WATERCO LIMITED
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WATERCO LIMITED APPENDIX 4E
Preliminary Final Report for the Financial Year Ended 30 June 2009
FOR ANNOUNCEMENT TO THE MARKET

SUMMARY OF RESULTS

				$A'000
Revenues	Down	11.6%	to	72,774
Profit (loss) after tax attributable to members	Up	451%	to	2,313

Dividends	Amount per security	Franked amount per security
Final dividend	3¢	3¢
Previous corresponding period	3¢	3¢

Date for determining entitlements to the dividend,	13th November 2009

Income Statement

	Current period - $A'000	Previous corresponding period - $A'000
Revenues	72,774	82,324
Expenses		
Goodwill (on acquisition) Impairment Losses	(18)	(1,808)
Finance costs	(1,584)	(2,256)
Other Expenses	(67,617)	(77,543)
Profit (loss) before tax	**3,555**	**717**
Income tax *(see Annexure A)*	1,277	1,303
Profit (loss) after tax	**2,278**	**(586)**
Net profit (loss) attributable to minority equity interests	(35)	73
Net profit (loss) for the period attributable to members	**2,313**	**(659)**

Non-owner transaction changes in equity		
Net exchange differences recognised in equity	1,786	(3,202)
Other revenue, expense and initial adjustments recognised directly in equity		
Total transactions and adjustments recognised directly in equity	1,786	(3,202)
Total changes in equity not resulting from transactions with owners as owners	4,099	(3,861)

Earnings per security (EPS)	Current period	Previous corresponding Period
Basic EPS	8.0c	(2.4c)
Diluted EPS	8.0c	(2.4c)

Calculation of Earnings per security (EPS)

Net Profit	2,278	(586)
Net Profit/(Loss) attributable to minority equity interests	(35)	73
Earnings used in calculation of basic EPS	2,313	659
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	28,927,370	27,511,479

Notes to the income statement

Profit (loss) attributable to members

	Current period - $A'000	Previous corresponding period - $A'000
Profit (loss) after tax	2,278	(586)
Less (plus) outside equity interests	(35)	73
Profit (loss) after tax, attributable to members	**2,313**	**(659)**

Revenue and Expenses - SEE ANNEXURE A

Capitalised outlays		
Interest costs capitalised in asset values	-	-
Outlays capitalised in intangibles (excluding those arising from acquisition of a business)	-	-

Segment Reporting – SEE ANNEXURE A

Movement in Retained Profits

	Current period - $A'000	Previous corresponding period - $A'000
Retained profits (accumulated losses) at the beginning of the financial period	5,991	7,225
Net profit (loss) attributable to members	2,313	(659)
Elimination of pre-acquistion profits on deregistration of subsidiary	9	-
Net effect of changes in accounting policies	-	-
Dividends paid	1,439	575
Retained profits (accumulated losses) at end of financial period	**6,874**	**5,991**

Intangibles – Impairment/Amortisation

	Consolidated - current period			
	Before tax $A'000 (a)	Related tax $A'000 (b)	Related outside +equity interests $A'000 (c)	Amount (after tax) attributable to members $A'000 (d)
Impairment of goodwill	18	-	-	18
Amortisation of other intangibles	67	-	-	67
Total Impairment/ amortisation of intangibles	85	-	-	85

Comparison of half year profits

	Current year - $A'000	Previous year - $A'000
Consolidated profit (loss) after tax attributable to members reported for the *1st* half year	1,370	207
Consolidated profit (loss) after tax attributable to members for the *2nd* half year	943	(866)

