

WATERCO LIMITED

APPENDIX 4E
Preliminary Final Report for the
Financial Year Ended 30 June 2019

FOR ANNOUNCEMENT TO THE MARKET

WATERCO LTD

Summary of results FY ended 30 June 2019

| | |
|-----------------------|--------------------------|
| Sales Revenue | \$89.62 million, up 4% |
| Net Profit After Tax | \$2.28 million, down 42% |
| EBIT | \$4.42 million, down 34% |
| Total dividend payout | 5c per share (full year) |

Chief Executive Officer's Review of Operations

REVENUE AND PROFITABILITY

The Group reports a fall in Net Profit After Tax (NPAT) and Earnings Before Interest and Tax (EBIT). NPAT fell by 42% to \$2.28 million, while EBIT fell by 34% to \$4.42 million. NPAT was slightly above (4%) the revised market guidance of \$2.20 million, announced in April this year. The major reasons for this was the increased costs brought about by a depreciation in all exchange rates against the \$US dollar, and a significant slowdown in China's Economic Conditions resulting in losses in our entity in China. Despite this, the Group was able to achieve a 4% increase in sales.

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 39%. This is mainly due to increased costs affected by an 8% depreciation against the US Dollar during the year and realised foreign exchange losses on trading stock. During the year, additional provisions for warranty expenses were provided to comply with Accounting Standards.

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

The North America and Europe Division continues to undergo restructuring. EBIT losses were cut by 84%, due to improved financial results in USA and Canada.

DIVISIONAL EBIT PERFORMANCE

The breakdown of EBIT contribution by division is as follows:

| | FY19 (\$000) | FY18 (\$000) | % Change |
|-----------------------------------|-----------------|-----------------|--------------|
| Australia and New Zealand | 2,970 | 4,851 | (39)% |
| North America and Europe | (39) | (239) | 84% |
| Asia | 1,485 | 2,094 | (29)% |
| Consolidated Reported EBIT | 4,416 | 6,730 | (34)% |

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 more than seventy pool stores 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 1984, when a company-owned pool shop was opened in Sydney. This has since grown into the Swimart Pool and Spa franchising retail system.

Steady market share in the domestic pool sector has underpinned the Division's performance. Despite a difficult year in the ANZ Market, Waterco was able to achieve a 2.4% increase in sales on the previous year.

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 (36%) 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. Its expertise, developed over more than two decades, with assistance from our Research and Development division in Sydney, has improved performance of our products in both quality and cost. This continues to benefit the Group and enables other manufacturing entities in the Group to produce heat pumps of quality. The manufacturing operations have since been transferred to other manufacturing entities and WCI is now a trading entity with heat pumps as their key product.

WCI continued the restructure of its operations during the year leading to improved financial results on the previous year. The entity will continue the restructure process in the new year, and is expecting further improved financial results.

Waterco Europe (WEL) Waterco started up operations 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 9.2% increase in sales during the year despite the challenges in the European Market (including Brexit). This Entity had consolidated its operations during the economically difficult years in the region and has benefitted from this in the last three years, when sales growth has been significant. 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) 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 posted a 12% growth, in spite of soft economic conditions and political uncertainty. Increased volume, particularly in labour-intensive large commercial filters, has resulted in an increase in wages above expectation, with more overtime worked. 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 This entity commenced operations in 2000, delivering advantages of low operational costs and a foothold into the huge China market. 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 39% during the year (after a record year in FY2018) due to a significant slow-down in China's Economic Conditions.

Waterco International in Singapore (WI) 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 (atax) of \$2.28m, is slightly above the profit guidance revision of \$2.2m released to the market on 17 April 2019. While Australia/New Zealand and Asia reporting falls from last year, North America and Europe showed a further 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 2020 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 2019. 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.

