balance at 30/6/20		37,676	14,155	211	25,234	(2,221)	739	75,794
Comprehensive income								
Profit/(loss) for the year		-	17,662	-	-	-	(106)	17,556
Other comprehensive Income/(loss) for the year		-	- -	-	433	(2,730)	-	(2,297)
Total comprehensive income for the year		-	17,662	-	433	(2,730)	(106)	15,259
Transactions with owners, in their capacity as owners and other transfers								
Cancellation of shares under Waterco Share Buyback		(1,694)	-	-	-	-	-	(1,694)
Disposal of controlled entities		-	5,227	-	(5,514)	-	-	(287)
Dividends paid	30	-	(1,811)	-	-	-	-	(1,811)
Total transactions with owners and other transfers		(1,694)	3,416	-	-	-	-	1,722
Balance at 30/6/20		35,982	35,233	211	20,153	(4,951)	633	87,261

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	Consolidated Group	
	2020 $000	2019 $000
Cash Flows from Operating Activities		
Receipts from customers	102,176	95,207
Payments to suppliers and employees	(87,193)	(86,897)
Interest received	39	35
Other Income	945	1,210
Finance costs	(959)	(1,138)
Income tax paid	(3,022)	(1,848)
Net cash provided by operating activities (note 34)	11,986	6,569
Cash Flows from Investing Activities		
Dividend received	1	1
Payment for property, plant & equipment	(1,919)	(2,154)
Payment for intangibles	-	(237)
Proceeds from sale of property, plant & equipment	-	51
Net cash (used in) investing activities	(1,918)	(2,339)
Cash Flows from Financing Activities		
Proceeds from bank borrowings	1,016	-
Repayment of bank borrowings	(1,257)	(1,688)
Proceeds from issue of shares (to outside interests)	-	30
Share buyback	(1,695)	(914)
Payment of rou liabilities	-	-
Payment of lease liabilities	(309)	(245)
Dividends paid	(1,811)	(1,841)
Dividends paid-outside interests	-	(29)
Net cash (used in) financing activities	(4,056)	(4,687)
Net (decrease) in cash held	6,012	(457)
Cash at beginning of the year	4,166	3,419
Effects of exchange rate changes on balance of cash held in foreign currencies	(1,866)	1,204
Cash and cash equivalents the end of the year (Note 9)	**8,312**	**4,166**

The accompanying notes form part of these financial statements.

Note 1: Statement of Significant Accounting Policies

These consolidated financial statements and notes represent those of Waterco Limited and controlled entities, ("Group").

Waterco Limited (a for-profit entity) is a listed public company, incorporated and domiciled in Australia.

The separate financial statements of the parent entity, Waterco Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 11 September 2020.

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

a. Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Waterco Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 13. All subsidiaries have a 30 June financial year end except for Waterco Guangzhou Ltd, Waterco (C) Ltd, and PT Waterco Indonesia which have a 31 December financial year end. The reason for this is local company regulation.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Note 1: Statement of Significant Accounting Policies (continued)

a. Principles of Consolidation (continued)

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

b. Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific 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.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Note 1: Statement of Significant Accounting Policies (continued)

c. Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

d. Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined on a standard cost basis. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Net realisable value is determined as the estimated selling price less costs to sell.

e. Income Tax

The income tax expense/(income) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Waterco Limited and its wholly-owned Australian Subsidiaries have formed a consolidated group for the purposes of the tax consolidation provisions of the Income Tax Assessment Act 1997. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the "stand-alone taxpayer" approach to allocation. All of the deferred tax assets and liabilities of the subsidiary members have become part of the deferred assets and liabilities of Waterco Ltd. Each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the consolidated group. The group notified the ATO on 20 January 2005 that it had formed an income tax consolidated group to apply from 1 July 2003.

Note 1: Statement of Significant Accounting Policies (continued)

f. Discontinued operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

g. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of comprehensive income. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

h. Employee Benefits

Provision for employee benefits, which include long service leave, and annual leave are computed to cover expected benefits at balance date.

Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. (see note 20)

Employee benefits (long service leave) payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

Contributions are made by the consolidated group to an employee superannuation fund and are charged as expenses when incurred. The consolidated group has no legal obligation to cover any shortfall in the funds obligations to provide benefits to employees on retirement.

i. Deferred Expenditure

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

Note 1: Statement of Significant Accounting Policies (continued)

j. Acquisition of Assets

The cost method of accounting has been used for acquisition of all assets (including shares). Cost is defined as the fair value of the assets given up at the date of acquisition plus costs incidental to acquisition. Where goodwill arises, it is brought to account.

k. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Property

Land and buildings are measured on a fair value basis being the amount for which an asset could be exchanged between knowledgeable willing parties in an arms length transaction.

The value of the land and buildings owned by the consolidated group are based on the following independent valuations:

Land & Buildings	Date of Valuation	Amount
Rydalmere NSW	27 April 2018	AUD 21,700,000
Malaysia	15 May 2020	AUD 20,426,227 (MYR 60,000,000)
USA	7 March 2019	AUD 2,426,979 (USD 1,720,000)

Increases (net of deferred taxes) in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

On 15 May 2020, Waterco Far East Sdn Bhd revalued its property resulting in no change (RM6om) from the last valuation of the property done on 13th April 2017. Due to the weakening of the $A against the Malaysian Ringitt (from the date of the last valuation conducted in April 2017), the translated value has gone up from $A18,165,854 to $A20,426,227.

The above valuation was performed by an independent valuer.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(m) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, is depreciated over their useful lives commencing from the time the asset is ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The gain or loss on disposal of all fixed assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in operating profit before income tax of the consolidated group in the year of disposal.

Note 1: Statement of Significant Accounting Policies (continued)

k. Property, Plant and Equipment (continued)

Depreciation (continued)

Depreciation where applicable has been charged in the accounts so as to write off each asset over the estimated useful life of the asset concerned. Either the diminishing value or straight line method, as considered appropriate, is used. The depreciation rates used for each class of depreciable assets are:

Class of Fixed Assets	Depreciation Rate		
Buildings	1.50%	-	2.50%
Plant and equipment	6.00%	-	33.33%
Leased plant and equipment	13.00%	-	20.00%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are recognised in the profit and loss in the period in which they arise.

l. Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

m. Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Note 1: Statement of Significant Accounting Policies (continued)

m. Revenue recognition (continued)

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method.

Dividend revenue is recognised when the right to receive a dividend has been established.

Franchise fee income is invoiced and recognised as revenue on a monthly basis.

All revenue is stated net of the amount of goods and services tax (GST).

n. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cashflows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

o. Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

p. Trade and Other Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

q. Trade and Other Payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

r. Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

s. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the statement of financial position.

Note 1: Statement of Significant Accounting Policies (continued)

t. Borrowings and Borrowing Costs

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

u. Investments and Other Financial Assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either:

(i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or

(ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Note 1: Statement of Significant Accounting Policies (continued)

v. Current and Non-Current Classifications

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when:

i. it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle;

ii. it is held primarily for the purpose of trading;

iii. it is expected to be realised within 12 months after the end of the reporting period; or

iv. the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

i. it is either expected to be settled in the consolidated entity's normal operating cycle;

ii. it is held primarily for the purpose of trading;

iii. it is due to be settled within 12 months after the end of the reporting period; or

iv. there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current.

w. Rounding of Amounts

The amounts in the financial statements and directors' report have been rounded off to the nearest $1,000 in accordance with ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191.

x. Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Key Estimates

(i) Inventory Classification

Included in inventory are certain inventory items held to service existing products and various components used in the manufacturing process. The nature of these items may require them to be included in inventory for more than one year. Management have evaluated these inventory items and do not consider the carrying value of these items as material. All inventory items have therefore been classified as current.

