

WATERCO LIMITED

APPENDIX 4E
Preliminary Final Report for the
Financial Year Ended 30 June 2022

FOR ANNOUNCEMENT TO THE MARKET

WATERCO LTD

Summary of results FY ended 30 June 2022

Sales Revenue	\$123.28 million, up 9%
Net Profit After Tax	\$11.57 million, down 9%
EBIT	\$15.17 million, up 61%
<hr/>	
Total dividends paid during the year	7c per share (full year)

Chief Executive Officer's Review of Operations

REVENUE AND PROFITABILITY

The Group reports an increase in Sales, Net Profit Before Tax (NPBT) and Earnings Before Interest and Tax (EBIT). Sales increased by 9% from \$113.35m to \$123.28m while NPBT increased by 64% to \$14.87m and EBIT increased by 61% to \$15.17m.

The major reasons for the improvement in sales were forward stock planning resulting in higher inventory level to cater for expected increase in demand due to continuing industry consolidation and retail consumers using the funds set aside for travel (restricted for a good part of the year because of Covid-19) to make home improvements upgrades including renovating their existing pools and adding pool heating or installing a new pool. The Australian and New Zealand Division, which accounts for a major portion of the Group's profitability and sales, registered an increase in EBIT of 93%.

Swimart Division met expectations after the franchising of several company operated stores in the previous year resulted in lower operating expenses (in the current year) together with stronger retail sales across the Swimart Franchise Network flowing from the increased home improvement expenditure.

DIVISIONAL EBIT PERFORMANCE

The breakdown of EBIT contribution by division is as follows:

	FY22	FY21	
DIVISIONAL EBIT	(\$000)	(\$000)	% Change
Australia and New Zealand	7,704	3,987	+93%
North America and Europe	2,559	3,855	-34%
Asia	4,911	1,558	+215%
Consolidated Reported EBIT	15,174	9,400	+61%

AUSTRALIA AND NEW ZEALAND (ANZ)

The Australia and New Zealand (ANZ) 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 6 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. Franchise partners benefit from a programme that has been developed and improved on in-house since 1983, when the first company-owned pool shop was opened in Sydney. This has since grown into a successful Swimart franchising retail system.

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

The investment in the heat pump division over the last few years has paid off well - The ANZ Division achieved a substantial increase in heat pump sales during the year.

This year was a specially challenging year for the ANZ Market with the sourcing of stock and booking shipping lines more problematic than in any previous year due to unprecedented demand and Covid-19 factors. However, some forward planning resulted in both entities having extra stock supplies on hand to meet the expected demand in the current year and for the start of the next season. While Group Stock levels (especially ANZ) went up by 40% or \$14m, the resulting double digit sales growth in the current year and expected continuing growth in the new year justify the approach taken.

Despite a challenging year in the ANZ Market, Waterco was able to achieve a 15% 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 and UK.

This division recorded a decline in sales of 4.1% on the same period last year.

The North America and Europe Division recorded a decrease in EBIT and sales resulting from an inability to supply products in time due to lack of shipping capacity from Waterco Far East (WFE) in Malaysia to the markets in USA and Europe. There were delays in production schedule arising from shortage of raw materials as well as sudden influx of orders that resulted in delayed delivery ex-factory. Combined with shipping delays, there were significant losses in cancellation of orders in addition to increased landed costs of products that could not be passed on, thus resulted in lower margins.

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.

In June 2020, Waterco USA opened a small branch in Canada (Distribution Waterco Canada or DWC) to service its local customer base. While Waterco USA Augusta Division recorded a decline in sales of 8%, DWC recorded an increase in sales (from a small base) of 42%.

Overall, this entity recorded a decline in sales of just 1% during the year under review despite the number of new pool constructions falling during the year.

Waterco Europe (WEL): Waterco started operations in the UK in 1999 and subsequently acquired the business of Lacron Ltd in 2003. 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 recorded a decline in sales of 7% during the year despite the additional challenges in the European Market (including political uncertainty, Covid-19 pandemic and regional conflict). This was further complicated by the lockdown in Malaysia in the middle of 2021 coupled with the spike in demand for shipping in the region meaning delays in the supply of product to Europe. The business recorded good growth in the second half of the year but is cautious about the outlook for the new financial year as the growth in the number of new pool constructions is expected to fall. 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 in a market that has traditionally used steel to cope with such pressures.