Balance Sheet

	At end of current period $A'000	As shown in last annual report $A'000	As in last half yearly report $A'000
Current assets			
Cash and cash equivalents	2,050	2,254	1,481
Trade and other receivables	11,122	14,344	15,325
Inventories	25,571	22,477	31,694
Other	665	633	794
Total current assets	**39,408**	**39,708**	**49,294**
Non-current assets			
Other property, plant and equipment (net)	33,187	30,401	36,824
Intangibles (net)	41	181	128
Deferred tax assets	1,299	1,223	1,477
Other	341	249	288
Total non-current assets	**34,868**	**32,054**	**38,717**
Total assets	**74,276**	**71,762**	**88,011**
Current liabilities			
Trade and other payables	7,666	8,053	12,654
Interest bearing liabilities	1,393	1,423	2,337
Current tax liabilities	288	361	764
Provisions exc. tax liabilities	1,701	1,577	1,956
Total current liabilities	**11,048**	**11,414**	**17,711**
Non-current liabilities			
Trade and other payables	-	-	-
Interest bearing liabilities	20,242	20,884	21,113
Deferred tax liabilities	2,144	1,914	2,047
Provisions exc. tax liabilities	211	282	293
Total non-current liabilities	**22,597**	**23,080**	**23,453**
Total liabilities	**33,645**	**34,494**	**41,164**
Net assets	**40,631**	**37,268**	**46,847**

Equity			
Issued Capital	30,986	31,447	30,676
Employee share loans	(149)	(1,340)	(155)
Reserves	2,580	795	9,471
Retained Earnings	6,874	5,991	6,505
Parent entity Interest	**40,291**	**36,893**	**46,497**
Minority equity interests in controlled entities	340	375	350
Total equity	**40,631**	**37,268**	**46,847**

Cash flow statement

	Current period $A'000	Previous corresponding period - $A'000
Cash flows related to operating activities		
Receipts from customers	76,704	82,777
Payments to suppliers and employees	(69,949)	(72,382)
Interest and other items of similar nature received	44	93
Interest and other costs of finance paid	(1,584)	(2,256)
Income taxes paid	(1,198)	(724)
Other	583	863
Net operating cash flows	**4,600**	**8,371**
Cash flows related to investing activities		
Payment for purchases of property, plant and equipment	(6,214)	(3,663)
Proceeds from sale of property, plant and equipment	308	3,946
Proceeds from sale of business	205	1,525
Investments	9	-
Payment for intangibles	-	-
Net investing cash flows	**(5,692)**	**1,808**
Cash flows related to financing activities		
Proceeds from issues of shares	714	6,948
Proceeds from borrowings	-	-
Repayment of borrowings	(923)	(11,353)
Dividends paid	(1,439)	(588)
Net financing cash flows	**(1,648)**	**(4,993)**
Net increase (decrease) in cash held	(2,740)	5,186
Cash at beginning of period *(see Reconciliation of cash)*	964	(444)
Exchange rate adjustments.	2,654	(3,778)
Cash at end of period *(see Reconciliation of cash)*	878	964

Non-cash financing and investing activities

During the year, the economic entity acquired plant and equipment with an aggregate fair value of $385,244 (2008$83,421) by means of finance leases and This financing activity is not reflected in the statement of cash flows..

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current period $A'000	Previous corresponding period - $A'000
Cash on hand and at bank	2,050	2,254
Bank overdraft	(169)	(270)
Other (provide details)	(1,003)	(1,020)
Total cash at end of period	**878**	**964**

Other notes to the condensed financial statements

Ratios

	Current period	Previous corresponding period
Profit before tax / revenue Consolidated profit (loss) before tax as a percentage of revenue	4.9%	0.9%
Profit after tax /equity interests Consolidated net profit (loss) after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	5.7%	(1.8%)

NTA PER SHARE

	Current period	Previous corresponding Period
Net tangible asset backing per ordinary security	$1.36	$1.28

Final Dividend Declared

Date the dividend is payable	18th December 2009
Record date to determine entitlements to the dividend	13th November 2009

Dividend per share

			Amount per security	Franked amount per security at % tax	Amount per security of foreign source dividend
	Final dividend:	Current year	3¢	3¢	¢
		Previous year	3¢	3¢	¢

Total dividend per share (interim *plus* final)

	Current year	Previous year
+Ordinary securities	5¢	3¢

Dividend Plans in operation.

Waterco Dividend Reinvestment Plan
- Shares to be issued at 7.5% discount to average market price of the dividend record date and the four prior trading days.

