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ANNUAL REPORT **2023**

Waterco pioneers reliable solutions for healthy, safe water environments.



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Contents | 2023

4	Company Profile
6	Group Consolidated Financial Highlights
7	Chief Executive Officer's Review of Operations
14	Board of Directors
16	Statement of Corporate Governance Practices
24	Directors' Report
35	Auditor's Independence Declaration
37	Consolidated Financial Report
85	Shareholder Information
86	Corporate Directory



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 and 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 molding.



Swimart is a market leading brand in the pool care industry across Australia and New Zealand with over 40 years experience. Swimart is focused on making pool care easy, with 68 retail stores and 6 mobile franchises across Australia and New Zealand. Swimart provides its customers a great range, service and advice through its highly trained and experienced technicians focused on their pool care needs through its fleet of over 250 Swimart service vans.



Zane Solar Systems consists of a 36-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.



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 10 Watershoppes selling Waterco's range of water filters and drinking water purifiers.



Group Consolidated Financial Highlights



Financial Year Ended	2023	2022	2021	2020	2019
Operating revenue (\$ million)	134.00	128.14	118.38	98.47	88.24
Sales revenue (\$ million)	129.05	123.28	113.35	93.58	89.62
Earnings Before Interest and Tax (EBIT) (\$ million) from continuing operations	14.5	15.17	9.4	4.83	5.13
Earnings Before Interest and Tax (EBIT) (\$ million) from discontinued operations	-	-	-	17.92	-0.71
EBIT (continuing operations) / Sales Revenue	11.20%	12.30%	8.30%	5.20%	6.00%
Profit before income tax from continuing operations (\$ million)	13.85	14.87	9.06	3.9	4.17
Profit/(loss) before income tax from discontinued operations (\$ million)	-	-	-	17.92	-0.86
Net profit after tax (\$ million)	10.8	11.57	12.7	17.56	2.28
Total assets (\$ million)	167.95	157.65	135.4	146.21	116.83
Equity (\$ million)	121.23	111.01	100.45	87.26	75.83
Basic Earnings per share from continuing and discontinued operations	30.7 cents	32.7 cents	35.6 cents	48.8 cents	6.1 cents
Basic Earnings per share from continuing operations	30.7 cents	32.7 cents	35.6 cents	8.6 cents	8.4 cents
Basic Earnings per share from discontinued operations	-	-	-	40.2 cents	(2.3 cents)
Dividends per share (Interim and Final)	10.0 cents	8.0 cents	7.0 cents	5.0 cents	5.0 cents
Net Tangible Assets per share	\$3.41	\$3.10	\$2.78	\$2.43	\$2.06
Year-end share price	\$4.00	\$3.60	\$2.90	\$2.55	\$1.61

Chief Executive Officer's Review Of Operations



SOON SINN GOH
Chairman/Group CEO

REVENUE AND PROFITABILITY

The Group reports an increase in Sales for the year of 5% from \$123.28m to \$129.05m.

Net Profit Before Tax (NPBT) fell 7% from 14.87m to 13.85m while Earnings Before Interest and Tax (EBIT) recorded a small reduction of 4% from \$15.17m to \$14.50m

The major reasons for the improvement in sales were the result of the ongoing effects of Covid-19 which resulted in a lot of our major pool builders order books filled till the end of June 2023. However, a weakness in the Australian Dollar over the year and increase in input costs (mainly wages, freight and energy costs) resulted in lower margins and higher overheads for the year. As a result, the Australian and New Zealand Division, which accounts for a major portion of the Group's profitability and sales, registered a decrease in EBIT of 34%.

Swimart Division met expectations despite an increase in operating expenses in the current year. Retail sales across the Swimart Franchise Network continued to grow as home improvement expenditure started to slow down with normal travel returning and interest rates rising by 3.25% since the start of the financial year.

DIVISIONAL EBIT PERFORMANCE

The breakdown of EBIT contribution by division is as follows:

	FY23	FY22	
	(\$000)	(\$000)	% Change
DIVISIONAL EBIT			
Australia and New Zealand	5,090	7,704	-34%
North America and Europe	2,950	2,559	+15%
Asia	6,458	4,911	+32%
Consolidated Reported EBIT	14,498	15,174	-4%



Swimart continues its brand refresh and update of all its stores and mobile assets across Australia and New Zealand.



Waterco engineers a large output single-phase inverter pool heat pump



Waterco engineers a high-output single-phase inverter pool heat pump. The 31kW Electroheat ECO-V Inverter Top Vent Single Phase Pool Heat Pump delivers a massive 39kW of heat at 27°C air and 32kW at 15°C air, thanks to its oversized evaporator area and twin fans. This makes it ideal for swimming pool owners who don't have or can't get three-phase power.

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 pool stores and 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 another challenging year for the ANZ Market with the operating costs continuing to rise (wage, local freight and energy costs and a weaker Australian Dollar putting pressure on margins. However, unlike the previous year, there were few problems sourcing of stock and booking shipping lines. Unlike the previous year where Group Stock Levels went up by 40% or \$14m, Group Stock Levels only went up 3% or \$1.5m as supplies and shipping returned to normal.

Despite a challenging year in the ANZ Market, Waterco was able to achieve a 0.5% increase in external 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 increase in external sales of 7.5% on the same period last year.

The North America and Europe Division recorded a healthy 15% increase in EBIT as supplies returned to normal and management made excellent progress in winning market share.

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.

Overall, this entity recorded an outstanding increase in sales of 23% during the year under review despite the number of new pool constructions continuing to fall 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 10% during the year due to the expected fall in the number new pools being built. 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. However, its mix of sales resulted in a vast improvement in its Gross Margin leading to an overall net profit for the year less than 1% below the PCP.

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 a greater than 30% increase in the current year despite continuing political uncertainty and cost pressures faced by the business especially with the availability of foreign labour that which has not returned to Pre-Covid 19 Levels. The sourcing of raw materials and components has improved during the year and the restrictions imposed by the Pandemic no longer having an effect on the business. The growth in the use of robots (still at a relatively small scale) in the manufacturing

Lacron Filters



Established in 1971, Lacron Ltd. is known for its superior quality and durability. Lacron commercial fiberglass filters are the preferred choice for more intense commercial installations, such as large-scale spas and heavily used pools.

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 504 staff.

**Electrochlor Plus Mineral Chlorinator:
Smart pool care, all in one**



This advanced device automatically sanitises, manages pH, filters, and controls auxiliary equipment, so you can relax and enjoy your pool. With the Electrochlor Plus mobile app, you can monitor and control all of your pool's function.

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.

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 slightly up on last year despite the economic challenges facing the Country with a further decline in the Construction Industry , general slow-down in consumption and growth across the Country and unemployment (especially among the youth) continuing to rise. Floods in January and June 2023 also caused havoc while a severe drought during the year has reduced Hydro - Electric Power Generation and irrigation right 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. WI achieved a record 39% increase in external sales during the year.

PRODUCT DEVELOPMENT AND MARKET EXPANSION

Waterco Continues to Invest in Product Innovation and R&D

Waterco, a leading provider of water treatment products and systems, is committed to staying at the forefront of the industry through continuous investment in product innovation and research and development (R&D).

In recent years, Waterco has made significant progress in developing new technologies for swimming pools. The company's latest innovation is an IoT platform that enables homeowners and pool service technicians to obtain essential data about swimming pools remotely.

The IoT platform was developed by a team of specialized software engineers and cloud architects over the past four years. It includes a WiFi board that can be customized and adapted to different equipment, new production tools, a robust device registry, and digital tools that simulate production and real-world use.

Waterco expects the IoT platform to improve pool management, reduce operating costs, and enhance the customer experience. The platform is expected to be available in early 2024.

MARKET EXPANSION

In addition to its investment in R&D, Waterco is also expanding its global footprint. In 2023, the company opened a branch in Vietnam to tap into the growing demand for its products in the country.

Vietnam has seen a rapid growth in its middle class in recent years, and this has led to an increased demand for luxury goods and services, including swimming pools. The country is also a popular tourist destination, and many hotels and resorts are investing in swimming pools to attract visitors.

Waterco believes that there is a significant opportunity for growth in the Vietnamese market. The company's decision to open a branch in Vietnam is a strategic move that will help Waterco to better serve its customers in the region.

The company's continued investment in product innovation and R&D, as well as its expansion into new markets, is a testament to Waterco's commitment to providing its customers with the best possible water treatment solutions.

DIVIDEND AND OUTLOOK

The results (Net Profit After Tax of \$10.805m was 7% below last year

	FY23	FY22	% change
NET PROFIT FOR THE YEAR (AFTER TAX)	(\$000)	(\$000)	
Profit before income tax expense	13,853	14,866	-7%
Income tax expense/(benefit)	3,048	3,292	
Net Profit for the year	10,805	11,574	-7%

Waterco Vietnam



Waterco aims to improve market share by increasing awareness of its innovations in the region. With the population becoming progressively wealthier, research is showing that swimming pools and access to clean water are considered an important investment in improving quality of life.

The Board will provide a profit guidance at a later stage for the financial year ending 30 June 2024, as more information becomes available.

Waterco declares a final dividend payment of 5 cents per share, payable to shareholders on 15 December 2023. With an interim dividend of 5 cents per share, declared after the announcement of the Half-Year results, this brings the total dividend for the year at 10 cents per share compared to the 8 cents in the previous financial year.

EVENTS AFTER BALANCE DATE

Purchase of Davey

On 5 August 2023, Waterco Ltd signed an agreement with GUD Holdings Ltd to purchase the worldwide business of Davey Water Products for a consideration of approximately \$65m. The purchase is being fully funded by Bank Facilities provided by Westpac Banking Corporation. The Davey Business provides Waterco with not only a much larger presence in the pool industry but a significant entry point in the water treatment business especially in regional areas. The settlement of this business took place on 1st September 2023.