ASIA

Waterco Far East in Malaysia (WFE): This Entity was born 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 its undertakings in Kuala Lumpur, Malaysia. As well as bringing the

Group closer to Southeast Asia markets, this also gave cost-efficiency in our manufacturing operations. Since then, WFE has become the principal manufacturing facility for the Waterco Group. WFE continues to deliver robust new products to give the Group a strong reputation and competitive edge.

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 recorded an increase in the current year despite the lockdown experienced in the middle of 2021. The sourcing of raw materials and components together with the continuing political uncertainty are significant challenges faced by the business and are also expected to carry through to the new financial year. Increased volume, particularly in labour-intensive large commercial filters, has resulted in an increase in wages, with more overtime worked on top of the extra wages incurred to catch up with manufacturing schedules due to the shortage of foreign labour (that has not returned to normal after the Pandemic restrictions were lifted). The growth in the use of robots (still at a relatively small scale) in the manufacturing process has kept these wage increases to a moderate level. The Entity's capacity has been increased during the year and this has led to greater efficiencies in the business and an improvement in financial performance.

Local sales were higher than expected despite the effect of Covid-19 on the market. Builders in S.E. Asia cut back on imports from this region due to uncertainties in shipping and the ability to supply product (especially out of China). Combined with improved efficiencies and reduced wastages in WFE, profits were better than expected.

Waterco Guangzhou (WGZ): 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 the development of commercial heat pumps and to improve marketing of pool equipment to the commercial pool market in China. External sales for the current year were flat despite the impact of the ongoing pandemic issues, continuing construction industry problems, ongoing trade issues and a general slow-down in growth across the country.

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 with a 13% increase in external sales.

PRODUCT DEVELOPMENT AND WATER TREATMENT

The Group continues to invest in Research and Development to ensure it is an industry pioneer.

Product innovation and research and development in the water-treatment subsector are 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 our intellectual property is protected is of immense value and importance.

During the year the Group invested a lot of time and energy into OxiSwim and are now just starting to reap its rewards in terms of securing pool builders for the system and also rolling out its chemistry to the pool industry. OxiSwim, a revolutionary breakthrough in water treatment technology, was recently awarded Master Pool Builders Association (MPBAA) 2022 Australian Product of the Year.

The OxiSwim sanitisation system revolutionises and simplifies how a swimming pool or spa is managed and maintained. It is the result of many years of research looking for healthier alternative pool sanitisation to pool chlorination.

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 network.

DIVIDEND AND OUTLOOK

The results (Net Profit After Tax of \$11.574m) was 8.8% below last year – Last year’s number of \$12.696m included a one off prior period tax credit of \$5.031m

If we take out the one off prior period tax credit of \$5.031m from the FY21 NPAT, the FY21 NPAT would be reduced from \$12.696m to \$7.665m and the increase for the current year would amount to 51% as shown in the table below:

RESTATED NET PROFIT FOR THE YEAR (AFTER TAX)	FY22 (\$000)	FY21 (\$000)	% change
Profit before income tax expense	14,866	9,061	+64%
Income tax expense/(benefit)	3,292	(3,635)	
Net Profit for the year	11,574	12,696	-9%
Income Tax Expense/ (Benefit)	3,292	(3,635)	
Add back:prior period tax credit (one off)	-	5,031	
Adjusted Income Tax Expense (before tax credit)	3,292	1,396	
Restated Profit after tax			
Profit before income tax expense	14,866	9,061	
Adjusted Income Tax Expense (before tax credit)	3,292	1,396	
Restated Net Profit for the year (after adjusted income tax expense)	11,574	7,665	+51%

The Board will provide a profit guidance at a later stage for the financial year ending 30 June 2023, as more information becomes available (especially around the uncertainty caused by the global Covid-19 pandemic).

Waterco declares a final dividend payment of 5 cents per share, payable to shareholders on 15 December 2022. With an interim dividend of 3 cents per share, declared after the announcement of the Half-Year results, this brings the total dividend for the year at 8 cents per share compared to the 7 cents in the previous financial year.