WATERCO LIMITED

Preliminary Final Report for the Financial Year Ended 30 June 2019

SUMMARY OF RESULTS

| | |
|--|--|
| | <u>\$A'000</u> |
| Revenues | Up 3.5% to 90,863 |
| Profit (loss) after tax attributable to members | Down 41.7% to 2,242 |
| Dividends | Amount per security Franked amount per security |
| Final dividend | 3¢ 3¢ |
| Previous corresponding period | 3¢ 3¢ |
| Date for determining entitlements to the dividend | 8 th November 2019 |

Statement of Profit and Loss and Other Comprehensive Income

| | Current period \$A'000 | Previous corresponding period \$A'000 |
|--|---------------------------|--|
| Revenues | 90,863 | 87,832 |
| Expenses | | |
| Goodwill (on acquisition) Impairment Losses | (17) | (4) |
| Finance costs | (1,138) | (1,000) |
| Other Expenses | (86,395) | (81,107) |
| Profit (loss) before tax | 3,313 | 5,721 |
| Income tax (see Annexure A) | (1,031) | (1,771) |
| Profit (loss) after tax | 2,282 | 3,950 |
| Net profit (loss) attributable to non-controlling interests | 40 | 104 |
| Net profit (loss) for the period attributable to members | 2,242 | 3,846 |
| Non-owner transaction changes in equity | | |
| Net exchange differences recognised in equity | | |
| Other revenue, expense and initial adjustments recognised directly in equity | 2,288 | 8,443 |
| Total transactions and adjustments recognised directly in equity | 2,288 | 8,443 |
| Total changes in equity not resulting from transactions with owners as owners | 4,530 | 12,289 |

Earnings per security (EPS)

| | Current period | Previous corresponding Period |
|-------------|----------------|-------------------------------|
| Basic EPS | 6.1c | 10.3c |
| Diluted EPS | 6.1c | 10.3c |

Calculation of Earnings per security (EPS)

| | Current period | Previous corresponding Period |
|---|----------------|-------------------------------|
| Net Profit (\$000) | 2,282 | 3,950 |
| Net Profit/(Loss) attributable to non-controlling interests (\$000) | 40 | 104 |
| Earnings used in calculation of basic EPS (\$000) | 2,242 | 3,846 |
| Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS | 36,632,651 | 37,227,372 |

Notes to the statement of profit and loss and other comprehensive income**Profit (loss) attributable to members**

| | Current period \$A'000 | Previous corresponding period \$A'000 |
|---|---------------------------|--|
| Profit (loss) after tax | 2,282 | 3,950 |
| Less (plus) non controlling interests | 40 | 104 |
| Profit (loss) after tax, attributable to members | 2,242 | 3,846 |

Revenue and Expenses - SEE ANNEXURE A

| | Current period \$A'000 | Previous corresponding period \$A'000 |
|---|---------------------------|--|
| Capitalised outlays | | |
| Interest costs capitalised in asset values | - | - |
| Outlays capitalised in intangibles (excluding those arising from acquisition of a business) | - | - |

Operating Segments – SEE ANNEXURE A

Movement in Retained Profits

| | Current period \$A'000 | Previous corresponding period \$A'000 |
|---|---------------------------|---|
| Retained profits at the beginning of the financial period | 13,944 | 11,959 |
| Net profit attributable to members | 2,242 | 3,846 |
| Transfer from Asset Revaluation Reserve | - | - |
| Adjustment relating to AASB 15 | (154) | - |
| Dividends paid | (1,841) | (1,861) |
| Retained profits at end of financial period | 14,191 | 13,944 |

Intangibles – Impairment/Amortisation

| | <i>Consolidated - current period</i> | | | |
|--|--------------------------------------|-----------------------------------|--|---|
| | Before tax \$A'000 (a) | Related tax \$A'000 (b) | Related non- controlling interests \$A'000 (c) | Amount (after tax) attributable to members \$A'000 (d) |
| Impairment of goodwill | 16 | - | - | 16 |
| Amortisation of other intangibles | 17 | - | - | 17 |
| Total Impairment/ amortisation of intangibles | 33 | - | - | 33 |