Davey, an iconic Australian brand since 1934, manufactures and distributes a wide range of water-related products, from water transfer and conservation to water treatment and filtration. With branches in Australia, New Zealand, and France, Davey is a global leader in the water industry.



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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 accounting and financial management academic training combined with understanding of the technical aspects of the water treatment industry is an important contributing factor to the success of Waterco.

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



BRYAN GOH - B ECON
Executive Director/Chief Operating Officer

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

As the Chief Operating Officer, Mr. Goh has overall responsibility for the business operations in Australia and New Zealand.

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.



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*, 8th Ed.), his knowledge extends to the South East Asian region. He has been 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 was formerly a Non-Executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee of Tiong Nam Logistics Holdings Berhad, a public company listed on Bursa Malaysia (Malaysian Stock Exchange).

Mr. Ling is Chairman of the Audit Committee 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.
Non-Executive Director

Professor Raper was appointed to the Board as a Non-Executive Director in April 2020. She 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.



WAYNE BEAUMAN BE, CA, GAICD
Non-Executive Director

Mr Beauman was appointed to the Board as a Non-Executive Director on 21 July 2023. He has a Bachelor of Economics from Macquarie University. He is an Associate of Chartered Accountants Australia and New Zealand and a graduate of the Australian Institute of Company Directors.

Mr Beauman is an experienced finance professional with more than 25 years as a Partner in Chartered Accounting firms. He has provided assurance and related services to clients with national and international operations across a broad range of industries including manufacturing, real estate and property development, mining, retail, financial services and local government. He is highly skilled in financial data analysis and reporting as well as providing advice to Executive Management and Corporate Boards on governance and regulatory reporting requirements.

Mr Beauman is a member of the Remuneration Committee and the Audit Committee of Waterco Limited since his appointment to the Board.

He held no other listed company directorships during the past three 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 – 4th Edition, published February 2019 (**ASX Recommendations**), during the financial year ended 30 June 2023 (**Reporting Period**).

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.au

This statement has been adopted by the Board as current as of 25 August 2023.

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. The Board has disclosed a copy of the Board Charter available in the Corporate Governance section of the Company's website, www.waterco.com.au
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: (a) business experience, particularly in respect of the industries in which the company operates; (b) standing in the community; (c) educational qualifications; (d) checks against the person's character, criminal record and bankruptcy history; (e) availability and other directorships; (f) the possession of particular skills such as finance, marketing or risk management; (g) whether the appointment or re-appointment will contribute positively to the skill set and diversity of the Board as a whole; and (h) 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 the 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 CEO. 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:

- (a) advising the board and its committees on governance matters;
 - (b) monitoring whether board and committee policy and procedure are being followed;
 - (c) coordinating timely completion of board and committee papers;
 - (d) ensuring that business conducted at board and committee meetings are accurately recorded in the minutes; and
 - (e) helping to organise the induction and professional development of directors.
- The Board Charter explicitly reflects 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.au. 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 for the Reporting Period
Women on the Board	20%
Women in senior executive positions (excluding Board Members)	20%
Women employees in the company	35%

The Board assessed the progress towards these objectives during the Reporting Period by reviewing the relative proportion of women and men in the Company's workforce at all levels. During the Reporting Period, the Company has met the measurable objectives for women on the Board with 1 female Director out of 5 Directors on the Board; and 1 female senior executive out of 2 senior executives of the Company (defined by the Company as Key Management Personnel). However, the Company did not meet the measurable objective for total women employed. As at 30 June 2023, women represented 34.44% of the overall workforce. The Company will continue to work towards achieving the target measurable objective.

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 mindset in improving corporate governance practices. The Board undertakes the performance evaluations by way of evaluation forms.

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 Group CEO has undertaken a performance evaluation review of Key Management Personnel for the Reporting Period.

PRINCIPLE 2: STRUCTURE THE BOARD TO BE EFFECTIVE AND 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.

During the Reporting Period, the Board comprised an Executive Chairman who is also the Group 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 1 July 2020. The Board aims to improve in some areas, such as legal and engineering experience and female representation.

General	Governance
Executive and Non-Executive experience	Governance committee experience
Leadership	Risk management experience
Strategic thinking	Knowledge of ethical and fiduciary duties
Industry experience (local & global)	Commitment to environmental protection and sustainability
	Corporate responsibility, health and safety
	Stakeholder engagement
Technical	Diversity
Legal	Female
Financial	Male
Engineering	Different ethnicities and cultures
Human resources	Languages other than English
Regulatory and compliance experience	

2.3 Disclose independence and length of service	The names of the independent directors in office during the Reporting Period are: (a) Ben Hunt; (b) (Richard) Cheng Fah Ling; and (c) Judy Raper. 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	A majority of the Board are independent directors, taking into account the factors relevant to "independence" under the ASX guidelines.
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: INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY

RECOMMENDATION	WATERCO'S COMPLIANCE WITH ASX RECOMMENDATIONS
3.1 Statement of Values	The Board's statement of values can be found on the Company's website, www.waterco.com.au
3.2 Code of conduct	The Board has established a Code of Conduct for directors, key management personnel and employees.
3.3 Whistleblower policy	The Company encourages employees to speak up about unlawful, unethical or irresponsible behavior within the organisation through the Company's whistleblower policy which is available in the Corporate Governance section of the Company's website, www.waterco.com.au
3.4 Antibribery and corruption policy	The Company is committed to conducting all dealings lawfully, ethically and in line with the Company's Statement of Values. The Company's antibribery and corruption framework enables it to prevent, detect and response to bribery and corruption risks. The policy is available in the Corporate Governance section of the Company's website, www.waterco.com.au

PRINCIPLE 4: SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS

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. During 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: (a) (Richard) Cheng Fah Ling - Chairman; (b) Ben Hunt; and (c) Judy Raper. 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: (a) 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 (b) 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.
5.2 Board to receive information on announcements	To ensure that the Board has timely visibility of the nature and quality of the information being disclosed to the market and the frequency of such disclosures, the Board receives copies of all material market announcements promptly after they have been made.
5.3 Investor presentations	Should the Company give a new and substantive investor or analyst presentation, it will release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.

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 Substantive resolutions	The Company ensures that all substantive resolutions at the shareholders' meeting are decided on a poll rather than by a show of hands.
6.5 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. During 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: (a) Ben Hunt - Chairman; (b) (Richard) Cheng Fah Ling; and (c) Judy Raper. 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.
8.2 Disclosure of Executive and Non-Executive Director remuneration policy	Remuneration packages for Executive Directors are set so as to include an appropriate balance of fixed remuneration and performance-based remuneration. 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 do not participate in schemes designed for the remuneration of Executive Directors. Non-Executive Directors do not receive options or bonus payments or retirement benefits other than statutory superannuation. The Remuneration Report at the Directors' Report section of the Annual Report sets out: (a) information about the Remuneration Policy developed by the Remuneration Committee and adopted by the Board; and (b) 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 any equity-based remuneration scheme during the Reporting Period. In the previous reporting period, the Company issued 350,000 performance options (Options) to three executives (holders) under the Company's long term incentive plan. The Options will vest in 3 tranches over three years, subject to satisfaction of certain vesting conditions. Once vested, each Option entitles the holder to receive one fully paid ordinary share in Waterco. The Options are not transferable (except with the approval of the Board) or sold, assigned or otherwise disposed of or encumbered by the holders. The holders are not permitted to enter into transactions which limit the economic risk of participating in long term incentive plan.

Directors' Report

Your directors present their report on the Company and its controlled entities for the financial year ended 30 June 2023.

Directors

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

- Soon Sinn Goh
- Bryan Goh
- Ben Hunt
- (Richard) Cheng Fah Ling
- Judy Raper

All directors have been in office since the start of the financial year.

On 21 July 2023, Mr Wayne Beauman was appointed a director.

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:

- 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 \$10.846 million.

Dividends

Dividends paid or declared for payment are as follows:

- Final ordinary dividend of 5 cents per share paid on 15 December 2022 as recommended in last year's report - \$1.763 million
- Interim dividend of 5 cents per share paid on 15 June 2023 as declared in the half yearly report - \$1.761 million
- Final ordinary dividend of 5 cents per share declared by the directors to be paid on 15 December 2023 - \$1.760 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 \$10.22 million from \$111.01 million in June 2022 to \$121.23 million in June 2023.

The change has largely resulted from:

- Upward movement in profits (less dividends paid) of 7.32 million;
- Net increase in the asset revaluation reserve of group companies of \$4.25 million;
- Net decrease in non-controlling Interests of \$0.14 million;
- Foreign currency translation loss of \$0.01 million;
- Net decrease in share capital of \$1.20 million from the Waterco Share Buy-Back.

The Group's working capital being current assets less current liabilities increased from \$49.92 million in 2022 to \$56.57 million in 2023.

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

On 17 July 2023, the company announced its eighth on market share buyback of \$1,000,000 worth of shares (approximately 226,244 shares) commencing on 18 July 2023 and ending on 2 July 2024 (or earlier if the \$1,000,000 is purchased before then).

On 5 August 2022, Waterco Ltd signed an agreement with GUD Holdings Ltd to purchase the worldwide business of Davey Water Products for a consideration of approximately \$65m. The purchase is being fully funded by Bank Facilities provided by Westpac Banking Corporation. The completion of the purchase took place on 1 September 2023.

The Davey Business provides Waterco with not only a much larger presence in the pool industry but a significant entry point in the water treatment business especially in regional areas.

Final Dividend

Since the end of the reporting period, the Board resolved to pay a final dividend of 5 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

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. For the financial year ended 30 June 2023 and as at the date of this report, the Directors are not aware of any breaches of the environmental regulations.