WATERCO LIMITED

Preliminary Final Report for the Financial Year Ended 30 June 2022

SUMMARY OF RESULTS

		<u>\$A'000</u>
Revenues	Up 8.2% to	128,141
Profit (loss) after tax attributable to members	Down 8.7% to	11,642
Dividends	Amount per security	Franked amount per security
Final dividend	5¢	5¢
Previous corresponding period	4¢	4¢
Date for determining entitlements to the dividend	10 th November 2022	

Statement of Profit and Loss and Other Comprehensive Income

	Current period \$A'000	Previous corresponding period \$A'000
Revenues	128,141	118,382
Expenses		
Goodwill (on acquisition) Impairment Losses	(54)	(50)
Finance costs	(328)	(367)
Other Expenses	(112,893)	(108,904)
Profit (loss) before tax	14,866	9,061
Income tax <i>(see Annexure A)</i>	(3,292)	3,635
Profit (loss) after tax	11,574	12,696
Net profit (loss) attributable to non-controlling interests	(67)	(59)
Net profit (loss) for the period attributable to members	11,641	12,755
Non-owner transaction changes in equity		
Net exchange differences recognised in equity		
Other revenue, expense and initial adjustments recognised directly in equity	2,209	3,030
Total transactions and adjustments recognised directly in equity	2,209	3,030
Total changes in equity not resulting from transactions with owners as owners	13,850	15,785

Earnings per security (EPS)

	Current period	Previous corresponding Period
Basic EPS from continuing and discontinued Operations	32.7	35.6
Basic EPS from continuing operations	32.7	35.6
Diluted EPS from continuing and discontinued Operations	32.7	35.6
Diluted EPS from continuing operations	32.7	35.6

Calculation of Earnings per security (EPS)

	Current period	Previous corresponding Period
Net Profit (\$000)	11,574	12,696
Net Profit/(Loss) attributable to non-controlling interests (\$000)	(67)	(59)
Earnings used in calculation of basic EPS (\$000)	11,641	12,755
Earnings from continuing operations	11,641	12,755
Earnings from discontinued operations	-	-
	11,641	12,755
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	35,626,590	35,822,207

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	11,574	12,696
Less (plus) non controlling interests	(67)	(59)
Profit (loss) after tax, attributable to members	11,641	12,755

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	45,842	35,233
Net profit attributable to members	11,641	12,755
Dividends paid	(2,491)	(2,146)
Retained profits at end of financial period	54,992	45,842

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	79	-	-	79
Amortisation of other intangibles	-	-	-	-
Total Impairment/ amortisation of intangibles	79	-	-	79

Comparison of half year profits

	Current year - \$A'000	Previous year - \$A'000
Consolidated profit (loss) after tax attributable to members reported for the <i>1st</i> half year	4,106	10,484
Consolidated profit (loss) after tax attributable to members for the <i>2nd</i> half year	7,535	2,271
	11,641	12,755

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	11,946	11,694	12,554
Trade and other receivables	17,201	13,719	19,461
Inventories	48,688	34,716	43,563
Other	1,077	1,022	681
Total current assets	78,912	61,151	76,259
Non-current assets			
Other property, plant and equipment	59,986	58,822	59,498
Right of use assets	15,794	12,883	16,479
Intangibles (net)	1,119	1,200	1,148
Deferred tax assets	1,842	1,364	1,737
Total non-current assets	78,741	74,269	78,862
Total assets	157,653	135,420	155,121
Current liabilities			
Trade and other payables	14,211	11,487	19,745
Interest bearing liabilities	4,329	257	2,242
Lease liabilities	3,942	4,797	4,541
Current tax liabilities	2,547	982	1,658
Provisions exc. tax liabilities	3,964	3,868	4,865
Total current liabilities	28,993	21,391	33,051
Non-current liabilities			
Interest bearing liabilities	665	914	837
Lease liabilities	11,949	8,108	11,957
Deferred tax liabilities	4,823	4,347	4,428
Provisions exc. tax liabilities	213	212	226
Total non-current liabilities	17,650	13,581	17,448
Total liabilities	46,643	34,972	50,499
Net assets	111,010	100,448	104,622