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 | 2,320 | 3,264 |
| Consolidated profit (loss) after tax attributable to members for the 2nd half year | (78) | 582 |

| Consolidated Statement of Financial Position | At end of current period \$A'000 | As shown in last annual report \$A'000 | As in last half yearly report \$A'000 |
|---|-------------------------------------|---|--|
| Current assets | | | |
| Cash and cash equivalents | 5,310 | 4,291 | 4,193 |
| Trade and other receivables | 12,120 | 12,636 | 17,043 |
| Inventories | 36,189 | 37,590 | 39,633 |
| Other | 829 | 832 | 846 |
| Total current assets | 54,448 | 55,349 | 61,715 |
| Non-current assets | | | |
| Other property, plant and equipment (net) | 61,459 | 60,696 | 62,022 |
| Intangibles (net) | 432 | 189 | 177 |
| Deferred tax assets | 487 | 352 | 541 |
| Total non-current assets | 62,378 | 61,237 | 62,740 |
| Total assets | 116,826 | 116,586 | 124,455 |
| Current liabilities | | | |
| Trade and other payables | 11,159 | 10,040 | 18,172 |
| Interest bearing liabilities | 11,268 | 12,786 | 10,346 |
| Current tax liabilities | (407) | 277 | 417 |
| Provisions exc. tax liabilities | 1,811 | 2,132 | 1,914 |
| Total current liabilities | 23,831 | 25,235 | 30,849 |
| Non-current liabilities | | | |
| Interest bearing liabilities | 11,094 | 11,039 | 10,732 |
| Deferred tax liabilities | 5,869 | 5,932 | 5,968 |
| Provisions exc. tax liabilities | 202 | 212 | 213 |
| Total non-current liabilities | 17,165 | 17,182 | 16,913 |
| Total liabilities | 40,996 | 42,417 | 47,762 |
| Net assets | 75,830 | 74,169 | 76,693 |

| | | | |
|--|---------------|---------------|---------------|
| Equity | | | |
| Issued Capital | 37,676 | 38,590 | 38,182 |
| Reserves | 23,224 | 20,936 | 22,757 |
| Retained Earnings | 14,191 | 13,944 | 15,002 |
| Parent entity Interest | 75,091 | 73,470 | 75,941 |
| Non controlling interests in controlled entities | 739 | 699 | 752 |
| Total equity | 75,830 | 74,169 | 76,693 |
| | | | |

| Consolidated Statement of Cashflows | Current period \$A'000 | Previous corresponding period \$A'000 |
|--|-----------------------------------|--|
| Cash flows related to operating activities | | |
| Receipts from customers | 95,207 | 92,478 |
| Payments to suppliers and employees | (86,897) | (94,276) |
| Interest and other items of similar nature received | 35 | 22 |
| Interest and other costs of finance paid | (1,138) | (1,000) |
| Income taxes paid | (1,848) | (1,808) |
| Other | 1,210 | 1,544 |
| Net operating cash flows | 6,569 | (3,040) |
| Cash flows related to investing activities | | |
| Dividend received | 1 | 1 |
| Payment for purchases of property, plant and equipment | (2,154) | (3,410) |
| Proceeds from sale of property, plant and equipment | 51 | 138 |
| Proceeds from sale of business Investments | | |
| Payment for intangibles | (237) | - |
| Net investing cash flows | (2,339) | (3,271) |
| Cash flows related to financing activities | | |
| Proceeds from issues of shares (to outside interests) | 30 | - |
| Share Buyback | (914) | (743) |
| Proceeds from borrowings | - | 9,595 |
| Repayment of borrowings | (1,933) | (5,182) |
| Dividends Paid – outside Interests | (29) | - |
| Dividends paid | (1,841) | (1,861) |
| Net financing cash flows | (4,687) | 1,809 |
| Net increase (decrease) in cash held | (457) | (4,502) |
| Cash at beginning of period (see Reconciliation of cash) | 3,419 | 4,634 |
| Exchange rate adjustments. | 1,204 | 3,287 |
| Cash at end of period (see Reconciliation of cash) | 4,166 | 3,419 |