Data, privacy and cyber security

The Consolidated Group's strategy is built around detecting, protecting and responding to cyber threats. The use of up-to-date technology to protect against cyber incidents supplemented by strong internal control processes help ensure the privacy, integrity and security of both customer and staff data.

Climate change

Over the last few years, there has been a move towards a low carbon economy with both investors and regulators now expecting companies to embrace cleaner/renewable energy solutions. The Group continues to invest in technologies which replace traditional sources of energy (electricity from coal) with renewable alternatives like solar. An example of this was the installation of solar panels at Rydalmere property a few years ago which cut traditional electricity consumption by above 75%. In addition, the group has undertaken continuous research into and production of energy efficient products, and product lines which are only powered by solar. This process started in the mid 1980s (well before the world started talking about renewable clean energy) with the acquisition of Zane Solar Systems. The solar business started off distributing rubber absorber for solar pool heating to be replaced over time by the more durable and energy efficient solar roof panels. The Group keeps abreast of market norms on sustainability and continues to monitor investor expectations and changing customer preferences while at the same time making any necessary changes to comply with evolving regulatory and legislative requirements.

Directors' Shareholdings

Details of the Directors' shareholdings are contained in the Key Management Personnel Shareholding table on page 32.

Meetings of Directors

During the financial year, 12 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	-	-	-	-
Ben Hunt	5	5	5	5	2	2
(Richard) Ling	5	5	5	5	2	2
Judy Raper	5	5	5	5	2	2
Wayne Beaman	N/A	N/A	N/A	N/A	N/A	N/A

Shares under option

Unissued ordinary shares in Waterco Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
23 August 2021	23 August 2031	\$3.15	350,000

There have been no shares issued or options exercised during the year ended 30 June 2023.

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.

Officers of the company who are former partners of RSM Australia

The following persons were officers of the Company during the financial year and were previously partners of the current audit firm, RSM, at a time when RSM undertook an audit of the Group:

Wayne Beauman who retired from RSM on 31/12/2018

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2023 has been received and is included in the directors' report.

Auditor

RSM Australia continues in office in accordance with section 327 of the Corporations Act 2001.

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.

2023 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 26 October 2018.

There has been an increase of 5% in the Non-Executive Director fees for the 2023/2024 financial year. The total fees are now at an aggregate of \$237,807 including the Superannuation Guarantee Charge.

The Remuneration Committee seeks independent external advice when required.

Performance-based Remuneration Policy, and its Relationship with Company Performance

Incentive Plan

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 requirement for an incentive payment is 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 23	Why Chosen
Soon Sinn Goh - Group CEO	Earnings Before Interest and Tax (EBIT) 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	Earnings Before Interest and Tax (EBIT) for the Waterco Group.	The performance of 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.

In the year ending 30 June 2023, the Key Management Personnel have achieved their performance (Threshold Level) based on normal operations. The payment of this incentive is subject to Board Approval, and if approved, will be paid in December 2023.

Waterco Limited Group Employee Share Option Plan

This plan was approved by the Board on 24 June 2021.

On 23 August 2021, the CFO was issued 100,000 options at an exercise price of \$3.15 per share (being the Volume Weighted Average Price (VWAP) of Waterco Shares for the 5 days preceding date of issue) under this plan.

The Options will vest in 3 tranches in accordance with the Exercise Periods set out below provided the Vesting Condition for each year has been met and the CFO remains employed by the company at the beginning of the Exercise Period.

Details of the Issue are as follows

Tranche No	No of Options	Vesting Date	Vesting Condition –Group EBIT	Exercise Price	Expiry Date	Vested
1	33,000	23 August 2022	\$10,338,853	\$3.15	23 August 2031	33,000
2	33,000	23 August 2023	\$11,278,748	\$3.15	23 August 2031	33,000
3	34,000	23 August 2024	\$12,218,644	\$3.15	23 August 2031	

The CFO has met the Vesting Condition for Tranche 2 as the EBIT for the financial year ending 30 June 2023 has exceed \$11,278,748. The CFO may now exercise the options for both Tranches 1 and 2 in whole or in part anytime, from now until 23 August 2031. The value of all three tranches over the 10 year period amount to \$38,230 (\$3,823 per year).

No other options or share-based payments were granted in the 2023 financial year.

No options have been exercised during the 2023 financial year.

The following table shows the Sales Revenue, Earnings Before Interest and Tax (EBIT), 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 23	June 22	June 21	June 20	June 19
Sales revenue (\$million) from continuing and discontinued operations	129.05	123.29	113.35	93.58	89.62
Earnings Before Interest and Tax (EBIT) (\$million) from continuing and discontinued operations	14.50	15.17	9.40	22.75	4.42
NPBT (\$million) from continuing and discontinued operations	13.85	14.87	9.06	21.83	3.31
EPS (cents) from continuing and discontinued operations	30.7	32.7	35.6	48.8	6.1
Dividends per share paid (cents)	10.0	7.0	6.0	5.0	5.0
Year end share price (\$)	4.00	3.60	2.90	2.55	1.61
NPAT (\$million) continuing operations	10.80	11.57	12.70	3.01	3.14
NPAT (\$million) discontinued operations	-	-	-	14.54	(0.86)

Please see commentary on performance on page 25.

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 2023 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
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	Director - Non-Executive	No fixed term, but subject to member confirmation every 3 years after AGM when first appointed.	-	-	-	100	100
W Beauman	Director - Non-Executive (appointed 21 July 2023)	No fixed term, but subject to member confirmation every 3 years after AGM when first appointed.	-	-	-	100	100
G Doumit	Chief Financial Officer / Company Secretary	No fixed term, may be terminated on 2 months' notice by either party	-	-	1	99	100
J Ainsworth	Chief Commercial Officer	Three year fixed term, (subject to renewal), may be terminated on 2 months' notice by either party	-	-	-	100	100

Changes in Directors and Key Management Personnel During the Year

On 23 June 2023, the Board designated Ms Jo Ainsworth, the Chief Commercial Officer as a Key Management Personnel.

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

On 21 July 2023, Mr Wayne Beauman was appointed as a non-executive director.

Key Management Personnel Shareholding

Number of Shares held by Key Management Personnel

2023

Key Management Personnel	Balance 1.7.2022	Received as Remuneration	Net Change Other	Balance 30.6.2023
Mr S S Goh	21,721,853	-	-	21,721,853
Mr B Goh	540,121	-	-	540,121
Mr B Hunt	170,223	-	-	170,223
Mr R Ling	-	-	-	-
Ms J Raper	-	-	-	-
Mr W Beauman 1)	-	-	-	-
Mr G Doumit	71,300	-	-	71,300
Ms J Ainsworth 2)	-	-	-	-

1) Mr Wayne Beauman was appointed a Non-Executive Director on 21st July 2023

2) Ms Joanne Ainsworth was appointed Chief Commercial Officer on 1 October 2022

2022

Key Management Personnel	Balance 1.7.2021	Received as Remuneration	Net Change Other	Balance 30.6.2022
Mr S S Goh	21,721,853	-	-	21,721,853
Mr B Goh	540,121	-	-	540,121
Mr B Hunt	170,223	-	-	170,223
Mr R Ling	-	-	-	-
Ms J Raper	-	-	-	-
Mr W Beauman 1)	-	-	-	-
Mr G Doumit	71,300	-	-	71,300
Ms J Ainsworth 2)	-	-	-	-

Number of Options held by Key Management Personnel

2023	Balance		Vested		Unvested
Key Management Personnel	30.6.2023	Exercisable No	Unexercisable No	Total at 30.6.2023	Total at 30.6.2023
Mr G Doumit	100,000	66,000	-	66,000	34,000

Remuneration Details

The following table provides remuneration details for the 2023 and 2022 financial years for Key Management Personnel.

		Short-term benefits			Post-employment benefits	Long-term benefits	Long-term benefits	
		Remuneration incl Salary, fees and leave \$	Profit share and bonus \$	Non-monetary (3) \$	Pension and super-annuation \$	LSL \$	Share options	Total \$
Key Management Personnel								
Soon Sinn Goh 1)	2023	469,558	35,000	-	27,499	4,620	-	536,677
	2022	449,973	35,000	-	16,709	3,959	-	505,641
Bryan Goh	2023	318,000	70,000	-	25,292	15,180	-	428,472
	2022	300,000	66,500	-	23,568	13,310	-	403,378
Ben Hunt	2023	68,013	-	-	7,141	-	-	75,154
	2022	64,774	-	-	6,477	-	-	71,251
(Richard) Ling	2023	68,013	-	-	7,141	-	-	75,154
	2022	64,774	-	-	6,477	-	-	71,251
Judy Raper	2023	68,013	-	-	7,141	-	-	75,154
	2022	64,774	-	-	6,477	-	-	71,251
Wayne Beauman 2)	2023	-	-	-	-	-	-	-
	2022	-	-	-	-	-	-	-
Gerard Doumit	2023	225,868	50,000	18,460	27,500	12,975	3,823	338,626
	2022	215,113	50,000	19,676	27,099	10,748	3,823	326,459
Joanne Ainsworth 3)	2023	178,229	-	-	16,718	-	-	194,947
	2022	-	-	-	-	-	-	-

(1) S S Goh's Remuneration of \$505,641 is made up of \$196,285 paid/payable by Waterco Ltd, \$154,678 paid by Waterco (Far East) Sdn Bhd (a subsidiary) and \$154,678 paid by Waterco International Pte Ltd (a subsidiary).