The last date for receipt of election notices for the dividend	13th November 2009

Issued and quoted securities at end of current period

Category of securities	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
Ordinary securities	29,760,529	29,760,529		
Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks	594,030 620,836 500,000	594,030 620,836 500,000	$0.68 $0.50 $2.35	$0.68 $0.50 $2.35
Options			*Exercise price*	*Expiry date*
Directors and Senior Executives option plan	498,000	-		
Issued during current period	198,000	-	$1.35	1/7/2013
Exercised during current period	-			
Expired during current period	-			

Annual meeting

The annual meeting will be held as follows:

Place	36 SOUTH ST RYDALMERE NSW 2116
Date	29th OCTOBER 2009
Time	3PM
Approximate date the annual report will be available	29th SEPTEMBER 2009

Compliance statement

1 This report has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001 .

2 This report, and the accounts upon which the report is based use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed

4 This report is based on accounts which are in the process of being audited

5 The entity has a formally constituted audit committee.

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Soon Sinn Goh
Chief Executive Officer

31st August 2009

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Notes:

1. **Reconciliation of income tax *prima facie* payable on the profit before tax to income tax expense - SEE ANNEXURE A**

2. **Rounding of figures** Some of the information in this report has been rounded to the nearest $1,000. (where stated)

3 **Comparative figures** When required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year

WATERCO LIMITED AND CONTROLLED ENTITIES

PRELIMINARY FINAL REPORT 30 JUNE 2009

ANNEXURE A

REVENUE AND EXPENSES

	2009	2008
	$	$
Revenues	72,773,958	82,323,790
Changes in inventories of finished goods and work in progress	(1,740,463)	5,397,529
Raw materials and consumables used	(39,649,054)	(48,288,741)
Employee benefits expense	(12,204,725)	(12,313,758)
Depreciation and impairment expense	(1,436,628)	(3,424,035)
Finance costs	(1,583,798)	(2,255,946)
Advertising expense	(1,407,941)	(1,414,654)
Discounts allowed	(154,517)	(1,008,646)
Outward freight expense	(1,656,759)	(2,542,401)
Rent expense	(2,394,657)	(3,212,535)
Contracted staff expense	(528,343)	(649,152)
Unrealised foreign exchange gains/(losses)	-	-
Warranty expense	(685,910)	(863,331)
Commission expense	(476,571)	(824,525)
Cost of non current assets disposed of during the year	(408,853)	(4,667,672)
Other expenses	(4,890,512)	(5,538,420)
Profit /(loss)before income tax expense	3,555,227	717,503
Income tax expense	1,277,119	1,303,113
Profit/(loss) for the year	2,278,108	(585,610)
Profit/(loss) attributable to minority equity interest	(34,570)	73,332
Profit /(loss) attributable to members of the parent entity	2,312,678	(658,942)

WATERCO LIMITED AND CONTROLLED ENTITIES

PRELIMINARY FINAL REPORT 30 JUNE 2009

ANNEXURE A

Income Tax Expense

	2009 $	2008 $
The prima facie tax on profit/(loss) before income tax is reconciled to the income tax as follows:		
Profit/(loss) before income tax	3,555,227	717,503
Prima facie tax payable on profit/(loss) before income tax at 30% (2008 30%)	1,066,568	215,251
Add		
Tax effect of:		
* Depreciation of buildings	34,803	34,803
* Entertainment	1,405	1,342
* Amortisation – Goodwill	4,961	41,362
* Amortisation - Leasehold Land	3,272	3,272
* Foreign controlled entities not tax effected	406,564	1,286,137
* (Over)/under provision for tax in prior year	10,760	(45,864)
Less		
Tax effect of:		
* Unrealised foreign exchange gains/(losses)	-	-
* Special building write off	1,889	1,889
* exempt income		134,326
* Lease premium deduction	8,578	13,244
* Effects of lower rates in overseas countries	151,592	3,966
* Rebateable dividends	-	-
* prior year losses now tax effected	-	38,386
* Other	89,155	41,379
Income tax expense attributable to entity	1,277,119	1,303,113