(ii) Inventory Obsolescence

Management review inventory reports on a regular basis to determine slow-moving or obsolescence.

Appropriate provisions are carried for impairment of slow-moving items. Obsolete items are disposed of as and when identified.

(iii) Impairment-General

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

(iv) Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 10, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Note 1: Statement of Significant Accounting Policies (continued)

x. Critical Accounting Estimates and Judgements (continued)

Key Estimates (continued)

(v) Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

(v1) Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

y. New and Revised Accounting Requirements Applicable to the Reporting Period

For the reporting period to ending 30 June 2020, a number of new and revised Accounting Standard requirements became mandatory for the first time, some of which are relevant to the Group.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Note 1: Statement of Significant Accounting Policies (continued)

y. New and Revised Accounting Requirements Applicable to the Reporting Period

AASB 16 Leases (continued)

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

	1 July 2019 $000
Operating lease commitments as at 1 July 2019 (AASB 117)	26,592
Operating lease commitments discount based on the weighted average incremental borrowing rate of 4% (AASB 16)	(624)
Short-term leases not recognised as a right-of-use asset (AASB 16)	-
Low-value assets leases not recognised as a right-of-use asset (AASB 16)	
Accumulated depreciation as at 1 July 2019 (AASB 16)	(12,950)
Right-of-use assets (AASB 16)	13,018
Lease liabilities - current (AASB 16)	(5,134)
Lease liabilities - non-current (AASB 16)	(7,941)
Tax effect on the above adjustments	21
Reduction in opening retained profits as at 1 July 2019	(36)

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 1: Statement of Significant Accounting Policies (continued)

z. New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

zi. Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

zii. Annual report differences lodged Appendix 4E

The corresponding profit for the year for the prior year (30 June 2019) has been changed to comply with Accounting Standard AASB5 as follows:

	Annual Report	Lodged 4E	Difference
Profit for the year from Continuing operations	3,139	2,282	857
Profit from Discontinued Operations after tax	(857)	-	(857)

In drafting the annual report, it was identified that the 2019 comparative balances were not updated to adjust the 30 June 2019 post tax losses relating to the discontinued operations disclosed within note 7 of the financial statements. AASB5 requires that the previous years corresponding figures for the discontinued operations of the current year be reclassified as “discontinued” operations for comparative purposes even though these operations were continuing operations in the previous year.

Note 2: Parent Information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with accounting standards.

STATEMENT OF FINANCIAL POSITION

	2020 $000	2019 $000
ASSETS		
Current Assets	50,274	19,746
TOTAL ASSETS	116,246	82,326
LIABILITIES		
Current Liabilities	29,500	17,989
TOTAL LIABILITIES	49,679	30,122
EQUITY		
Issued capital	35,982	37,676
Capital profits reserve	180	180
Asset revaluation reserve	11,132	11,132
Retained earnings	19,273	3,215
TOTAL EQUITY	66,567	52,204

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2020 $000	2019 $000
Total profit after tax	17,906	2,953
Total comprehensive income	17,906	2,953

Guarantees
At 30th June 2020, Waterco Ltd has provided guarantees up to RM11,150,000 and USD1,000,000 (AUD5,157,622) (2019: RM11,150,000 and USD1,000,000 (AUD5,265,323) to two Malaysian Banks for loans provided to a subsidiary, Waterco (Far East) Sdn Bhd.

Contingent Liabilities
At 30th June 2020, Waterco Ltd has provided guarantees of $nil (2019: $5,771,779) to landlords for leases of premises subleased to its Swimart Franchisees.Under AASB16, these leases have now been treated as ROU Liabilities.

Contractual Commitments
On 2 June 2020,Waterco Ltd signed a contract to purchase the business of Automated Pool Products Pty Ltd

Plant & Equipment and Intangibles	1,285,000
Inventory	1,800,000
	3,085,000

The settlement of the business took place (after year end) on 17 July 2020.
At 30th June 2020, Waterco Ltd has not entered into any other material contractual commitments for the acquisition of any property, plant and equipment. (2019: nil).

	Consolidated Group	
	2020	2019
	$000	$000
Note 3: Revenue and Other Income		
Revenue from Continuing Operations		
Sales revenue		
• Sale of goods	93,583	87,291
Other revenue		
• Interest received 3(a)	39	34
• Dividends received	1	-
• Rental income	3,291	-
• Rent-Other	155	229
• Other	1,397	688
Total Revenue	98,466	88,242
Timing of revenue recognition		
- Goods transferred at a point in time	93,788	87,314
- Services transferred over time	4,688	688
	98,466	88,242
(a) Interest received or receivable from		
• Other persons	39	34
Total interest revenue	39	34
Other Income		
Net gain on disposal of non-current assets		
• Property, plant and equipment	49	7
• Goodwill	206	-

	Consolidated Group	
	2020 $000	2019 $000
Note 4: Profit for the Year		
Profit for the year has been determined after:		
(a) Expenses:		
Cost of Sales	48,218	45,789
Finance costs:		
• Borrowings	912	1,111
• ROU liabilities	24	-
• Finance charges on finance leases	23	27
	959	1,138
Depreciation of non-current assets :		
• Buildings	487	637
• Plant & equipment	1,144	908
• Capitalised leased assets	205	171
• ROU assets	4,798	-
	6,634	1,716
Amortisation of non-current assets:		
• Land use rights	(97)	17
• Goodwill on acquisition	4	4
• Goodwill on consolidation	25	-
• Expenditure carried forward	-	12
	(68)	33
Total depreciation and amortisation	6,566	1,749
Bad and doubtful debts		
• Trade debtors	300	140
Rental expense on Operating leases		
• Minimum lease payments	1,324	2,826
Note 5: Auditors' Remuneration		
Remuneration of the auditor of the parent entity for:		
• Audit or reviewing the financial report	210	152
Remuneration of other auditors of subsidiaries for:		
• Auditing or reviewing the financial report of subsidiaries	186	191

	Consolidated Group	
	2020 $000	2019 $000
Note 6: Income Tax Expense		
(a) The components of tax expense comprise:		
• Current tax	4,325	1,177
• Deferred tax	(73)	(105)
• Recoupment of prior year tax losses	19	(41)
	4,271	1,031
Income tax attributable to:		
- Profit from continuing operations	890	1,031
- Profit from discontinued operations	3,381	-
	4,271	1,031
(b) The prima facie tax on profit before income tax is to the income tax as follows:		
Profit before income tax	21,828	3,313
Prima facie tax payable on profit before income tax at 30% (2019: 30%)	6,548	994
Add		
Tax effect of:		
• Depreciation of buildings	105	77
• Foreign controlled entities tax losses not tax effected	-	530
• Unrealised foreign exchange losses	-	68
• Transfer of revaluation gain on sale of controlled entity to retained profits	1,655	-
• ROU assets	77	
• Non deductible expenses	9	
• Other	10	14
Less		
Tax effect of:		
• Research and development	114	119
• Effects of lower rates in overseas countries	133	270
• Unrealised foreign exchange gains	115	-
• Exempt income	-	29
• Overprovision for tax in prior years	66	171
• Reinvestment allowance	-	63
• Foreign controlled entities tax losses not tax effected	3,638	-
• Other	67	-
Income tax expense attributable to entity	4,271	1,031
The applicable weighted average effective tax rates are as follows:	20%	31%