(2) Mr Wayne Beauman was appointed a Non-Executive Director on 21st July 2023

(3) Ms Joanne Ainsworth was appointed Chief Commercial Officer on 1 October 2022. Joanne's remuneration has been calculated from 1 October 2022 (date of appointment) until 30 June 2023

(4) 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 Payment

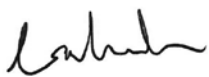
Maximum cash incentives expressed as a percentage of fixed remuneration and the maximum value that could have been earned in 2022/2023 if stretch performance targets were achieved are tabulated below:

Position	Maximum possible incentive	Maximum possible incentive \$
Key Management Personnel		
Group CEO, Waterco Limited	28%	\$150,000
Executive Director / Chief Operating Officer , Waterco Limited	23%	\$100,000
Chief Financial Officer / Company Secretary, Waterco Limited	22%	\$75,000
Chief Commercial Officer, Waterco Limited	26%	\$50,000

The percentage of cash incentives payable (subject to Board Approval) and forfeited for the year to key management personnel.

Key Management Personnel	Short term incentive in respect of 2023 financial year	
	Payable %	Forfeited %
Group CEO, Waterco Limited	42%	58%
Executive Director / Chief Operating Officer , Waterco Limited	40%	60%
Chief Financial Officer / Company Secretary, Waterco Limited	40%	60%
Chief Commerical Officer , Waterco Limited	20%	80%

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 8 September 2023

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 2023, 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.

A handwritten signature in blue ink that reads 'Rsm'.

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink that reads 'Cameron Hume'.

Cameron Hume
Partner

Sydney, NSW
Dated: 13 September 2023

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Consolidated Financial Report

for the year ended 30 June 2023

- 38** Consolidated Statement of Profit or Loss and Other Comprehensive Income
- 39** Consolidated Statement of Financial Position
- 40** Consolidated Statement of Changes in Equity
- 41** Consolidated Statement of Cash Flows
- 42** Notes to the Financial Statements
- 81** Directors' Declaration
- 82** Independent Auditor's Report

Consolidated Statement of Profit or Loss and other Comprehensive Income

For The Year Ended 30 June 2023

		Consolidated Group	
	Note No.	2023 \$000	2022 \$000
Continuing Operations			
Revenues	3	133,999	128,141
Changes in inventories of finished goods and work in progress	4	1,244	(13,056)
Raw materials and consumables used	4	(65,761)	(49,597)
Employee benefits expense		(26,438)	(24,485)
Depreciation and amortisation expense	4	(7,066)	(6,314)
Impairment expense	4	(79)	(79)
Finance costs	4	(707)	(328)
Advertising expense		(2,421)	(2,421)
Discounts allowed		(953)	(473)
Outward freight expense		(2,312)	(2,425)
Rent expense	4	(1,138)	(959)
Research and development		(2,005)	(1,564)
Insurance - general		(1,366)	(1,348)
Contracted staff expense		(243)	(430)
Warranty expense		(536)	(487)
Commission expense		(469)	(391)
Other expenses		(9,896)	(9,387)
Profit before income tax expense		13,853	14,866
Income tax benefit/(expense)	6	(3,048)	(3,292)
Profit for the year		10,805	11,574
Other comprehensive income			
Items that will not be classified subsequently to profit or loss			
Property revaluation increment (net of tax)		4,245	676
Items that maybe reclassified to profit or loss			
Exchange translation differences		(12)	1,533
Share options expense		13	-
Other comprehensive income for the year		4,246	2,209
Total comprehensive income for the year		15,051	13,783
Profit attributable to:			
Members of the parent entity		10,846	11,641
Non-controlling interest		(41)	(67)
		10,805	11,574
Total comprehensive income for the year			
Members of the parent entity		15,092	13,850
Non-controlling interest		(41)	(67)
Total comprehensive income for the year		15,051	13,783
Earnings per share			
Basic earnings per share (cents per share)	31	30.7	32.7
Diluted earnings per share (cents per share)	31	30.7	32.7

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As At 30 June 2023

		Consolidated Group	
	Note No.	2023 \$000	2022 \$000
ASSETS			
Current Assets			
Cash and cash equivalents	8	12,337	11,946
Trade and other receivables	9	17,106	17,201
Inventories	10	50,145	48,688
Other current assets	11	2,643	1,077
Total Current Assets		82,231	78,912
Non-Current Assets			
Property, plant & equipment	13	65,874	59,986
Right of use assets	14	17,001	15,794
Intangible assets	15	1,170	1,119
Deferred tax assets	18	1,675	1,842
Total Non-Current Assets		85,720	78,741
Total Assets		167,951	157,653
LIABILITIES			
Current Liabilities			
Trade and other payables	16	12,353	14,211
Contract liabilities		2,552	-
Borrowings	17	6,765	8,271
Current tax liabilities	18	595	2,547
Short term provisions	19	3,394	3,964
Total Current Liabilities		25,659	28,993
Non-Current Liabilities			
Borrowings	20	14,566	12,614
Deferred tax liabilities	18	6,254	4,823
Long-term provisions	21	238	213
Total Non-Current Liabilities		21,058	17,650
Total Liabilities		46,717	46,643
Net Assets		121,234	111,010
EQUITY			
Issued capital	22	33,643	34,847
Reserves	23	24,909	20,664
Retained earnings	24	62,314	54,992
Parent interest		120,866	110,503
Non-controlling interest	25	368	507
Total Equity		121,234	111,010

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For The Year Ended 30 June 2023

		Ordinary Shares	Retained Earnings	Capital Profits Reserve	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Share Options Reserve	Non- Controlling Interests	Total
Consolidated Group	Note No.	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 30/6/21		35,590	45,842	211	25,768	(7,536)	-	574	100,449
Comprehensive income									
Profit for the year		-	11,641	-	-	-	-	(67)	11,574
Other comprehensive income for the year		-	-	-	676	1,532	13	-	2,221
Total comprehensive income for the year		-	11,641	-	676	1,532	13	(67)	13,795
Transactions with owners, in their capacity as owners and other transfers									
Cancellation of shares under Waterco Share Buyback		(743)	-	-	-	-	-	-	(743)
Dividends paid	30	-	(2,491)	-	-	-	-	-	(2,491)
Total transactions with owners and other transfers		(743)	(2,491)	-	-	-	-	-	(3,234)
Balance at 30/6/22		34,847	54,992	211	26,444	(6,004)	13	507	111,010
Comprehensive income									
Profit/(loss) for the year		-	10,846	-	-	-	-	(41)	10,805
Other comprehensive Income/(loss) for the year		-	-	-	4,245	(13)	13	-	4,245
Total comprehensive income for the year		-	10,846	-	4,245	(13)	13	(41)	15,050
Transactions with owners, in their capacity as owners and other transfers									
Cancellation of shares under Waterco Share Buyback		(1,204)	-	-	-	-	-	-	(1,204)
Dividends paid	30	-	(3,524)	-	-	-	-	(98)	(3,622)
Total transactions with owners and other transfers		(1,204)	(3,524)	-	-	-	-	(98)	(4,826)
Balance at 30/6/23		33,643	62,314	211	30,689	(6,017)	26	368	121,234

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For The Year Ended 30 June 2023

	Consolidated Group	
	2023 \$000	2022 \$000
Cash Flows from Operating Activities		
Receipts from customers	140,445	128,196
Payments to suppliers and employees	(124,712)	(124,663)
Interest received	60	20
Other Income	924	1,829
Finance costs	(707)	(328)
Income tax paid	(4,823)	(1,730)
Net cash provided by operating activities (note 35)	11,187	3,324
Cash Flows from Investing Activities		
Dividend received	1	1
Payment for property, plant & equipment	(2,915)	(3,501)
Payment for business	(520)	(520)
Proceeds from sale of business	-	-
Proceeds from sale of property, plant & equipment	46	97
Net cash (used in)/provided by investing activities	(3,388)	(3,923)
Cash Flows from Financing Activities		
Proceeds from bank borrowings	1,102	4,124
Repayment of bank borrowings	(1,706)	(139)
Share buyback	(1,204)	(744)
Payment of right of use liabilities	(1,591)	(1,820)
Payment of lease liabilities	(101)	(161)
Dividends paid	(3,524)	(2,491)
Dividends paid-outside interests	(99)	-
Net cash (used in) financing activities	(7,123)	(1,231)
Net (decrease) / increase in cash held	676	(1,830)
Cash at beginning of the year	11,946	11,694
Effects of exchange rate changes on balance of cash held in foreign currencies	(285)	2,082
Cash and cash equivalents the end of the year (Note 8)	12,337	11,946

The accompanying notes form part of these financial statements.

Notes To The Financial Statements

For The Year Ended 30 June 2023

Note 1: Statement of Significant Accounting Policies

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

The financial statements are presented in Australian dollars, which is Waterco Limited's functional and presentation currency.

The directors have the power to amend and reissue the financial statements.

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. Supplementary information about the parent entity is disclosed in note 2.

The financial statements were authorised for issue on 8 September 2023.

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.

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1.

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.

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 12. All subsidiaries have a 30 June financial year end except for Waterco Guangzhou Ltd, PT Waterco Indonesia and Waterco Vietnam Company Ltd 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.

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.

Notes To The Financial Statements

For The Year Ended 30 June 2023

Note 1: Statement of Significant Accounting Policies (continued)

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.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

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.

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.

Notes To The Financial Statements

For The Year Ended 30 June 2023

Note 1: Statement of Significant Accounting Policies (continued)

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.

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.

Notes To The Financial Statements

For The Year Ended 30 June 2023

Note 1: Statement of Significant Accounting Policies (continued)

g. Foreign Currency Transactions and Balances 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 notes 19 and 21)

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.

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.