WATERCO LIMITED AND CONTROLLED ENTITIES
PRELIMINARY FINAL REPORT 30 JUNE 2009
ANNEXURE A

SEGMENT REPORTING

a)Business Segments

The economic entity operates predominantly in one industry ,being the manufacture and wholesale of swimming pool chemicals, accessories and equipment, manufacture and sale of solar pool heating systems and as a franchisor of swimming pool outlets retailing swimming pool accessories and equipment.

b)Geographical Segments

2009

	AUSTRALIA & NEW ZEALAND	**S.E.ASIA**	**NORTH AMERICA**	**OTHER**	**ELIMINATION**	**CONSOLIDATED GROUP**
	2009 $	**2009 $**	**2009 $**	**2009 $**	**2009 $**	**2009 $**
REVENUE						
SALES TO CUSTOMERS OUTSIDE THE ECONOMIC ENTITY	49,174,407	4,014,391	10,731,605	7,646,336	-	71,566,739
INTERSEGMENT SALES	2,092,302	11,731,088	1,095,109	3,295,431	(18,213,930)	-
UNALLOCATED REVENUE						1,207,219
TOTAL REVENUE	51,266,709	15,745,479	11,826,714	10,941,767	(18,213,930)	72,773,958
SEGMENT RESULT	2,216,127	1,896,566	(1,709,261)	703,266	1,655,748	4,762,446
UNALLOCATED EXPENSES NET OF UNALLOCATED REVENUE						(1,207,219)
PROFIT/(LOSS) BEFORE TAX						3,555,227
INCOME TAX EXPENSE						(1,277,119)
PROFIT /(LOSS) AFTER TAX						2,278,108
SEGMENT ASSETS	71,486,830	24,412,188	(3,847,919)	10,509,514	(28,284,211)	74,276,402
SEGMENT LIABILITIES	31,068,179	15,463,880	3,665,939	4,193,245	(20,746,373)	33,644,870
DEPRECIATION & IMPAIRMENT	5,394,204	226,791	312,724	102,909	(4,600,000)	1,436,628
ACQUISITION OF NON CURRENT SEGMENT ASSETS	617,829	3,501,392	780,638	862,391	-	5,762,250

2008

	AUSTRALIA & NEW ZEALAND	S.E.ASIA	NORTH AMERICA	OTHER	ELIMINATION	CONSOLIDATED GROUP
	2008 $	2008 $	2008 $	2008 $	2008 $	2008 $
REVENUE						
SALES TO CUSTOMERS OUTSIDE THE ECONOMIC ENTITY	55,863,484	3,712,846	9,859,173	7,086,294	-	76,521,797
INTERSEGMENT SALES	2,771,162	8,422,014	1,662,507	3,276,707	(16,132,390)	-
UNALLOCATED REVENUE						5,801,993
TOTAL REVENUE	58,634,646	12,134,860	11,521,680	10,363,001	(16,132,390)	82,323,790
SEGMENT RESULT	4,811,951	4,312,189	(4,006,886)	454,395	947,847	6,519,496
UNALLOCATED EXPENSES NET OF UNALLOCATED REVENUE						(5,801,993)
PROFIT/(LOSS) BEFORE TAX						717,503
INCOME TAX EXPENSE						(1,303,113)
PROFIT /(LOSS) AFTER TAX						(585,610)
SEGMENT ASSETS	74,218,333	24,644,561	(2,639,146)	8,347,030	(32,808,524)	71,762,254
SEGMENT LIABILITIES	33,176,430	17,607,421	2,400,900	3,351,506	(22,041,715)	34,494,542
DEPRECIATION & IMPAIRMENT	936,321	184,528	2,085,236	108,178	109,772	3,424,035
ACQUISITION OF NON CURRENT SEGMENT ASSETS	319,385	4,556,925	(218,377)	(14,062)	-	4,643,871

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

ANNEXURE A

Comments by Directors

Revenue and Profitability

The Group reported a Net Profit After Tax of $2.28 million.