Note 7: Discontinued Operations

	Consolidated Group	
	2020 $000	2019 $000
On 31 May 2020, Waterco Ltd closed Waterco Canada Inc and deregistered the company.		
On 3 June 2020, Waterco Ltd sold its shares in Waterco (C) Ltd Financial information relating to the discontinued operations to the date of closure/sale is set out below		
The financial performance of the discontinued operations to the date of closure/sale, which is included in the profit/(loss) from discontinued operations per the statement of comprehensive income, is as follows:		
Revenue	1,991	2,621
Expenses	(3,084)	(3,478)
Profit before income tax	(1,093)	(857)
Income tax expense	-	-
(Loss) attributable to the members of the parent entity	(1,093)	(857)
Profit on sale before income tax	19,016	-
Income tax expense	3,381	-
Profit on sale after income tax	15,635	-
Total profit/(loss) after tax attributable to discontinued operations	14,542	(857)
The net cash flows for the discontinued divisions, which have been incorporated into the statement of cash flows are as follows:		
Net cash inflow/(outflow) from operating activities	4,416	(686)
Net cash inflow/(outflow) from investing activities	-	(344)
Net cash inflow/(outflow) from financing activities	-	958
Net increase/(decrease) in cash generated by the discontinued division	4,416	(72)
Net gain/(loss) on disposal of divisions included in gain from discontinued operations per the statement of comprehensive income.	14,542	(857)

Note 8: Key Management Personnel Compensation

(a) Key Management Personnel (KMP) Compensation

The total remuneration paid to KMP of the company and the Group during the year are as follows:

	Consolidated Group	
	2020	2019
	$000	$000
Short-term employee benefits	1,420	1,459
Post-employment benefits	90	107
Other long term benefits	22	42
	1,532	1,608

Refer to the remuneration report contained in the directors' report for remuneration paid or payable to each KMP for the year ended 30 June 2020.

(b) Compensation Practices

In constructing, reviewing and determining the remuneration policy for Executive Directors and the senior executive team, the Board and Remuneration Committee have considered a number of factors including:

- the importance of attracting, retaining and motivating management of the appropriate calibre to further the success of the business;
- linking pay to performance by rewarding effective individual achievement as well as business performance; and
- the mix within the package which is designed to align personal reward with enhanced shareholder value over both the short and long-term.

The Executive Directors' and the senior executive team's package consists of two general components:

- fixed remuneration component consisting of base salary which executives may "salary sacrifice" and other benefits; and
- variable or "at risk" component consisting of an annual short term incentive plan for executives

Remuneration of the company's Non-Executive Directors is determined by the Board, based on the nature of their work, responsibilities and market comparisons. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders.

CURRENT ASSETS
Note 9: Cash and cash equivalents

	Consolidated Group	
	2020 $000	2019 $000
Cash at bank and in hand (1)	9,697	5,310
Reconciliation of cash		
Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash and cash equivalents	9,697	5,310
Bank overdraft (note 18)	(1,385)	(1,144)
	8,312	4,166

(1) Includes $491,539 (2019:$554,575) in advertising levies held by Waterco Ltd in its capacity as the franchisor of the Swimart network and included in other creditors (see note 17). Amounts are held in a separate bank account at year end and are subject to in accordance with the franchise agreement and are available for general use by Waterco Ltd.

Note 10: Trade and other receivables

	2020 $000	2019 $000
Trade receivables	9,063	11,389
Less: allowance for expected credit loss impairment of receivables)	(455)	(524)
	8,608	10,865
Other receivables	28,240	1,255
	36,848	12,120

Note 10: Trade and other receivables (continued)

Movements in the allowance of expected credit loss of receivables are as follows:

	Opening Balance 1.7.2018	Charge for the Year	Amounts Written Off	Closing Balance 30.6.2019
	$000	$000	$000	$000
Consolidated Group				
Current trade receivables	431	233	(140)	524

	Opening Balance 1.7.2019	Charge for the Year	Amounts Written Off	Closing Balance 30.6.2020
	$000	$000	$000	$000
Consolidated Group				
Current trade receivables	524	231	(300)	455

There are $868,000 (2019: $2,903,000) within trade and other receivables that are not impaired and are past due. It is expected these balances will be received in full. Impaired receivables are provided for in full.

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross amount	Past due and impaired	Past due but not impaired (days overdue)				Within initial trade terms
			< 30	31–60	61–90	> 90	
	$000	$000	$000	$000	$000	$000	$000
Consolidated Group							
2020							
Trade and term receivables	9,063	455	648	128	92	-	7,740
Other receivables	28,240	-					28,240
Total	37,303	455	648	128	92	-	35,980
2019							
Trade and term receivables	11,389	524	1,129	473	137	1,164	7,962
Other receivables	1,255	-	-	-	-	-	1,255
Total	12,644	524	1,129	473	137	1,164	9,217

The Group does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

The consolidated entity has increased its monitoring of debt recovery as there is an increased probability of customers delaying payment or being unable to pay, due to the Coronavirus (COVID-19) pandemic. As a result, the calculation of expected credit losses has been revised as at 30 June 2020 and rates have increased in each category up to 6 months overdue.

	Consolidated Group	
	2020	2019
	$000	$000
Note 11: Inventories		
Raw materials and stores at cost	10,499	7,300
Work in progress at cost	2,255	5,675
Finished goods at cost	21,340	23,915
Goods in transit at cost	2,169	1,591
Provision for inventory write-down	(3,203)	(2,292)
	33,060	36,189
Note 12: Other current assets		
Prepayments	792	829
	792	829

NON CURRENT ASSETS

Note 13: Interests in Subsidiaries

	Country of incorporation	Carries on business in	% owned 2020	% owned 2019
Parent Entity				
Waterco Limited	Australia	Australia	-	-
Controlled Entities of Waterco Limited:				
Swimart Pty Ltd	Australia	Australia	100	100
Zane Solar Systems Australia Pty Ltd	Australia	Australia	100	100
Swimart Network Pty Ltd	Australia	Australia	100	100
Ezera Systems Pty Ltd	Australia	Australia	60	60
Waterco USA Inc	USA	USA	100	100
Waterco Engineering Sdn Bhd	Malaysia	Malaysia	100	100
Waterco (Far East) Sdn Bhd	Malaysia	Malaysia	100	100
Watershoppe (M) Sdn Bhd	Malaysia	Malaysia	100	100
Baker Hydro (Far East) Sdn Bhd	Malaysia	Malaysia	100	100
Solar-Mate Sdn Bhd	Malaysia	Malaysia	100	100
Waterco (NZ) Ltd	New Zealand	New Zealand	100	100
Swimart (NZ) Ltd	New Zealand	New Zealand	100	100
Waterco (Guangzhou) Ltd	China	China	100	100
Waterco (C) Ltd**	China	China	-	100
Waterco (Europe) Ltd	United Kingdom	United Kingdom	100	100
Waterco Canada Inc*	Canada	Canada	-	100
PT Waterco Indonesia	Indonesia	Indonesia	51	51
Waterco International Pte Ltd	Singapore	Singapore	100	100
Medipool Pte Ltd	Singapore	Singapore	60	60
Waterco France	France	France	100	100
Beijing Waterco Trading Co Ltd	China	China	100	100
Guangzhou Waterco Environmental Technology Co Ltd ***	China	China	100	100
Shanghai Waterco Trading Co Ltd	China	China	100	100

* On 31 May 2020, Waterco Canada Inc was deregistered.