Equity			
Issued Capital	34,847	35,590	35,299
Reserves	20,664	18,442	20,274
Retained Earnings	54,992	45,842	48,522
Parent entity Interest	110,503	99,874	104,095
Non controlling interests in controlled entities	507	574	527
Total equity	111,010	100,448	100,622

Consolidated Statement of Cashflows	Current period \$A'000	Previous corresponding period \$A'000
Cash flows related to operating activities		
Receipts from customers	128,196	116,754
Payments to suppliers and employees	(124,663)	(111,516)
Interest and other items of similar nature received	20	29
Interest and other costs of finance paid	(328)	(367)
Income taxes paid	(1,730)	(1,311)
Other	1,829	1,644
Net operating cash flows	3,324	5,233
Cash flows related to investing activities		
Dividend received	1	1
Payment for purchases of property, plant and equipment	(3,501)	(2,795)
Proceeds from sale of property, plant and equipment	97	105
Proceeds from sale of business	-	27,402
Investments	-	-
Payment for business	(520)	(1,426)
Net investing cash flows	(3,923)	23,287
Cash flows related to financing activities		
Proceeds from issues of shares (to outside interests)	-	-
Share Buyback	(744)	(391)
Proceeds from borrowings	4,124	-
Repayment of borrowings	(2,120)	(21,533)
Dividends Paid – outside Interests	-	-
Dividends paid	(2,491)	(2,146)
Net financing cash flows	(1,231)	(24,070)
Net increase (decrease) in cash held	(1,830)	4,450
Cash at beginning of period (see Reconciliation of cash)	11,694	8,312
Exchange rate adjustments.	2,082	(1,068)
Cash at end of period (see Reconciliation of cash)	11,946	11,694

Non-cash financing and investing activities

During the year, the economic entity acquired plant and equipment with an aggregate fair value of \$nil (2021-\$64,351) 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	11,946	11,694
Bank overdraft		-
Total cash at end of period	11,946	11,694

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	11.60%	7.65%
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	10.54%	12.70%

NTA PER SHARE	Current period	Previous corresponding Period
Net tangible asset backing per ordinary security	\$3.10	\$2.78

Final Dividend Declared

Date shares trade ex-dividend	9 th November 2022
Record date to determine entitlements to the dividend	10 th November 2022
Date the dividend is payable	15 th December 2022

Dividend per share

	Amount per security	Franked amount per security at % tax	Amount per security of foreign source dividend
Final dividend: Current year	5¢	5¢	¢
Previous year	4¢	4¢	¢

Total dividend per share (interim *plus* final)

	Current year	Previous year
+Ordinary securities	8¢	7¢

Dividend Plans in operation

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

Issued and quoted securities at end of current period

Category of securities	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
Ordinary securities	35,493,146	35,493,146		
Changes during current period				
(a) Increases through issues	-	-	-	-
(b) Decreases through returns of capital, buybacks	222,102	222,102	\$3.35	\$3.35
Options			<i>Exercise price</i>	<i>Expiry Date</i>
Directors and Senior Executives option plan	350,000	-	\$3.15	23/8/31
Issued during current period	350,000	-	\$3.15	23/8/31
Exercised during current period	-			
Expired during current period	-			

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 2022

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 2022

ANNEXURE A

REVENUE AND EXPENSES

	Consolidated Group	
	2022	2021
	\$000	\$000
Revenues	128,141	118,382
Changes in inventories of finished goods and work in progress	(13,056)	(2,226)
Raw materials and consumables used	(49,597)	(55,494)
Employee benefits expense	(24,485)	(24,263)
Depreciation, impairment and amortisation expense	(6,393)	(6,623)
Finance costs	(328)	(367)
Advertising expense	(1,952)	(1,745)
Discounts allowed	(473)	(514)
Outward freight expense	(2,425)	(2,256)
Rent expense	(959)	(1,156)
Research & development	(1,564)	(1,719)
Insurance general	(1,348)	(1,225)
Contracted staff expense	(430)	(257)
Warranty expense	(487)	(683)
Commission expense	(391)	(450)
Other expenses	(9,387)	(10,343)
Profit before income tax	14,866	9,061
Income tax (expense)/benefit	(3,292)	3,635
Profit for the year	11,574	12,696