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Notes To The Financial Statements

For The Year Ended 30 June 2023

Note 1: Statement of Significant Accounting Policies (continued)

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 arm's 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	25 May 2023	AUD 33,100,000
Malaysia	14 June 2023	AUD 19,985,817 (MYR 62,000,000)
USA	4 May 2022	AUD 2,594,937 (USD 1,845,000)

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 25 May 2023, Waterco Ltd revalued its Rydalmere Property resulting in an increase of \$A3,600,000 from the last valuation of the property done on 30 June 2021. The value of the Rydalmere Property went up from \$A29.5m to \$A33.1m.

On 14 June 2023, Waterco (Far East) Sdn revalued its SG Buloh Property resulting in an increase of RM2,000,000 from the last valuation of the property done on 15 May 2020. The value of the property went up from RM60,000,000 (\$A20,426,227) to RM62,000,000 (\$A19,985,817).

The above valuations were performed by independent valuers.

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(o) 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.

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%

Notes To The Financial Statements

For The Year Ended 30 June 2023

Note 1: Statement of Significant Accounting Policies (continued)

k. Property, Plant and Equipment (continued)

Depreciation (continued)

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 re-measurement 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.

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.

Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

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.

Other revenue is recognised when it is received or when the right to receive payment is established.

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

Notes To The Financial Statements

For The Year Ended 30 June 2023

Note 1: Statement of Significant Accounting Policies (continued)

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 AASB116). 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.

Contract Liabilities

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

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.

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 profit or loss in the period in which they are incurred.

Notes To The Financial Statements

For The Year Ended 30 June 2023

Note 1: Statement of Significant Accounting Policies (continued)

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 impaired 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, its 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.

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.

Notes To The Financial Statements

For The Year Ended 30 June 2023

Note 1: Statement of Significant Accounting Policies (continued)

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.

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 has 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.

y. 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 2023.

The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

z. Comparative Figures

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

Notes To The Financial Statements

For The Year Ended 30 June 2023

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

	2023 \$000	2022 \$000
ASSETS		
Current Assets	36,058	36,575
Non-Current Assets	85,588	78,271
TOTAL ASSETS	121,646	114,846
LIABILITIES		
Current Liabilities	26,124	26,325
Non-Current Liabilities	14,549	10,027
TOTAL LIABILITIES	40,673	36,352
EQUITY		
Issued capital	33,643	34,847
Capital profits reserve	180	180
Asset revaluation reserve	20,615	17,400
Share options reserve	27	13
Retained earnings	26,508	26,054
TOTAL EQUITY	80,973	78,494

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2023 \$000	2022 \$000
Total profit after tax	3,979	6,793
Total comprehensive income	7,194	6,793

Guarantees

At 30 June 2023, Waterco Ltd has provided guarantees up to RM11,150,000 and USD1,000,000 (AUD5,102,519) (2022: RM11,150,000 and USD1,000,000 (AUD5,125,032)) to two Malaysian Banks for loans provided to a subsidiary, Waterco (Far East) Sdn Bhd.

Contractual Commitments

At 30 June 2023, Waterco Ltd has not entered into any contractual commitments for the acquisition of any property, plant and equipment. (2022: \$nil).

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognized as other income by the parent entity and its receipt may be an indicator of an impairment of the investment

Notes To The Financial Statements

For The Year Ended 30 June 2023

	Consolidated Group	
	2023	2022
	\$000	\$000
Note 3: Revenue and Other Income		
Revenue from Continuing Operations		
Sales revenue		
• Sale of goods	129,050	123,285
Other revenue		
• Interest received 3(a)	60	20
• Dividends received	1	1
• Rental income	3,712	3,006
• Rent-Other	252	296
• Other	924	1,533
Total Revenue	133,999	128,141
Timing of revenue recognition		
- Goods transferred at a point in time	129,050	123,285
- Services transferred over time	4,949	4,856
	133,999	128,141
(a) Interest received or receivable from		
• Other persons	60	20
Total interest revenue	60	20
Other Income		
Net gain on disposal of non-current assets		
• Property, plant and equipment	15	69

Notes To The Financial Statements

For The Year Ended 30 June 2023

	Consolidated Group	
	2023 \$000	2022 \$000
Note 4: Profit for the Year		
Profit for the year has been determined after:		
(a) Expenses:		
Cost of Sales	63,921	62,974
Finance costs:		
• Borrowings	296	50
• Lease liabilities	408	270
• Finance charges on finance leases	3	8
	707	328
Depreciation of non-current assets :		
• Buildings	614	843
• Plant & equipment	1,127	784
• Capitalised leased assets	78	103
• Right of use assets	5,247	4,584
	7,066	6,314
Impairment of non-current assets:		
• Goodwill on acquisition	54	54
• Goodwill on consolidation	25	25
	79	79
Bad and doubtful debts		
• Trade debtors	-	103
Rental expense on Operating leases		
• Minimum lease payments	1,138	959
Note 5: Auditors' Remuneration		
Remuneration of the auditor of the parent entity for:		
• Audit or reviewing the financial report	130	225
Remuneration of other auditors of subsidiaries for:		
• Auditing or reviewing the financial report of subsidiaries	189	136

Notes To The Financial Statements

For The Year Ended 30 June 2023

	Consolidated Group	
	2023 \$000	2022 \$000
Note 6: Income Tax Expense		
(a) The components of tax expense comprise:		
• Current tax	2,820	3,451
• Deferred tax	57	(159)
• Recoupment of prior year tax losses	171	-
	3,048	3,292
Income tax attributable to:		
- Profit from continuing operations	3,048	3,292
(b) The prima facie tax on profit before income tax is to the income tax as follows:		
Profit before income tax	13,853	14,866
Prima facie tax payable on profit before income tax at 30% (2022: 30%)	4,156	4,460
Add		
Tax effect of:		
• Depreciation of buildings	194	185
• Impairment of goodwill	23	23
• Entertainment	10	6
• Unrealised foreign exchange losses	-	49
• Right of use assets	-	4
• Non deductible expenses	33	10
• Under provision for tax in prior period	-	46
• Other	-	12
Less		
Tax effect of:		
• Research and development	-	148
• Effects of lower rates in overseas countries	539	592
• Unrealised foreign exchange gains	120	-
• Adjustment recognised for prior period	239	-
• Reinvestment allowance	147	482
• Foreign controlled entities tax losses not tax effected	150	281
• Other	173	-
Income tax expense/(benefit) attributable to entity	3,048	3,292
The applicable weighted average effective tax rates are as follows:	22%	22%

Notes To The Financial Statements

For The Year Ended 30 June 2023

Note7: 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	
	2023 \$000	2022 \$000
Short-term employee benefits	1,569	1,319
Post-employment benefits	118	98
Other long term benefits	37	32
	1,724	1,449

Refer to the remuneration report contained in the directors' report for remuneration paid or payable to each KMP

(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.

Notes To The Financial Statements

For The Year Ended 30 June 2023

CURRENT ASSETS

Note 8: Cash and cash equivalents

	Consolidated Group	
	2023 \$000	2022 \$000
Cash at bank and in hand (1)	12,337	11,946
Reconciliation of cash		
Cash at the end of the year as shown in the statement of cash		
Cash and cash equivalents	12,337	11,946
	12,337	11,946

(1) Includes \$489,524 (2022:\$867,262) in advertising levies held by Waterco Ltd in its capacity as the franchisor of the Swimart network and included in other creditors (see note 16). Amounts are held in a separate bank account at year end in accordance with the franchise agreement and are not available for general use by Waterco Ltd.

Note 9: Trade and other receivables

Trade receivables	16,166	16,571
Less: allowance for expected credit loss impairment of receivables	(425)	(519)
	15,741	16,052
Other receivables	1,365	1,149
	17,106	17,201

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

	Opening Balance 1.7.2022 \$000	Charge for the Year \$000	Amounts Written Off \$000	Closing Balance 30.6.2022 \$000
Consolidated Group				
Current trade receivables	403	219	(103)	519
	Opening Balance 1.7.2023 \$000	Charge for the Year \$000	Amounts Written Off \$000	Closing Balance 30.6.2023 \$000
Consolidated Group				
Current trade receivables	519	-	(94)	425

Notes To The Financial Statements

For The Year Ended 30 June 2023

Note 9: Trade and other receivables (continued)

There are \$1,004,000 (2022: \$4,221,000) within trade and other receivables that are not impaired and are past due date. 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 counterparty 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
	\$000	\$000	< 30	31-60	61-90	> 90	\$000
Consolidated Group							
2022							
Trade and term receivables	16,571	519	1,829	1,317	827	248	11,831
Other receivables	1,149						1,149
Total	17,720	519	1,829	1,317	827	248	12,980
2023							
Trade and term receivables	16,166	425	829	742	(160)	(407)	14,737
Other receivables	1,365						1,365
Total	17,531	425	829	742	(160)	(407)	16,102

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 2023 and rates have increased in each category up to 6 months overdue.