** On 3 June 2020, Waterco (C) Ltd was sold to Guangzhou Yaolong Information Industry Co Ltd

*** On 19 August 2020, Guangzhou Waterco Trading Co Ltd changed its name to Guangzhou Waterco Environmental Technology Co Ltd

	Consolidated Group	
	2020	2019
	$000	$000
Note 14: Property, plant & equipment		
Freehold land at independent valuation	17,850	17,763
Land use rights	-	5,077
Less: accumulated amortisation	-	(98)
	-	4,979
Freehold buildings at independent valuation	27,091	32,036
Less: accumulated depreciation	(973)	(1,274)
	26,118	30,762
Plant & equipment at cost	32,352	32,613
Less: accumulated depreciation	(25,288)	(25,302)
	7,064	7,311
Leased plant & equipment at cost	781	877
Less: accumulated depreciation	(207)	(233)
	574	644
Total written down value	51,606	61,459

Movements in Carrying Amounts

2020	Freehold Land	Buildings	Land use	Plant & Equipment	Leased Plant	Total
	$000	$000	$000	$000	$000	$000
Consolidated Group:						
Balance at the beginning of year	17,763	30,761	4,980	7,311	644	61,459
Effects of exchange rate changes	(117)	(71)		(14)	(1)	(203)
Additions	-	17		2,176	234	2,427
Revaluation	204	393		-	-	597
Disposals	-	(4,308)	(4,980)	(543)	(98)	(9,929)
Depreciation expense*	-	(674)	-	(1,866)	(205)	(2,745)
Carrying amount at the end of year	17,850	26,118	-	7,064	574	51,606

*Depreciation expense that is absorbed into the cost of manufactured inventory is $889,805

2019	Freehold Land	Buildings	Land use	Plant & Equipment	Leased Plant	Total
	$000	$000	$000	$000	$000	$000
Consolidated Group:						
Balance at the beginning of year	17,442	30,587	4,923	7,078	666	60,696
Effects of exchange rate changes	308	344	57	36	3	748
Additions	-	134	-	2,020	199	2,353
Revaluation	13	339	-	-	-	352
Disposals	-	-	-	(52)	(53)	(105)
Depreciation expense*	-	(643)	-	(1,771)	(171)	(2,585)
Carrying amount at the end of year	17,763	30,761	4,980	7,311	644	61,459

*Depreciation expense that is absorbed into the cost of manufactured inventory is $872,299

	Consolidated Group	
	2020 $000	2019 $000
Note 14: Property, Plant & Equipment (continued)		
If Land & Buildings were stated at historic cost, amounts would be as follows:		
Cost	25,254	29,022
Less: Accumulated depreciation	(4,916)	(6,629)
Net book value	20,338	22,393

The Group's land and buildings were revalued as per the disclosures in note 1(j). The directors consider the carrying value of the land and buildings to be a fair reflection of their market value.

Note 15: Right of use Assets

Leased building	30,116	-
Accumulated depreciation	(16,766)	-
	13,350	-

The consolidated entity leases land and buildings for its offices, warehouses and retail outlets under agreements of between five to fifteen years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The consolidated entity also leases plant and equipment under agreements of between three to seven years.

Note 16: Intangible assets

Goodwill	79	81
Less: accumulated impairment	(12)	(8)
	67	73
Goodwill on consolidation	249	249
Less: accumulated impairment	(37)	(12)
	212	237
Product development costs	13	122
less: accumulated amortisation	-	-
	13	122
	292	432

Movements in Carrying Amounts

	Goodwill on consolidation $000	Goodwill $000	Deferred expenditure $000	Total $000
Consolidated Group:				
Balance at the beginning of year	237	73	122	432
Additions	-	-	-	-
Disposals	-	-	(96)	(96)
Effects of exchange rate changes	-	(2)	(13)	(15)
Impairment/amortisation expense	(25)	(4)	-	(29)
Carrying amount at the end of year	212	67	13	292

	Consolidated Group	
	2020 $000	2019 $000
CURRENT LIABILITIES		
Note 17: Trade and other payables - unsecured		
Trade creditors	9,701	6,569
Sundry creditors and accrued expenses (1)	4,355	4,590
	14,056	11,159
(1) Included in sundry creditors are advertising levies collected of $491,539 (2019:$554,575) and held by Waterco Ltd in its capacity as the franchisor of the Swimart network. These amounts are held in a separate bank account at year end (see Note 9).		
Note 18: Borrowings		
Bank loans - secured (refer Note 21)	8,328	8,048
Bank trade bills	2,532	1,796
Bank overdraft	1,385	1,144
ROU lease liability	4,291	-
Lease liability	225	280
	16,761	11,268
Note 19: Taxes		
a) Liabilities		
Current		
Income Tax	810	-
Non Current Deferred tax liability comprises:		
Tax allowances relating to property, plant & equipment	1,428	1,428
Revaluation adjustments taken direct to equity	4,771	5,706
Other	295	(745)
	6,494	6,389
Parent entity DTA netted off against DTL	(520)	(520)
Consolidated DTL	5,974	5,869
b) Assets		
Current		
Income Tax	-	407
Deferred tax assets comprises:		
Provisions	981	899
Attributable to tax losses		-
Tax allowances relating to property, plant & equipment	(239)	(232)
Other	338	340
	1,080	1,007
Parent entity DTA netted off against DTL	(520)	(520)
Consolidated DTA	560	487

	Consolidated Group	
	2020 $000	2019 $000
Note 19: Taxes (continued)		
c) Reconciliations		
i. Gross Movements		
The overall movement in the deferred tax account is as follows:		
Opening balance	(5,382)	(5,579)
Credit/(Charge) to statement of comprehensive income	(33)	131
Credit/(Charge) to equity	-	66
Closing Balance	(5,415)	(5,382)
ii. Deferred Tax Liability		
The movement in deferred tax liability for each temporary difference during the year is as follows:		
Tax allowances relating to property, plant & equipment		
Opening balance	1,428	1,172
Transfer to deferred tax asset	-	-
Credit/(Charge) to statement of comprehensive income	(22)	256
Closing balance	1,406	1,428
Property revaluation adjustments taken direct to equity		
Opening balance	5,706	5,525
Net revaluations during current period taken direct to equity	1,470	181
Net revaluation during current period charged to statement of comprehensive income	-	-
Closing balance	7,176	5,706
Other		
Opening balance	(745)	(245)
Credit/(charge) to statement of comprehensive income	(1,345)	(500)
Closing balance	(2,090)	(745)
iii. Deferred Tax Assets		
The movement in deferred tax asset for each temporary difference during the year is as follows:		
Provisions		
Opening balance	899	742
Credit/(Charge) to statement of comprehensive income	82	157
Closing balance	981	899
Tax allowances relating to Property plant & equipment		
Opening balance	(232)	(217)
Transfer from deferred tax liability	-	-
Credit/(Charge) to statement of comprehensive income	(7)	(15)
Closing balance	(239)	(232)
Other		
Opening balance	340	347
Credit/(charge) to statement of comprehensive income	(2)	(7)
Closing balance	338	340

	Consolidated Group	
	2020 $000	2019 $000
Note 19: Taxes (continued)		
d) Deferred tax assets not brought to account the benefits of which can only be realised in if the conditions for deductibility set out in note 1e) occur - tax losses		
- Operating losses	2,866	6,101
	2,866	6,101

Note 20: Short-term provisions		
Employee Benefits (see note 1g)		
Opening Balance	1,811	2,132
Additional provisions	977	762
Amounts used	(832)	(1,083)
Closing Balance	1,956	1,811

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement.