WATERCO LIMITED ABN 62 002 070 733 AND CONTROLLED ENTITIES

PRELIMINARY FINAL REPORT 30 JUNE 2022 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 2022****ANNEXURE A****Operating Segments****Geographical Segments**

	2022			
	AUSTRALIA & NEW ZEALAND	ASIA	NORTH AMERICA & EUROPE	CONSOLIDATED GROUP
	\$000	\$000	\$000	\$000
REVENUE				
Sales to customers outside the				
consolidated group	86,542	12,397	24,346	123,285
Intersegment sales	1,320	41,318	870	43,508
Total segment revenue	87,862	53,715	25,216	166,793
Reconciliation of segment				
revenue to group revenue				
Other revenue				4,856
Intersegment elimination				(43,508)
Total group revenue				128,141
Segment Net Profit Before Tax	10,993	5,110	3,619	19,722
Reconciliation of segment result to				
group net profit before tax				19,722
Unallocated items				
- other				(4,856)
Net profit before tax				14,866
SEGMENT ASSETS	126,427	64,420	5,798	196,645
Segment asset increases for				
the period				
Reconciliation of segment				
assets to group assets				
Intersegment eliminations				(38,992)
Total group assets				157,653
CAPITAL EXPENDITURE	882	1,887	89	2,858
SEGMENT LIABILITIES	44,896	31,645	9,936	86,477
Reconciliation of segment				
liabilities to group liabilities				
Intersegment eliminations				(39,833)
Total group liabilities				46,644

WATERCO LIMITED ABN 62 002 070 733 AND CONTROLLED ENTITIES**PRELIMINARY FINAL REPORT 30 JUNE 2022****ANNEXURE A****Operating Segments**

	2021			
	AUSTRALIA & NEW ZEALAND	ASIA	NORTH AMERICA & EUROPE	CONSOLIDATED GROUP
	\$000	\$000	\$000	\$000
REVENUE				
Sales to customers outside the				
consolidated group	76,081	11,870	25,394	113,345
Intersegment sales	1,009	33,398	589	34,996
Total segment revenue	77,090	45,268	25,983	148,341
Reconciliation of segment				
revenue to group revenue				
Other revenue				5,037
Intersegment elimination				(34,996)
Total group revenue				118,382
Segment Net Profit Before Tax	7,998	1,810	4,290	14,098
Reconciliation of segment result to				
group net profit before tax				14,098
Unallocated items				
- other				(5,037)
Net profit before tax				9,061
SEGMENT ASSETS	107,812	52,169	18,112	178,093
Segment asset increases for				
the period				
Reconciliation of segment				
assets to group assets				
Intersegment eliminations				(42,673)
Total group assets				135,420
CAPITAL EXPENDITURE	1,106	1,630	122	2,858
SEGMENT LIABILITIES	30,101	24,040	24,249	78,390
Reconciliation of segment				
liabilities to group liabilities				
Intersegment eliminations				(43,418)
Total group liabilities				34,972

WATERCO LIMITED ABN 62 002 070 733 AND CONTROLLED ENTITIES

PRELIMINARY FINAL REPORT 30 JUNE 2022

ANNEXURE A

Income Tax Expense

	Consolidated Group	
	2022	2021
	\$000	\$000
The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Profit before income tax	14,866	9,061
Prima facie tax payable on profit before income tax at at 30% (2021: 30%)	4,460	2,718
Add		
Tax effect of:		
• Depreciation of buildings	185	235
• Impairment of goodwill	23	9
• Entertainment	6	28
• Foreign controlled entities tax losses not tax effected		-
• Unrealised foreign exchange losses	49	200
• ROU assets	4	-
• Non deductible expenses	10	38
• Adjustment recognized for prior period	46	-
• Other	12	-
Less		
Tax effect of:		
• Research and development	148	129
• Effects of lower rates in overseas countries	592	651
• Unrealised foreign exchange gains		-
• ROU assets	-	183
• Exempt income	-	20
• Adjustment recognized for prior period		5,158
• Reinvestment allowance	482	357
• Foreign controlled entities tax losses not tax effected	281	349
• Other		16
Income tax expense attributable to entity	3,292	(3,635)
The applicable weighted average effective tax rates are as follows:	22%	(40%)