Following a year of consolidation throughout the group, Waterco reported Earnings Before Interest and Tax (EBIT), before unrealized foreign exchange adjustments and goodwill impairment, for the year of $5.11 million (FY 08 $4.69 million). The underlying EBIT (before adjustments) showed a small improvement over previous corresponding period (PCP), a result of a difficult trading year. Expectations early this financial year were for a more significant improvement. Unfortunately, this was hampered by events following the global financial crisis.

The low Australian Dollar following the stock market collapse after October 2008 resulted in some realized foreign exchange losses, on payment to our suppliers.

Sales Revenue for the period was $71.6 million (FY 08 $76.5 million), with the reduction resulting mainly from the sale of the Chemical Division business at Bankstown, in Australia. This Division supplied to supermarkets, hardware stores and mass merchants in Australia, and was considered as outside the core business of the Waterco group. Waterco retain our Chemical business supplying independent pool stores and our Swimart Franchise network.

The core business this year has achieved an increase on PCP of 4%, after allowing for the sale of the Chemical Division.

Divisional Performance

Detailed below is the divisional EBIT contribution summary for the FY09 period.

EBIT (net of interest received) by Division (before unrealized FX difference, impairment of goodwill and intercompany loans and intercompany dividends)	FY 08	FY 09	% Change
Australia and New Zealand	6,372	4,548	-29%
South East Asia	264	1,619	+513%
North America	(2,192)	(1,742)	+21%
Others	244	688	+182%
EBIT	4,688	5,113	+9%

Australian and New Zealand Operations

In a year of tough operating conditions globally, it was our North America division that felt the brunt of the impact. Whilst the rest of the Group entities managed to turn in some encouraging results to negate this impact and provide profitability to the Group, we are required by accounting standards to test the impairment of the value of the Parent Entity's interests in the North American entities. As a result, we have provided for impairment of intercompany loans to the tune of $3.22 million, after tax, in the books of the Parent Entity. This provision does not in any way reflect the performance of the Parent Entity and does not affect the Group results, as the results of the North American entities have already been consolidated into the Group's figures. The figures in the table above are stated before this provision, as they state the operational performance of each division.

In terms of our 62-store Swimart franchise group in Australia and New Zealand, the full year revenues of the Swimart retail stores were ahead of the previous year by 8 percent.

Double digit growth was recorded in all states and NZ except for NSW where retail sales remain sluggish.

This improvement in the revenues of the Swimart retail stores was pleasing considering the uncertainties following the global financial crisis commencing in October 2008. Swimart Franchisees took a cautious view and kept a low level of inventory. A new Swimart Store was opened in Oxenford, Brisbane in July 2009 and the remaining two company stores in New Zealand and one in Australia were franchised during the year. Deposits for several new stores have been received and these stores will open during 2009/10. It was encouraging to see an existing Swimart store sold to a new franchisee during the year for a Swimart record of $1.2m, reflecting the high value placed on a Swimart franchise.

For the 2009/10 summer season Swimart have retained Susie O'Neill, "Madame Butterfly", a successful Olympic Gold Medalist Swimmer as our Swimart Ambassador. Swimart are proud to be associated with Susie who brings real creditability to Swimart. Swimart are a facilitator of crystal clear pools enabling pool owners to have an enjoyable lifestyle at home.

New Pool Builds continued to decline in 2008/09 as the global financial crisis made consumers wary of further expenditure. The emerging business of commercial water treatment equipment continued strongly in both Australia and New Zealand. This negated the decline in the residential sector.

Trading margins were under pressure with cost of imported products having escalated rapidly when the Australian Dollar dipped significantly. Foreign Exchange losses were increased when payment for goods imported at the beginning of the season became due. The period of the low Australian Dollar coincided with the peak period for Australia and New Zealand. Consequently, Earning Before Interest and Tax (EBIT) declined when compared to PCP, with lower trading margins, combined with realized foreign exchange losses, impacting on the results. The completion of the sale of our remaining retail stores in New Zealand, and the restructuring of the business to one of wholesale, has significantly strengthened the business with stronger profitability, than previously recorded, for last year.