NON-CURRENT LIABILITIES		
Note 21: Borrowings		
Bank loans - secured (1)	9,584	10,842
Bank overdraft	-	-
ROU lease liability	9,361	-
Lease liability	232	252
	19,177	11,094

(1) Bank facilities of the group are secured by a first ranking general security interest over all the assets and undertakings of the parent entity (including a first registered mortgage over the Rydalmere Property), and corporate guarantees from the parent entity to the banks of an overseas subsidiary. That part of the facilities that are payable or subject to an annual review within 12 months are classified as current.

Bank loan amount of AUD10,500,000 relates to the parent entity and bears interest at 1.99%- 2.25% repayable by quarterly instalments with a maturity date of 27 November 2021. Bank loan amount of AUD11,184,000 relates to a subsidiary and bears interest at 4.80%-5.10% repayable by monthly instalments with maturity dates of December 2021 and June 2031.

Note 22: Long-term provisions		
Employee Benefits (see note 1g)		
Opening balance	202	211
Additional provisions	8	11
Amounts used	-	(20)
Closing balance	210	202
a) Aggregate employee entitlement liability	2,166	2,013
b) Number of employees at year end	660	682

	Consolidated Group	
	2020 $000	2019 $000
Note 23: Issued capital		
Ordinary shares are classified as equity.		
36,632,651 ordinary shares fully paid at beginning of the year (2019: 37,083,405)	37,676	38,590
On 31 July 2019, 12,469 shares were purchased at $1.62 and cancelled under Waterco Ltd Share-buyback Scheme	(20)	-
On 31 August 2019, 680 shares were purchased at $1.75 and cancelled under Waterco Ltd Share-buyback Scheme	(1)	-
On 30 September 2019, 26,028 shares were purchased at $1.94 and cancelled under Waterco Ltd Share-buyback Scheme	(50)	-
On 31 October 2019, 22,145 shares were purchased at $2.03 and cancelled under Waterco Ltd Share-buyback Scheme	(45)	-
On 30 November 2019, 150,587 shares were purchased at $2.12 and cancelled under Waterco Ltd Share-buyback Scheme	(319)	-
On 31 December 2019, 45,108 shares were purchased at $2.15 and cancelled under Waterco Ltd Share-buyback Scheme	(97)	
On 31 January 2020, 13,232 shares were purchased at $2.12 and cancelled under Waterco Ltd Share-buyback Scheme	(28)	-
On 29 February 2020, 388,779 shares were purchased at $2.27 and cancelled under Waterco Ltd Share-buyback Scheme	(881)	-
On 31 March 2020, 50,731 shares were purchased at $2.10 and cancelled under Waterco Ltd Share-buyback Scheme	(107)	-
On 30 April 2020, 39,926 shares were purchased at $2.02 and cancelled under Waterco Ltd Share-buyback Scheme	(81)	-
On 30 June 2020, 27,745 shares were purchased at $2.33 and cancelled under Waterco Ltd Share-buyback Scheme	(65)	-
On 31 July 2018, 30,177 shares were purchased at $2.00 and cancelled under Waterco Ltd Share-buyback Scheme	-	(60)
On 31 August 2018, 51,230 shares were purchased at $2.00 and cancelled under Waterco Ltd Share-buyback Scheme	-	(102)
On 30 September 2018, 39,972 shares were purchased at $2.06 and cancelled under Waterco Ltd Share-buyback Scheme	-	(83)
On 31 October 2018, 15,789 shares were purchased at $2.10 and cancelled under Waterco Ltd Share-buyback Scheme	-	(33)
On 30 November 2018, 61,385 shares were purchased at $2.12 and cancelled under Waterco Ltd Share-buyback Scheme	-	(130)
On 31 January 2019, 9,025 shares were purchased at $2.10 and cancelled under Waterco Ltd Share-buyback Scheme	-	(19)
On 28 February 2019, 17,372 shares were purchased at $2.12 and cancelled under Waterco Ltd Share-buyback Scheme	-	(37)
On 31 March 2019, 209,424 shares were purchased at $2.00 and cancelled under Waterco Ltd Share-buyback Scheme	-	(419)
On 30 April 2019, 11,769 shares were purchased at $2.00 and cancelled under Waterco Ltd Share-buyback Scheme	-	(23)
On 31 May 2019, 3,611 shares were purchased at $1.59 and cancelled under Waterco Ltd Share-buyback Scheme	-	(6)
On 30 June 2019, 1,000 shares were purchased at $1.60 and cancelled under Waterco Ltd Share-buyback Scheme	-	(2)
35,855,221 ordinary shares fully paid at the end of the year (2019: 36,632,651)	35,982	37,676

Note 23: Issued Capital (continued)

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands, every member present at a meeting in person or by proxy shall have one vote and, upon a poll, each share shall have one vote.

Share buy-back
On 23 April 2018, the company announced a third share buyback of $2,500,000 worth of shares (approximately 1,250,000 shares) commencing on 24 April 2018 and ending on 23 April 2019 (or earlier if the $2,500,000 is purchased before then). During the previous year, the company purchased and cancelled 446,143 (2018:15,952) shares costing $906,514 (2018:$29,904).

This Share buyback expired on 23 April 2019.

On 10 May 2019, the company announced a fourth share buyback of $2,500,000 worth of shares (approximately 1,666,666 shares) commencing on 13 May 2019 and ending on 12 May 2020 (or earlier if the $2,500,000 is purchased before then). During the current year, the company purchased and cancelled 749,685 (2019: 4,611) shares costing 1,630,060 (2019 $7,324).

This Share buyback expired on 12 May 2020.

On 28 May 2020, the company announced a fifth share buyback of $3,000,000 worth of shares (approximately 1,363,636 shares) commencing on 1 June 2020 and ending on 31 May 2021 (or earlier if the $3,000,000 is purchased before then). During the current year, the company purchased and cancelled 27,745 shares costing $64,742.