Non-cash financing and investing activities

During the year, the economic entity acquired plant and equipment with an aggregate fair value of \$198,553 (2018-\$347,782) by means of finance leases. These financing activities are 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 | 5,310 | 4,291 |
| Bank overdraft | (1,144) | (872) |
| Total cash at end of period | 4,166 | 3,419 |

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 | 3.65% | 6.51% |
| 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 | 3.0% | 5.2% |

| NTA PER SHARE | Current period | Previous corresponding Period |
|--|----------------|-------------------------------|
| Net tangible asset backing per ordinary security | \$2.06 | \$1.99 |

Final Dividend Declared

| | |
|---|--------------------------------|
| Date shares trade ex-dividend | 7 th November 2019 |
| Record date to determine entitlements to the dividend | 8 th November 2019 |
| Date the dividend is payable | 16 th December 2019 |

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¢ | 5¢ |

Dividend Plans in operation

| |
|---|
| There is no current dividend reinvestment plan in operation |
|---|

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 | 36,632,651 | 36,632,651 | | |
| Changes during current period | | | | |
| (a) Increases through issues | - | - | - | - |
| (b) Decreases through returns of capital, buybacks | 450,754 | 450,754 | \$2.0274 | \$2.0274 |
| Options | | | <i>Exercise price</i> | <i>Expiry Date</i> |
| Directors and Senior Executives option plan | - | | | |
| Issued during current period | | | | |
| Exercised during current period | | | | |
| Expired during current period | | | | |

Annual meeting

The annual meeting will be held as follows:

| | |
|--|-------------------------------|
| Place | 36 South St Rydalmere NSW |
| Date | 25 th October 2019 |
| Time | 3PM |
| Approximate date the annual report will be available | 18th September 2019 |

Compliance statement

1. This report has been prepared in accordance with the Corporations Act 2001 including complying with Australian Accounting Standards, including the Interpretations, and the Corporations Regulations 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.



Soon Sinn Goh
Chief Executive Officer

26th August 2019

Notes:

1. **Reconciliation of income tax *prima facie* payable on the profit before tax to income tax expense where *prima facie* tax payable differs by more than 15% from income tax expense.**
2. **Rounding of figures:** Some of the information in this report have 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 ABN 62 002 070 733 AND CONTROLLED ENTITIES

PRELIMINARY FINAL REPORT 30 JUNE 2019

ANNEXURE A

REVENUE AND EXPENSES

| | Consolidated Group | |
|---|---------------------------|--------------|
| | 2019 | 2018 |
| | \$000 | \$000 |
| Revenues | 90,863 | 87,832 |
| Changes in inventories of finished goods and work in progress | (2,579) | (5,784) |
| Raw materials and consumables used | (42,658) | (37,368) |
| Employee benefits expense | (19,740) | (18,607) |
| Depreciation, impairment and amortisation expense | (1,749) | (1,577) |
| Finance costs | (1,138) | (1,000) |
| Advertising expense | (2,084) | (1,706) |
| Discounts allowed | (252) | (145) |
| Outward freight expense | (2,097) | (1,576) |
| Rent expense | (2,826) | (2,662) |
| Research & development | (1,490) | (1,582) |
| Insurance general | (957) | (798) |
| Contracted staff expense | (242) | (234) |
| Warranty expense | (942) | (706) |
| Commission expense | (348) | (260) |
| Other expenses | (8,448) | (8,106) |
| Profit before income tax expense | 3,313 | 5,721 |
| Income tax expense | 1,031 | 1,771 |
| Profit for the year | 2,282 | 3,950 |

**PRELIMINARY FINAL REPORT 30 JUNE 2019
ANNEXURE A**

**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

Comparative information

This is the first reporting period in which AASB8: Operating Segments has been adopted. Comparative information has been stated to confirm to the requirements of the Standard.