Notes To The Financial Statements

For The Year Ended 30 June 2023

	Consolidated Group	
	2023 \$000	2022 \$000
Note 10: Inventories		
Raw materials and stores at cost	13,546	10,844
Work in progress at cost	3,552	3,741
Finished goods at cost	37,052	34,759
Goods in transit at cost	2,538	5,608
Provision for inventory write-down	(6,543)	(6,264)
	50,145	48,688
Note 11: Other current assets		
Prepayments	2,643	1,077
	2,643	1,077

NON CURRENT ASSETS

Note 12: Interests in Subsidiaries

	Country of incorporation	Carries on business in	% owned	
			2023	2022
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 (Europe) Ltd	United Kingdom	United Kingdom	100	100
PT Waterco Indonesia	Indonesia	Indonesia	51	51
Waterco International Pte Ltd	Singapore	Singapore	100	100
Medipool Pte Ltd	Singapore	Singapore	60	60
Guangzhou Waterco Environmental Technology Co Ltd	China	China	100	100
Waterco Vietnam Company Limited	Vietnam	Vietnam	100	100

Notes To The Financial Statements

For The Year Ended 30 June 2023

	Consolidated Group	
	2023 \$000	2022 \$000
Note 13: Property, plant & equipment		
Freehold land at independent valuation	23,671	19,486
Freehold buildings at independent valuation	32,406	32,864
Less: accumulated depreciation	(258)	(1,125)
	32,148	31,739
Plant & equipment at cost	37,006	36,205
Less: accumulated depreciation	(26,985)	(27,614)
	10,021	8,591
Leased plant & equipment at cost	64	272
Less: accumulated depreciation	(31)	(102)
	33	170
Total written down value	65,873	59,986

Movements in Carrying Amounts

2023	Freehold Land \$000	Buildings \$000	Plant & Equipment \$000	Leased Plant \$000	Total \$000
Consolidated Group:					
Balance at the beginning of year	19,486	31,739	8,591	170	59,986
Effects of exchange rate changes	(250)	(93)	(103)	-	(446)
Additions	-	8	3,619	-	3,627
Revaluation	4,435	1,479	-	-	5,914
Reclassification	-	(371)	-	-	(371)
Disposals	-	-	(45)	(59)	(104)
Depreciation expense*	-	(614)	(2,041)	(78)	(2,733)
Carrying amount at the end of year	23,671	32,148	10,021	33	65,873

*Depreciation expense that is absorbed into the cost of manufactured inventory is \$1,161,230

2022	Freehold Land \$000	Buildings \$000	Plant & Equipment \$000	Leased Plant \$000	Total \$000
Consolidated Group:					
Balance at the beginning of year	19,138	31,715	7,629	340	58,822
Effects of exchange rate changes	326	433	153	-	912
Additions	-	110	2,749	-	2,859
Revaluation	22	360	-	-	382
Disposals	-	-	(28)	(68)	(96)
Depreciation expense*	-	(879)	(1,912)	(102)	(2,893)
Carrying amount at the end of year	19,486	31,739	8,591	170	59,986

*Depreciation expense that is absorbed into the cost of manufactured inventory is \$1,025,152

Notes To The Financial Statements

For The Year Ended 30 June 2023

	Consolidated Group	
	2023	2022
	\$000	\$000
Note 13: Property, Plant & Equipment (continued)		
If Land & Buildings were stated at historic cost, amounts would be as follows:		
Cost	25,323	25,586
Less: Accumulated depreciation	(5,449)	(5,447)
Net book value	19,874	20,139

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

Note 14: Right of use Assets

Leased buildings	33,559	29,446
Accumulated depreciation	(16,558)	(13,652)
	17,001	15,794
Movement in carrying amount		
Leased buildings		
Opening net carrying amount	15,794	12,883
Addition to Right of use Asset	6,454	7,495
Depreciation expense	(5,247)	(4,584)
Closing net carrying amount	17,001	15,794

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 15: Intangible assets

Goodwill	1,071	1,069
Less: impairment	(169)	(114)
	902	955
Goodwill on consolidation	249	249
Less: impairment	(112)	(87)
	137	162
Product development costs	131	2
less: amortisation	-	-
	131	2
	1,170	1,119

Notes To The Financial Statements

For The Year Ended 30 June 2023

Note 15: Intangible assets (continued)

Movements in Carrying Amounts

	Goodwill on consolidation \$000	Goodwill \$000	Deferred expenditure \$000	Total \$000
Consolidated Group:				
Balance at the beginning of year	162	955	2	1,119
Additions	-	-	129	129
Disposals	-	-	-	-
Effects of exchange rate changes	-	1	-	1
Impairment/amortisation expense	(25)	(54)	-	(79)
Carrying amount at the end of year	137	902	131	1,170

	Consolidated Group	
	2023 \$000	2022 \$000

CURRENT LIABILITIES

Note 16: Trade and other payables - unsecured

Trade creditors	7,807	8,469
Sundry creditors and accrued expenses (1)	4,546	5,742
	12,353	14,211

(1) Included in sundry creditors are advertising levies collected of \$489,524 (2022: \$867,262) 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 8).

Note 17: Borrowings

Bank loans - secured (refer Note 20)	404	2,111
Bank trade bills (refer Note 20)	2,568	2,117
Right of use lease liability	4,165	4,355
Unexpired interest	(395)	(413)
Lease liability	23	102
	6,765	8,272

Notes To The Financial Statements

For The Year Ended 30 June 2023

	Consolidated Group	
	2023 \$000	2022 \$000
Note 18: Taxes		
a) Liabilities		
Current		
Income Tax	595	2,547
Non Current Deferred tax liability comprises:		
Tax allowances relating to property, plant & equipment	2,525	1,677
Revaluation adjustments taken direct to equity	8,835	7,457
Other	(333)	462
	11,027	9,596
Parent entity DTA netted off against DTL	(4,773)	(4,773)
Consolidated DTL	6,254	4,823
b) Assets		
Current		
Income Tax	-	-
Deferred tax assets comprises:		
Provisions	2,231	2,396
Attributable to tax losses	4,086	4,086
Tax allowances relating to property, plant & equipment	(240)	(226)
Other	371	359
	6,448	6,615
Parent entity DTA netted off against DTL	(4,773)	(4,773)
Consolidated DTA	1,675	1,842
c) Reconciliations		
i. Gross Movements		
The overall movement in the deferred tax account is as follows:		
Opening balance	(2,980)	(2,984)
Credit/(Charge) to statement of comprehensive income	(269)	4
Credit/(Charge) to equity	(1,331)	-
Closing Balance	(4,580)	(2,980)
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	1,677	1,301
Transfer to deferred tax asset	-	-
Credit/(Charge) to statement of comprehensive income	46	376
Closing balance	1,723	1,677

Notes To The Financial Statements

For The Year Ended 30 June 2023

	Consolidated Group	
	2023 \$000	2022 \$000
Note 18: Taxes (continued)		
c) Reconciliations (continued)		
ii. Deferred Tax Liability (continued)		
Property revaluation adjustments taken direct to equity		
Opening balance	8,237	8,237
Net revaluations during current period taken direct to equity	1,400	-
Closing balance	9,637	8,237
Other		
Opening balance	(318)	(418)
Credit/(charge) to statement of comprehensive income	(15)	100
Closing balance	(333)	(318)
iii. Deferred Tax Assets		
The movement in deferred tax asset for each temporary difference during the year is as follows:		
Provisions		
Opening balance	2,396	2,134
Credit/(Charge) to statement of comprehensive income	(164)	262
Closing balance	2,232	2,396
Capital tax losses		
Opening balance	4,086	3,895
Credit/(Charge) to statement of comprehensive income	-	191
Closing balance	4,086	4,086
Tax allowances relating to Property plant & equipment		
Opening balance	(226)	(248)
Transfer from deferred tax liability		
Credit/(Charge) to statement of comprehensive income	(14)	22
Closing balance	(240)	(226)
Other		
Opening balance	359	356
Credit/(charge) to statement of comprehensive income	10	3
Closing balance	369	359
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	2,100	2,220
	2,100	2,220

Notes To The Financial Statements

For The Year Ended 30 June 2023

	Consolidated Group	
	2023 \$000	2022 \$000
Note 19: Short-term provisions		
Employee Benefits (see note 1h)		
Opening Balance	3,964	3,868
Additional provisions	1,684	2,440
Amounts used	(2,254)	(2,344)
Closing Balance	3,394	3,964

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements (including bonuses 801,348) (FY22 1,619,519) 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 20: Borrowings

Bank loans - secured (1)	1,294	642
Right of use lease liability	13,272	11,949
Lease liability	-	23
	14,566	12,614

(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 which are payable or subject to an annual review within 12 months, are classified as current.

Bank Facilities of \$8.15m relating to the parent entity mature on 30 November 2024. As at 30 June 2023, the parent entity has drawn nil trade advances (2022: 90 day trade advance of \$2m with an interest rate payable of 2.9% shown as part of bank loans-secured shown in current borrowings in note 17). Bank Facilities of RM51.5m (\$A16.601m) relate to a subsidiary and are due to mature between May 2024 and January 2029. As at 30 June 2023 an amount of AUD4.225m has been drawn and shown in Note 17 Current Borrowings: Bank loans secured \$A0.366m and Bank trade bills \$A2.568m and in Note 20 as Non Current borrowings Bank loans secured \$1.291m. These loans bear an interest of 4.01%-7.06% and are repayable by monthly instalments.