Capital Management
Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The group's debt and capital includes ordinary share capital and financial liabilities supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year. This strategy is to ensure that the group's gearing ratio remains between 30% and 70%. The gearing ratios for the year ended 30 June 2020 and 30 June 2019 are as follows:

	Consolidated Group	
	2020 $000	2019 $000
Total borrowings	35,938	22,362
Less cash and cash equivalents	(9,697)	(5,310)
Net debt	26,241	17,052
Total equity	87,261	75,830
Total capital	113,502	92,882
Gearing ratio	30%	22%

	Note No.	Consolidated Group 2020 $000	Consolidated Group 2019 $000
Note 24: Reserves			
a) Capital profits		211	211
The capital profits reserve relates to non taxable profits on sale of property.			
b) Foreign currency translation		(4,951)	(2,221)
The foreign currency translation reserve records exchange differences on translation of foreign controlled subsidiaries			
c) Asset revaluation reserve			
Balance at the beginning of the year		25,234	24,643
Sale of controlled entity		(5,514)	
Property revaluation increment (net of tax and reinstatement)		485	352
Effect of foreign exchange changes on translation		(52)	239
Balance at the end of the year		20,153	25,234
The asset revaluation reserve records the revaluation of non-current assets			
		15,413	23,224
Note 25: Retained earnings			
Opening retained earnings		14,191	13,944
Adjustment to retained earnings (AASB16) Rou asset		(36)	-
Adjustment to retained earnings (AASB15) Unearned income		-	(154)
Transfer from asset revaluation reserve on disposal of controlled entities		5,227	-
Net profit attributable to the members of the parent entity		17,662	2,242
Dividends paid	28	(1,811)	(1,841)
Closing retained earnings		35,233	14,191

	Note No.	Consolidated Group 2020 $000	Consolidated Group 2019 $000
Note 26: Lease commitments			
Finance leases			
Lease expenditure contracted and provided for:			
not later than one year		236	300
later than one year but not later than five years		242	261
Total minimum lease commitments		478	561
Less: future finance charges		(21)	(29)
Lease liability		457	532
Current portion	18	225	280
Non-current portion	21	232	252
		457	532

Finance leases of 3 or 4 years are taken out on motor vehicles, forklifts and IT equipment with an option to purchase the asset at the end of the lease term at a residual of 30% to 45% depending on the asset.

	Note No.	2020 $000	2019 $000
Operating lease payable:			
Non-cancellable operating leases contracted but not capitalised in the financial statements			
not later than one year		-	2,348
later than one year but not later than five years		-	3,328
		-	5,676
Note 27: Contingent Liabilities			
Estimate of the maximum amount of contingent liabilities that may become payable			
Guarantees provided to banks on behalf of a subsidiary		5,372	5,977
Guarantees of leases of premises subleased to franchisees		-	10,003
		5,372	15,980
Note 28: Related Parties			
Transactions with director related parties			
i) Sales made to Asiapools (M) Sdn Bhd. Mr S S Goh, a shareholder has significant influence over Asiapools (M) Sdn Bhd.		162	155
(ii) Payments made to Mint Holdings Pty Ltd for rental of warehouses, offices and a retail shop Mr S S Goh is a director and shareholder of Mint Holdings Pty Ltd		660	657
(iii) Management fee charged to Mint Holdings Pty Ltd for administration and secretarial services.		30	38

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 29: 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 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.

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.

Unallocated items
The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

– other revenues

Note 29: Operating Segments (continued)

Geographical Segments

	2020			
	AUSTRALIA & NEW ZEALAND	**ASIA**	**NORTH AMERICA & EUROPE**	**CONSOLIDATED GROUP**
	$000	**$000**	**$000**	**$000**
REVENUE				
Sales to customers outside the consolidated group	63,874	11,189	18,520	93,583
Intersegment sales	934	27,993	951	29,878
Total segment revenue	64,808	39,182	19,471	123,461
Reconciliation of segment revenue to group revenue				
Other revenue				4,883
Intersegment elimination				(29,878)
Total group revenue				98,466
SEGMENT NET PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	6,318	1,352	1,125	8,795
DISCONTINUED OPERATIONS BEFORE TAX	5,757	100	12,059	17,916
				26,711
Reconciliation of segment result to group net profit before tax				
Unallocated items				
- other				(4,883)
Net profit before tax				21,828
from continuing operations				3,904
from discontinued operations				17,924
				21,828
SEGMENT ASSETS	122,015	59,374	16,892	198,281
Segment asset increases for the period				
Reconciliation of segment assets to group assets				
Intersegment eliminations				(52,076)
Total group assets				146,205
CAPITAL EXPENDITURE	789	1,428	210	2,427
SEGMENT LIABILITIES	53,047	32,907	27,720	113,674
Reconciliation of segment liabilities to group liabilities				
Intersegment eliminations				(54,730)
Total group liabilities				58,944

Note 29: Operating Segments (continued)

Geographical Segments

	2019			
	AUSTRALIA & NEW ZEALAND	**ASIA**	**NORTH AMERICA & EUROPE**	**CONSOLIDATED GROUP**
	$000	**$000**	**$000**	**$000**
REVENUE				
Sales to customers outside the consolidated group	59,539	13,152	16,926	89,617
Intersegment sales	821	26,332	759	27,912
Total segment revenue	60,360	39,484	17,685	117,529
Reconciliation of segment revenue to group revenue				
Other revenue				1,246
Intersegment elimination				(27,912)
Total group revenue				90,863
SEGMENT NET PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	3,206	1,263	653	5,122
DISCONTINUED OPERATIONS BEFORE TAX	-	(15)	(548)	(563)
				4,559
Reconciliation of segment result to group net profit/(loss) before tax				
Unallocated items				
- other				(1,246)
Net profit before tax				3,313
from continuing operations				4,170
from discontinued operations				(857)
				3,313
SEGMENT ASSETS	86,698	61,383	(12,802)	135,279
Segment asset increases for the period				
Reconciliation of segment assets to group assets				
Intersegment eliminations				(18,453)
Total group assets				116,826
CAPITAL EXPENDITURE	644	1,656	52	2,352
SEGMENT LIABILITIES	32,284	29,348	7,761	69,393
Reconciliation of segment liabilities to group liabilities				
Intersegment eliminations				(28,397)
Total group liabilities				40,996

	Consolidated Group	
	2020 $000	2019 $000
Note 30: Dividends Paid or Proposed		
Dividends are recognised when declared during the financial year and no longer at the discretion of the company.		
Final fully franked ordinary dividend of 3c per share (2019:3c) franked at the tax rate of 30% paid	1,093	1,108
Interim fully franked ordinary dividend of 2c per share (2019:2c) franked at the tax rate of 30% paid	718	733
	1,811	1,841
Proposed final fully franked ordinary dividend of 3c per share (2019: 3c) franked at the tax rate of 30%	1,076	1,099
Balance of franking account at year end adjusted for franking credits arising from payment of income tax payable, payment of proposed dividends and franking credits not available for distribution	6,432	5,623
Note 31: Earnings Per Share		
Basic earnings per share Basic earnings per share is calculated by dividing the profit (after tax) attributable to members of Waterco Ltd by the weighted average number of ordinary shares outstanding during the financial year adjusted for any share issues and share buybacks that have taken place during the year.		
Diluted earnings per share Diluted earnings per share adjusts the figures used in the calculation of the basic earnings per share after income tax effect of interest and other financing costs associated with the dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.		
Reconciliation of Earnings to Net Profit		
Net Profit – continuing operations	3,014	3,139
Net Profit – discontinued operations	14,542	(857)
Net Profit	17,556	2,282
Net Profit/(loss) attributable to outside equity interest	(106)	40
Earnings used in the calculation of basic EPS	17,662	2,242
Earnings used in the calculation of diluted EPS	17,662	2,242
a) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	35,855	36,872
b) Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	35,855	36,872
Note 32: Events Subsequent to Reporting Date		
On 17 July 2020, Waterco Ltd completed the purchase of the business of Automated Pool Products Pty Ltd.	3,085	-
There were no other reportable events subsequent to balance date.		