WATERCO LIMITED ABN 62 002 070 733 AND CONTROLLED ENTITIES

PRELIMINARY FINAL REPORT 30 JUNE 2019

ANNEXURE A

Operating Segments

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/(loss) from continuing operations before | 3,206 | 1,248 | 105 | 4,559 |
| Reconciliation of segment result to group net profit/loss before tax | | | | |
| Unallocated items - other | | | | (1,246) |
| Net profit before tax from continuing operations | | | | 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 |

WATERCO LIMITED ABN 62 002 070 733 AND CONTROLLED ENTITIES

PRELIMINARY FINAL REPORT 30 JUNE 2019

ANNEXURE A

Operating Segments

Geographical Segments

| | 2018 | | | |
|--|-------------------------------|--------|------------------------------|-----------------------|
| | AUSTRALIA & NEW ZEALAND | ASIA | NORTH AMERICA & EUROPE | CONSOLIDATED GROUP |
| | \$000 | \$000 | \$000 | \$000 |
| REVENUE | | | | |
| Sales to customers outside the consolidated group | 58,165 | 14,073 | 14,027 | 86,265 |
| Intersegment sales | 1,384 | 27,125 | 935 | 29,444 |
| Total segment revenue | 59,549 | 41,198 | 14,962 | 115,709 |
| Reconciliation of segment revenue to group revenue | | | | |
| Other revenue | | | | 1,567 |
| Intersegment elimination | | | | (29,444) |
| Total group revenue | | | | 87,832 |
| | | | | |
| Segment net profit/(loss) from continuing operations before | 5,553 | 1,907 | (172) | 7,288 |
| Reconciliation of segment result to group net profit/loss before tax | | | | |
| Unallocated items - other | | | | (1,567) |
| Net profit before tax from continuing operations | | | | 5,721 |
| | | | | |
| Segment assets | 89,227 | 62,616 | (12,263) | 139,580 |
| Segment asset increases for the period | | | | |
| Reconciliation of segment assets to group assets | | | | |
| Intersegment eliminations | | | | (22,994) |
| Total group assets | | | | 116,586 |
| | | | | |
| Capital expenditure | 1,147 | 1,132 | 81 | 2,360 |
| | | | | |
| Segment liabilities | 35,121 | 31,390 | 7,040 | 73,551 |
| Reconciliation of segment liabilities to group liabilities | | | | |
| Intersegment eliminations | | | | (31,134) |
| Total group liabilities | | | | 42,417 |

PRELIMINARY FINAL REPORT 30 JUNE 2019

ANNEXURE A

Income Tax Expense

| | Consolidated Group | |
|---|---------------------------|--------------|
| | 2019 | 2018 |
| | \$000 | \$000 |
| The prima facie tax on profit before income tax is reconciled to the income tax as follows: | | |
| Profit before income tax | 3,313 | 5,721 |
| Prima facie tax payable on profit before income tax at 30% (2018 30%) | 994 | 1,716 |
| Add | | |
| Tax effect of: | | |
| • Depreciation of buildings | 77 | 52 |
| • Entertainment | 4 | 2 |
| • Amortisation – Goodwill | 5 | 1 |
| • Amortisation – Land use rights | 5 | 5 |
| • Foreign controlled entities not tax effected | 530 | 487 |
| • Unrealised foreign exchange losses/(gains) | 68 | 8 |
| • Expenses not deductible | | 96 |
| • Other | - | - |
| Less | | |
| Tax effect of: | | |
| • Research and development | 119 | 140 |
| • Effects of lower rates in overseas countries | 270 | 286 |
| • Unrealised foreign exchange losses/(gains) | - | - |
| • Overprovision/(under) for tax in prior years | 171 | 88 |
| • Exempt income | 28 | 73 |
| • Reinvestment allowance | 63 | - |
| • Other | 1 | 9 |
| Income tax expense attributable to entity | 1,031 | 1,771 |
| The applicable weighted average effective tax rates are as follows: | 31% | 31% |