Note 21: Long-term provisions

Employee Benefits (see note 1h)		
Opening balance	213	212
Additional provisions	25	1
Amounts used	-	-
Closing balance	238	213
a) Aggregate employee entitlement liability	3,632	4,177
b) Number of employees at year end	742	735

Notes To The Financial Statements

For The Year Ended 30 June 2023

	Consolidated Group	
	2023 \$000	2022 \$000
Note 22: Issued capital		
Ordinary shares are classified as equity.		
35,493,146 ordinary shares fully paid at beginning of the year (2022: 35,715,248)	34,847	35,590
On 31 July 2022, 100,885 shares were purchased at \$3.74 and cancelled under Waterco Ltd Share-buyback Scheme	(377)	-
On 31 August 2022, 14,424 shares were purchased at \$3.74 and cancelled under Waterco Ltd Share-buyback Scheme	(55)	-
On 30 September 2022, 67,485 shares were purchased at \$4.00 and cancelled under Waterco Ltd Share-buyback Scheme	(270)	-
On 31 October 2022, 47,002 shares were purchased at \$4.00 and cancelled under Waterco Ltd Share-buyback Scheme	(188)	-
On 30 November 2022, 8,104 shares were purchased at \$4.00 and cancelled under Waterco Ltd Share-buyback Scheme	(32)	-
On 31 December 2022, 4,517 shares were purchased at \$4.00 and cancelled under Waterco Ltd Share-buyback Scheme	(18)	-
On 31 January 2023, 18,513 shares were purchased at \$4.00 and cancelled under Waterco Ltd Share-buyback Scheme	(74)	-
On 28 February 2023, 2,969 shares were purchased at \$3.95 and cancelled under Waterco Ltd Share-buyback Scheme	(12)	-
On 31 March 2023, 248 shares were purchased at \$4.00 and cancelled under Waterco Ltd Share-buyback Scheme	(1)	-
On 30 April 2023, 3,721 shares were purchased at \$4.00 and cancelled under Waterco Ltd Share-buyback Scheme	(15)	-
On 31 May 2023, 4,722 shares were purchased at \$4.00 and cancelled under Waterco Ltd Share-buyback Scheme	(19)	-
On 30 June 2023, 35,789 shares were purchased at \$3.60 and cancelled under Waterco Ltd Share-buyback Scheme	(143)	-
On 31 July 2021, 27,363 shares were purchased at \$2.90 and cancelled under Waterco Ltd Share-buyback Scheme	-	(79)
On 30 September 2021, 9,052 shares were purchased at \$3.14 and cancelled under Waterco Ltd Share-buyback Scheme	-	(28)
On 31 October 2021, 26,596 shares were purchased at \$3.15 and cancelled under Waterco Ltd Share-buyback Scheme	-	(84)
On 30 November 2021, 19,905 shares were purchased at \$3.28 and cancelled under Waterco Ltd Share-buyback Scheme	-	(65)
On 31 December 2021, 10,310 shares were purchased at \$3.30 and cancelled under Waterco Ltd Share-buyback Scheme	-	(34)
On 28 February 2022, 4,862 shares were purchased at \$3.30 and cancelled under Waterco Ltd Share-buyback Scheme	-	(16)
On 31 March 2022, 21,328 shares were purchased at \$3.31 and cancelled under Waterco Ltd Share-buyback Scheme	-	(71)
On 30 April 2022, 91,022 shares were purchased at \$3.56 and cancelled under Waterco Ltd Share-buyback Scheme	-	(324)
On 31 May 2022, 4,460 shares were purchased at \$3.60 and cancelled under Waterco Ltd Share-buyback Scheme	-	(16)
On 30 June 2022, 7,204 shares were purchased at \$3.60 and cancelled under Waterco Ltd Share-buyback Scheme	-	(26)
35,184,767 ordinary shares fully paid at the end of the year (2022: 35,493,146)	33,643	34,847

Notes To The Financial Statements

For The Year Ended 30 June 2023

Note 22: Issued capital (continued)

Ordinary shares

Ordinary shares are classified as equity

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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 1 June 2021, the company announced a sixth share buyback of \$3,000,000 worth of shares (approximately 1,034,483 shares) commencing on 16 June 2021 and ending on 15 June 2022 (or earlier if the \$3,000,000 is purchased before then). During the current year, the company purchased and cancelled nil shares (2022:222,102) shares costing \$nil (2022:\$ 743,559)

This Share buyback expired on 15 June 2022.

On 30 June 2022, the company announced a seventh share buyback of \$3,000,000 worth of shares (approximately 833,333 shares) commencing on 1 July 2022 and ending on 30 June 2023 (or earlier if the \$3,000,000 is purchased before then). During the current year, the company purchased and cancelled 308,379 shares. (2022: nil) shares costing \$1,204,011 (2022: nil).

This Share buyback expired on 30 June 2023.

After balance date, on 17 July 2023, the company announced its eighth on market share buyback of \$1,000,000 worth of shares (approximately 226,244 shares) commencing on 18 July 2023 and ending on 2 July 2024 (or earlier if the \$1,000,000 is purchased before then)

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 2023 and 30 June 2022 are as follows:

	Consolidated Group	
	2023 \$000	2022 \$000
Total borrowings	21,331	20,886
Less cash and cash equivalents	(12,337)	(11,946)
Net debt	8,994	8,940
Total equity	121,234	111,010
Total capital	130,228	119,950
Gearing ratio	7%	7%

Notes To The Financial Statements

For The Year Ended 30 June 2023

		Consolidated Group	
	Note No.	2023 \$000	2022 \$000
Note 23: Reserves			
a) Capital profits		211	211
The capital profits reserve relates to non taxable profits on sale of property.			
b) Foreign currency translation		(6,017)	(6,004)
The foreign currency translation reserve records exchange differences on translation of foreign controlled subsidiaries and the exchange gains and losses on hedges of the net investment in foreign operations.			
c) Asset revaluation reserve			
Balance at the beginning of the year		26,444	25,768
Property revaluation increment (net of tax and reinstatement)		382	402
Effect of foreign exchange changes on translation		3,863	274
Balance at the end of the year		30,689	26,444
The asset revaluation reserve records the revaluation of land and buildings to fair value			
d) Share Options Reserve			
Balance at the beginning of the year		13	-
Share option increment		13	13
Balance at the end of the year		26	13
The share options reserve records the cost of the share option plan			
		24,909	20,664
Note 24: Retained earnings			
Opening retained earnings		54,992	45,842
Net profit attributable to the members of the parent entity		10,846	11,641
Dividends paid	30	(3,524)	(2,491)
Closing retained earnings		62,314	54,992

Notes To The Financial Statements

For The Year Ended 30 June 2023

		Consolidated Group	
	Note No.	2023 \$000	2022 \$000
Note 25: Non-controlling interest			
Issued capital		176	176
Retained profits		192	331
		368	507
Non-controlling interest equity holding in subsidiaries:			
Ezera Systems Pty Ltd		40%	40%
PT Waterco Indonesia		49%	49%
Medipool Pte Ltd		40%	40%
Note 26: Lease commitments			
Finance leases			
Lease expenditure contracted and provided for:			
not later than one year		23	39
later than one year but not later than five years		-	89
Total minimum lease commitments		23	128
Less: future finance charges		-	(3)
Lease liability		23	125
Current portion	17	23	102
Non-current portion	20	-	23
		23	125

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 27: Contingent Liabilities

Estimate of the maximum amount of contingent liabilities that may become payable

Corporate guarantees provided by the parent company to overseas banks to secure loans for a subsidiary	4,225	5,125
	4,225	5,125

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.	361	360
(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	721	685
(iii) Payments received from Mint Holdings Pty Ltd for rental of office space	9	23

Terms and conditions

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

Notes To The Financial Statements

For The Year Ended 30 June 2023

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 value 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

Notes To The Financial Statements

For The Year Ended 30 June 2023

Note 29: Operating Segments (continued)

Geographical Segments

	2023			
	AUSTRALIA & NEW ZEALAND	ASIA	NORTH AMERICA & EUROPE	CONSOLIDATED GROUP
	\$000	\$000	\$000	\$000
REVENUE				
Sales to customers outside the consolidated group	87,033	15,834	26,183	129,050
Intersegment sales	929	38,532	577	40,038
Total segment revenue	87,962	54,366	26,760	169,088
Reconciliation of segment revenue to group revenue				
Other revenue				4,949
Intersegment elimination				(40,038)
Total group revenue				133,999
Segment Net Profit Before Tax	9,465	6,345	2,992	18,802
Reconciliation of segment result to group net profit before tax				
Unallocated items				18,802
- other				(4,949)
Net profit before tax				13,853
SEGMENT ASSETS	133,459	73,739	9,746	216,944
Segment asset increases for the period				
Reconciliation of segment assets to group assets				
Intersegment eliminations				(48,993)
Total group assets				167,951
CAPITAL EXPENDITURE	1,566	1,934	127	3,627
SEGMENT LIABILITIES	49,078	36,223	11,226	96,527
Reconciliation of segment liabilities to group liabilities				
Intersegment eliminations				(49,810)
Total group liabilities				46,717

Notes To The Financial Statements

For The Year Ended 30 June 2023

Note 29: Operating Segments (continued)

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				
Unallocated items				19,722
- 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				(39,834)
Total group liabilities				46,643

Notes To The Financial Statements

For The Year Ended 30 June 2023

	Consolidated Group	
	2022 \$000	2021 \$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 5c per share (2022:5c) franked at the tax rate of 30% paid	1,763	1,426
Interim fully franked ordinary dividend of 5c per share (2022:3c) franked at the tax rate of 30% paid	1,761	1,065
	3,524	2,491
Proposed final fully franked ordinary dividend of 5c per share (2022:5c) franked at the tax rate of 30%	1,759	1,775
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	6,450	6,820
Note 31: Earnings Per Share		
<u>Basic earnings per share</u>		
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.		
<u>Diluted earnings per share</u>		
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.		
Net Profit	10,805	11,574
Net Profit/(loss) attributable to outside equity interest	(41)	(67)
Earnings used in the calculation of basic EPS	10,846	11,641
a) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	35,291	35,627
b) Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	35,291	35,627

Notes To The Financial Statements

For The Year Ended 30 June 2023

Note 32: Employee Benefits

Share Option Plan

This plan was approved by the Board on 24 June 2021

Its objective is to encourage employees to acquire ordinary shares in the company in order to promote the long term success of the company.

On 23 August 2021, the company issued the following options to three senior executives at an exercise price of \$3.15 per share (being the Volume Weighted Average Price (VWAP) of Waterco Shares for the 5 days preceding date of issue) under this plan.