Note 33: Financial Risk Management

The Audit Committee (AC) has been delegated responsibility by the Board of Directors for, amongst other issues, monitoring and managing financial risk exposures of the Group. The AC monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to commodity price risk, counter party credit risk, currency risk, financing risk and interest rate risk. The AC meets on a bi-monthly basis and minutes of the AC are reviewed by the Board.

The AC's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

The main risks the group is exposed to through its financial instruments are interest rate risk, credit risk, foreign currency risk, liquidity risk and price risk.

(a) Interest Rate Risk

The consolidated group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and liabilities.

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk is managed through maintenance of procedures in relation to approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and the monitoring of the financial stability of significant customers. Such monitoring is used in assessing receivables for impairment. Depending on the subsidiary, credit terms are generally 30 days from invoice month.

Credit risk for derivative financial instruments arises from the potential failure by counter parties to the contract to meet their obligations. The credit risk exposure to forward exchange contracts and interest rate swaps is the net fair value of these contracts as disclosed in (c).

The Group has no single concentration of credit risk with any single debtor or group of debtors. However, on a geographical basis, the group has significant credit exposure to Australia, New Zealand and USA given the substantial operations in those regions.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed in Note 10.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available. As disclosed in note 10, due to the Coronavirus (COVID-19) pandemic, the calculation of expected credit losses has been revised as at 30 June 2020 and rates have increased in each category up to 6 months overdue. Management closely monitors receivable balances on a monthly basis and is in regular contact with its customers to mitigate risk

(c) Foreign Currency Risk

The parent entity is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods in currencies other than the group's measurement currency.

The parent entity has forward contracts in place at balance date relating to highly probable forecast transactions. These contracts commit the group to buy and sell specified amounts of foreign currencies in the future at specified exchange rates.

Note 33: Financial Risk Management (continued)

(c) Foreign Currency Risk (continued)

Contracts are taken out with terms that reflect the underlying settlement terms of the commitment to the maximum extent possible so that hedge ineffectiveness is minimised.

The following table summarises the notional amounts of the Group (and parent entity) commitments in relation to forward exchange contracts.

	Notional Amounts		Average Exchange Rate	
	2020 $000	2019 $000	2020 $000	2019 $000
Consolidated Group (and Parent Entity)				
Buy USD/Sell AUD				
- Less than 6 months	4,307	-	0.6965	-

d) Liquidity Risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Financial liability and financial asset maturity analysis

Consolidated Group	Within 1 Year		1 to 5 Years		Over 5 years		Total	
	2020 $000	2019 $000	2020 $000	2019 $000	2020 $000	2019 $000	2020 $000	2019 $000
Financial Assets								
Cash	9,697	5,310	-	-	-	-	9,697	5,310
Receivables	36,848	12,120	-	-	-	-	36,848	12,120
Total anticipated inflows	46,545	17,430	-	-	-	-	46,545	17,430
Financial Liabilities								
Bank overdraft	1,385	1,144	-	-	-	-	1,385	1,144
Bank loans	10,860	9,844	9,584	10,842	-	-	20,444	20,686
Trade and other payable	14,056	11,159	-	-	-	-	14,056	11,159
ROU Liabilities	4,291	-	9,361	-	-	-	13,652	-
Lease Liabilities	225	280	232	253	-	-	457	533
Total contractual outflows	30,817	22,427	19,177	11,095	-	-	49,994	33,522
Less bank overdrafts	1,385	1,144	-	-	-	-	1,385	1,144
Total expected outflows	29,432	21,283	19,177	11,095	-	-	48,609	32,378
Net (outflow)/ inflow on financial instruments	17,113	(3,853)	(19,177)	(11,095)	-	-	(2,064)	(14,948)

Note 33: Financial Risk Management (continued)

e) Price Risk

Price risk relates to the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities;

Net Fair Values

The net fair value of bank overdrafts, bank loans and lease liabilities is determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value. Their net fair value is adjusted for any costs involved in settling the instrument.

	2020		2019	
	Carrying Amount $000	Net Fair Value $000	Carrying Amount $000	Net Fair Value $000
Financial Assets				
Cash at bank and in hand	9,697	9,697	5,310	5,310
Receivables	36,848	36,848	12,120	12,120
	46,545	46,545	17,430	17,430
Financial Liabilities				
Bank overdraft	1,385	1,399	1,144	1,155
Bank loans	20,444	20,648	20,686	20,893
Lease liabilities	457	480	532	559
ROU lease liability	13,652	13,652	-	-
	35,938	36,179	22,362	22,607

For financial assets and other liabilities, the net fair value approximates their carrying value. Financial assets where the carrying amount exceeds the net fair values have not been written down as the consolidated group intends to hold these assets to maturity.

Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates and exchange rates. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. The sensitivity assumes the movement in a particular variable is independent to other variables.

	Consolidated Group	
	Profit $000	Equity $000
Year ended 30 June 2020		
+/- 2% in interest rates	+/-489	+/-489
+/- 5% in $A/$US	+/-936	+/-936
Year ended 30 June 2019		
+/- 2% in interest rates	+/-473	+/-473
+/- 5% in $A/$US	+/-1,055	+/-1,055

	Consolidated Group	
	2020 $000	2019 $000
Note 34: Cash Flow Information		
a) Reconciliation of cash flows from operations with profit after income tax.		
Profit after income tax	17,556	2,281
Non-cash flows in profit		
Depreciation	6,634	2,588
Rental income	(3,281)	-
Impairment and amortisation	(68)	33
(Profit)/loss on sale of non current assets	(19,102)	1
Changes in Assets and Liabilities:-		
Trade debtors	2,326	(104)
Provision for doubtful debts	(70)	93
Other debtors	417	527
Inventories	3,129	1,401
Prepayments	37	3
Deferred tax assets	(72)	(70)
Expenditure carried forward	110	(7)
Trade creditors	3,132	188
Other creditors	(235)	712
Provision for employee benefits	153	(330)
Provision for tax	1,216	(684)
Provision for deferred tax	105	(62)
Cashflow – Non Operating Activities:		
Dividends Received	(1)	(1)
Cash Flows (used in) /provided by operations	11,986	6,569

b) Non Cash Financial and investment activities
1) Property, Plant and Equipment
During the year, the consolidated group acquired plant and equipment with an aggregate fair value of $233,615 (2019:$198,553) by means of finance leases. These acquisitions are not reflected in the statement of cash flows.

c) Financing Facilities
The following lines of credit were available at balance date:

	2020 $000	2019 $000
Fully Drawn Advance Facilities	30,415	31,624
Master lease facilities	1,761	1,795
	32,176	33,419
Amount utilised	12,502	18,731
Amount unutilised	19,674	14,688

The Fully Drawn Advance Facilities of the parent entity are due to expire on 27 November 2021 (refer to note 21). The parent entity expects to renew these facilities on expiry date.

The Fully Drawn Advance Facilities of the controlled entity are due to expire on 31 December 2021 and 30 June 2031. The controlled entity expects to renew these facilities on expiry date.

Note 35: Fair Value Measurements

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- derivative financial instruments;
- 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. They can be categorised 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. A change in those inputs might result in a significantly higher or lower fair value measurement. 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.