The Australian Dollar recovered towards the end of the financial year and presently does not seem to adversely affect profitability, looking forward.

Waterco Far East

Waterco Far East is now the Group's principal manufacturing facility for pumps and filters for both the commercial and the residential sectors. Waterco Far East supplies all major overseas divisions, including Australia.

With the completion of restored premises since the fire and manufacturing activity returning to normal, Water Far East recorded a healthy return to profitability. Insurance claims have now been fully resolved, largely to our satisfaction.

Manufacturing activities in Australia have almost been entirely relocated to Waterco Far East towards end of the financial year. Supervising staff in Australia were transferred to After Sales Service division, while most of the manufacturing staff were retrenched. With more manufacturing activities consolidated into Waterco Far East, it will result in some further improvements in efficiency.

Waterco North America

Waterco North America represents the group's operations in USA and Canada. The US market is the largest in the world and Waterco has a made a substantial investment through its acquisition of Baker Hydro in March 2005. Our operations in Augusta, Georgia, manufacture larger filters and assemble commercial pumps.

The EBIT loss for the year reflects the difficult trading conditions in the USA largely due to continuing downturn in the housing industry.

Accreditation for our commercial filters was successfully obtained from the National Sanitation Foundation (NSF). NSF is an organization that demands high standards of the products it endorses. Customers for our commercial filters require NSF approval. With the approval, we anticipate strong growth in the sales of our commercial filters, bringing to fruition the efforts we have invested in marketing the products. We installed a new filament-winding machine late in the financial year ended 30 June 2009, so that production of commercial filters in the USA would be enhanced in the new financial year.

In Canada, EBIT was virtually at breakeven, which is a considerable improvement. Sales revenue was encouraging with an improvement in sales despite the global financial crisis.

The global demand for heat pumps that are manufactured by our Canadian operations is growing and our improvement of the manufacturing operations and product quality has seen the return of confidence of our customers in Europe, USA and Australia.

Waterco Europe

Waterco Europe's sales revenue improved significantly over PCP despite the global financial crisis, turning in a vastly improved profit. New key distribution relationships were formed reflecting growing product acceptance and increased ranging with wholesalers. The global financial crisis had affected Europe considerably with distributors cancelling some orders or delaying delivery until they were certain of being able to meet their commitments. Despite some set- backs, results for the year were excellent.

Product Development & Water Treatment

The company continued to put resources into research and development, expanding into high pressure filters suitable for water treatment. During the year, the company completed sales of large commercial filters meant for prefiltration of seawater for a desalination plant in the Middle East.

The Multicyclone was well accepted in the water treatment sector as well as the swimming pool industry, as a unique and effective device for removal of sediments in water. Variations of the Multicyclone will be seen in products to be launched, building on the original product marketed some two years ago.

For the year, Waterco spent $686,000 on research and development.

WORKING CAPITAL

TOTAL	JUNE 08 $000	JUNE 09 $000
Inventory	22,477	25,571
Debtors	14,344	11,122
Creditors	8,053	7,666
Working Capital	28,768	29,027

The group's working capital position as at June 2009 showed no material variance over the PCP.

Dividend & Outlook

Results for the year are satisfactory in view of the global financial crisis, but the Board acknowledges that profitability is not back to normal. Losses in the USA need significant improvements and expectations are that it will improve to an acceptable level for the new financial year.

Profit Before Tax for the year was short of expectation, a result of the global financial crisis, but ahead of a revised downgrade announced in October 2008, after the

commencement of the global financial crisis. The board will not provide a profit guidance at this stage for the financial year ended 30 June 2010.

We are positive that there will be more improvements ahead, and will declare a final dividend payment of 3 cents, payable to shareholders on 18 December 2009.

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Soon Sinn Goh
Chairman
Waterco Limited

31st August 2009