Note 35: Fair Value Measurements (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:

	30 June 2020				
	Note No	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Recurring fair value measurements					
Non-financial assets					
Freehold land	14	-	-	17,850	17,850
Freehold buildings	14	-	-	26,118	26,118
Total non-financial assets recognised at fair value on a recurring basis		-	-	43,968	43,968
Total non-financial assets recognised at fair value		-	-	43,968	43,968

	30 June 2019				
	Note No	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Recurring fair value measurements					
Non-financial assets					
Freehold land	14	-	-	17,763	17,763
Freehold buildings	14	-	-	30,762	30,762
Total non-financial assets recognised at fair value on a recurring basis		-	-	48,525	48,525
Total non-financial assets recognised at fair value		-	-	48,525	48,525

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

Description	Fair Value at 30 June 2020 $000	Valuation Technique(s)	Inputs Used
Non-financial assets			
Freehold land(i)	17,850	Market approach using recent observable market data for similar properties; income approach using discounted cash flow methodology	Price per hectare; market borrowing rate
Freehold buildings(i)	26,118	Market approach using recent observable market data for similar properties; income approach using discounted cash flow methodology	Price per square metre; market borrowing rate
	43,968		

(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.

(ii) There were no changes during the period in the valuation techniques used by the Group to determine Level 3 fair values.

Note 35: Fair Value Measurements (continued)

c. Disclosed Fair Value Measurements

The following assets and liabilities are not measured at fair value in the statement of financial position, but their fair values are disclosed in the notes:

- lease liability;
- bank debt;

The following table provides the level of the fair value hierarchy within which the disclosed fair value measurements are categorised in their entirety and a description of the valuation technique(s) and inputs used:

Description	Note	Fair Value Hierarchy Level	Valuation Technique(s)	Inputs Used
Liabilities				
Lease liability	33	2	Income approach using discounted cash flow methodology	Current commercial borrowing rates for similar instruments
Bank debt	33	2	Income approach using discounted cash flow methodology	Current commercial borrowing rates for similar instruments

There has been no change in the valuation technique(s) used to calculate the fair values disclosed in the notes to the financial statements.

Note 36: Company Details

The registered office of the company is:
Waterco Limited
36 South Street
Rydalmere NSW 2116

Directors' Declaration

In accordance with a resolution of the directors of Waterco Limited, the directors of the company declare that:

1. the financial statements and notes, as set out on pages 34 to 78 are in accordance with the Corporations Act 2001 and:

   a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS);

   b. give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the consolidated group; and

   c. that the opinion has been formed on the basis of a sound system of risk management and internal control adopted by the Board, and that this system is operating efficiently;

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; and

3. the directors have been given the declarations required by s295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

Soon Sinn Goh
Chief Executive Officer

Dated at Sydney this 11 September 2020

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INDEPENDENT AUDITOR'S REPORT
To the Members of Waterco Limited

Opinion

We have audited the financial report of Waterco Limited (the Company), and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed this matter</th></tr>
<tr><td colspan="2">Recognition of Revenue
Refer to Note 1 (m) in the financial statements</td></tr>
<tr><td>We focused on this area due to the significant value of revenue for the Group, $98.5 million (2019: $88.2 million), the risk of revenues being recognised in the incorrect periods through cut-off errors and the risk of management override of the revenue recognition process leading to inappropriate timing or amount of revenue recognised.</td><td>We have:
• Assessed whether the Group's revenue recognition policies were in compliance with Australian Accounting Standards
• Tested the operating effectiveness of controls over the timing and validity of revenue recognition,
• Performed detailed testing on a sample of sales transactions from origination through to the general ledger and in the reverse direction to ensure that revenue recognised was complete and was recorded in the appropriate period to address the risk of cut off errors.
• Performed cut-off testing on deliveries before and after year end to ensure that revenue is recognised in the correct period.</td></tr>
<tr><td colspan="2">Provision for Inventory Write Down
Refer to Note 1 (d) in the financial statements</td></tr>
<tr><td>As at 30 June 2020, the Group held gross inventories of $33.1 million against which there was a provision for impairment of $3.2 million. The Group's inventory balance consists primarily of finished goods held either for resale or to meet warranty obligations.

The provision for inventory write down was considered a key audit matter due to the materiality of the balance and the significant judgement involved in the quantification of the provision, including the risks of product obsolescence or changing future market conditions.</td><td>We have:
• Reviewed, recalculated and assessed the level of inventory provisioning for reasonableness, including consideration of the inventory ageing, and both historical and post year end performance and inventory turnover.
• Tested the net realisable value of inventory held through review of post year end sales transactions.
• Assessed aged and obsolete inventory when attending inventory counts.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

RSM

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 26 to 31 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Waterco Limited, for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM

RSM AUSTRALIA PARTNERS

C J Hume
Partner

Sydney, NSW
Dated: 17 September 2020

Shareholder Information

For the year ended 30 June 2020

(a) Distribution of Shareholders as at 4 September 2020

Range			Total Holders	Options
1	-	1,000	235	-
1,001	-	5,000	163	-
5,001	-	10,000	59	-
10,001	-	100,000	71	-
100,001	-	and over	27	-
			555	

(b) Marketable Parcel

28 shareholders hold less than a marketable parcel.

(c) Substantial Shareholders

The following information is extracted from the company's register as at 4 September 2020

Name	Number of shares
S S Goh Group	21,721,853
Redbrook Nominees Pty Ltd	3,114,529
Acres Holdings Pty Ltd	2,964,883

(d) Voting Rights

For all shares, voting rights are one vote per member on a show of hands and one vote per share on a poll

(e) Twenty Largest Shareholders

The twenty largest shareholders hold 90.85% of the total shares issued.

	Name	Number of shares	%
1	Mr Soon Sinn Goh	18,921,853	52.80
2	Redbrook Nominees Pty Ltd	3,112,943	8.69
3	Acres Holdings Pty Ltd	2,578,322	7.19
4	Goh Lai Huat & Sons Sdn Bhd	2,500,000	6.98
5	Mr Soon Leong Goh	681,384	1.90
6	Mr Swee Kheong Goon	562,717	1.57
7	Mrs Christine Goh	500,000	1.40
8	Mrs Janet Swee Nyet Goh	447,112	1.25
9	Leitch Pty Ltd (Leitch Super Fund A/C)	350,000	0.98
10	Mr Chu Shien Chang	340,281	0.95
11	GWK Corporation Pty Ltd	334,387	0.93
12	Deuteronomy Pty Ltd (Dennis Hambleton SF A/C)	312,000	0.87
13	GSS Holdings Sdn Bhd	300,000	0.84
14	Brazil Enterprises Pty Ltd	295,173	0.82
15	S G Corporation Pty Limited	281,739	0.79
16	Mr Tiow Lip Lee	245,386	0.68
17	Ms May-Yin Goh	225,267	0.63
18	Mr Bryan Weng Keong Goh	205,734	0.57
19	Mr Shane Goh	188,607	0.53
20	Mr Khoon Ping Kuok	173,000	0.48
	TOTAL	**32,555,905**	**90.85**

(f) Stock Exchange Listing

The shares of Waterco Limited are listed on the Australian Stock Exchange under the trade symbol WAT.

Corporate Directory

Directors
Soon Sinn Goh
Bryan Goh
Ben Hunt
(Richard) Cheng Fah Ling
Judy Raper (appointed 1 April 2020)

Secretaries
Bee Hong Leo (retiring October 2020)
Gerard Doumit
Sin Wei Yong (appointed 1 July 2020)

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Autopool Division
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water, the liquid of life

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