Senior Executive	Position	No of Options	Tranche 1	Tranche 2	Tranche 3
Mr Gerard Doumit	CFO	100,000	33,000	33,000	34,000
Mr Marchal De Pasuale	CEO Waterco USA	100,000	33,000	33,000	34,000
Mr Tony Fisher	CEO Waterco Nth America and Waterco Europe	150,000	50,000	50,000	50,000

The Options will vest in 3 tranches in accordance with the Exercise Periods set out below provided the Vesting Condition (EBIT) for each year has been met and the executives remain employed by the Waterco Group at the beginning of the Exercise Period.

Tranche	Exercise Period	Vesting Condition	EBIT
1	23/8/22-23/8/31	30 June 2022	\$10,338,853
2	23/8/23-23/8/31	30 June 2023	\$11,278,748
3	23/8/24-23/8/31	30 June 2024	\$12,218,644

All 3 executives have met the Vesting Condition for Tranche 1 as the EBIT for the financial year ending 30 June 2022 has exceeded \$10,338,853. Each executive may now exercise the options for Tranche 1 anytime from now until 23 August 2031.

All 3 executives have met the Vesting Condition for Tranche 2 as the EBIT for the financial year ending 30 June 2023 has exceeded \$11,278,748. Each executive may now exercise the options for Tranche 2 anytime from now until 23 August 2031

Nil options were exercised during the period.

Note 33: Events Subsequent to Reporting Date Purchase of Davey

On 4 August 2023, Waterco Ltd signed an agreement with GUD Holdings Ltd to purchase the worldwide business of Davey Water Products for a consideration of approximately \$65m. The purchase is being fully funded by Bank Facilities provided by Westpac Banking Corporation. The Davey Business provides Waterco with not only a much larger presence in the pool industry but a significant entry point in the water treatment business especially in regional areas. The settlement of this business took place on 1st September 2023.

There were no other reportable events subsequent to balance date.

Notes To The Financial Statements

For The Year Ended 30 June 2023

Note 34: 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, counterparty 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 counterparties 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 9.

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 9, due to the Coronavirus (COVID-19) pandemic, the calculation of expected credit losses has been revised as at 30 June 2023 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.

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.

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.

Notes To The Financial Statements

For The Year Ended 30 June 2023

Note 34: Financial Risk Management (continued)

(c) Foreign Currency Risk (continued)

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	
	2023 \$000	2022 \$000	2023 \$000	2022 \$000
Consolidated Group (and Parent Entity)				
Buy USD/Sell AUD				
- Less than 6 months	-	3,000	-	0.7544

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	
	2023 \$000	2022 \$000	2023 \$000	2022 \$000	2023 \$000	2022 \$000	2023 \$000	2022 \$000
Financial Assets								
Cash	12,337	11,946	-	-	-	-	12,337	11,946
Receivables	17,105	17,201	-	-	-	-	17,105	17,201
Total anticipated inflows	29,442	29,147	-	-	-	-	29,442	29,147
Financial Liabilities								
Bank overdraft	-	-	-	-	-	-	-	-
Bank loans	2,972	4,228	1,294	642	-	-	4,266	4,870
Trade and other payable	14,905	14,211	-	-	-	-	14,905	14,211
Right of use lease liability	3,770	3,942	13,272	11,949	-	-	17,042	15,891
Lease liability	23	102	-	23	-	-	23	125
Total contractual outflows	21,670	22,483	14,566	12,614	-	-	36,236	35,097
Less bank overdrafts	-	-	-	-	-	-	-	-
Total expected outflows	21,670	22,483	14,566	12,614	-	-	36,236	35,097
Net (outflow)/ inflow on financial instruments	7,772	6,664	(14,566)	(12,614)	-	-	(6,794)	(5,950)

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;

Notes To The Financial Statements

For The Year Ended 30 June 2023

Note 34: Financial Risk Management (continued)

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.

	2023		2022	
	Carrying Amount \$000	Net Fair Value \$000	Carrying Amount \$000	Net Fair Value \$000
Financial Assets				
Cash at bank and in hand	12,337	12,337	11,946	11,946
Receivables	17,105	17,105	17,201	17,201
	29,442	29,442	29,147	29,147
Financial Liabilities				
Bank overdraft	-	-	-	-
Bank loans	4,266	4,309	4,870	4,919
Lease liabilities	23	24	125	131
Right of use lease liability	17,042	17,042	15,891	15,891
	21,331	21,375	20,886	20,941

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 2023		
+/- 2% in interest rates	+/-150	+/-150
+/- 5% in \$A/\$US	+/-1,471	+/-1,471
Year ended 30 June 2022		
+/- 2% in interest rates	+/-60	+/-60
+/- 5% in \$A/\$US	+/-1,569	+/-1,569

Notes To The Financial Statements

For The Year Ended 30 June 2023

	Consolidated Group	
	2023 \$000	2022 \$000
Note 35: Cash Flow Information		
Reconciliation of cash flows from operations with profit after income tax.		
Profit after income tax	10,805	11,574
Non-cash flows in profit		
Depreciation	8,227	7,340
Rental income	(3,712)	(3,006)
Impairment and amortisation	78	79
(Profit)/loss on sale of non current assets	(15)	(69)
Changes in Assets and Liabilities:		
Trade debtors	406	(3,489)
Provision for doubtful debts	(95)	116
Other debtors	(215)	(109)
Inventories	(1,458)	(13,972)
Prepayments	(1,566)	(55)
Deferred tax assets	168	(479)
Expenditure carried forward	(129)	-
Trade creditors	(661)	2,635
Contract liabilities	2,551	-
Other creditors	(722)	609
Provision for employee benefits	(544)	97
Provision for tax	(1,952)	1,565
Provision for deferred tax	9	476
Share options reserve	13	13
Cashflow - Non Operating Activities:		
Dividends Received	(1)	(1)
Cash Flows provided by operations	11,187	3,324

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 \$nil (2022:\$nil) 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:

Fully Drawn Advance Facilities	23,751	24,117
Master lease facilities	1,750	1,750
	25,501	25,867
Amount utilised	(7,961)	(6,883)
Amount unutilised	33,462	32,750

The Fully Drawn Advance Facilities of the parent entity are due to expire on 30 November 2024). The parent entity expects to renew these facilities on expiry date. (refer to note 20)

The Fully Drawn Advance Facilities of the controlled entity are due to expire on 31 May 2024 and 30 June 2031. The controlled entity expects to renew these facilities on expiry date. (refer to note 20)

Notes To The Financial Statements

For The Year Ended 30 June 2023

Note 36: 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.

Notes To The Financial Statements

For The Year Ended 30 June 2023

Note 36: 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 2023					
	Note No	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Recurring fair value measurements					
Non-financial assets					
Freehold land	13	-	-	23,671	23,671
Freehold buildings	13	-	-	32,148	32,148
Total non-financial assets recognised at fair value on a recurring basis		-	-	55,819	55,819
Total non-financial assets recognised at fair value		-	-	55,819	55,819

30 June 2022					
	Note No	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Recurring fair value measurements					
Non-financial assets					
Freehold land	13	-	-	19,486	19,486
Freehold buildings	13	-	-	31,739	31,739
Total non-financial assets recognised at fair value on a recurring basis		-	-	51,225	51,225
Total non-financial assets recognised at fair value		-	-	51,225	51,225

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

Description	Fair Value at 30 June 2023 \$000	Valuation Technique(s)	Inputs Used
Non-financial assets			
Freehold land ⁽ⁱ⁾	23,671	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⁾	32,148	Market approach using recent observable market data for similar properties; income approach using discounted cash flow methodology	Price per square metre; market borrowing rate
	51,225		

(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.

Notes To The Financial Statements

For The Year Ended 30 June 2023

Note 36: 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	34	2	Income approach using discounted cash flow methodology	Current commercial borrowing rates for similar instruments
Bank debt	34	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 37: Company Details

The registered office and principal place of business 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 38 to 80 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 2023 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 8 September 2023

Independent Auditor's Report

to the members of Waterco Ltd



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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 2023, 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 2023 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.

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Independent Auditor's Report

to the members of Waterco Ltd



Key Audit Matter	How our audit addressed this matter
Recognition of Revenue Refer to Note 1 (m) in the financial statements	
We focused on this area due to the significant value of revenue for the Group, \$133.9 million (2022: \$128.1 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.	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.
Provision for Inventory Write Down Refer to Note 1 (d) in the financial statements	
As at 30 June 2023, the Group held gross inventories of \$50.1 million against which there was a provision for impairment of \$6.5 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.	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.

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 2023, 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.

Independent Auditor's Report

to the members of Waterco Ltd



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 28 to 33 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Waterco Limited, for the year ended 30 June 2023, 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.

A stylized signature in dark ink, appearing to read 'Rsm', positioned above the company name.

RSM AUSTRALIA PARTNERS

A handwritten signature in dark ink, appearing to read 'C J Hume', positioned above the name.

C J Hume
Partner

Sydney, NSW

Dated: 13 September 2023

Shareholder Information

For The Year Ended 30 June 2023

(a) Distribution of Shareholders as at 6 September 2023

	Range		Total Holders	Options
1	-	1,000	281	-
1,001	-	5,000	164	-
5,001	-	10,000	55	-
10,001	-	100,000	61	-
100,001	-	and over	25	-
			586	

(b) Marketable Parcel

35 shareholders hold less than a marketable parcel..

(c) Substantial Shareholders

The following information is extracted from the company's register as at 6 September 2023

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 93.02% of the total shares issued.

	Name	Number of shares	%
1	Mr Soon Sinn Goh	19,221,853	54.63
2	Redbrook Nominees Pty Ltd	3,112,943	8.85
3	Acres Holdings Pty Ltd	2,578,322	7.33
4	Goh Lai Huat & Sons Sdn Bhd	2,500,000	7.11
5	Mr Soon Leong Goh	681,384	1.94
6	Mr Swee Kheong Goon	562,717	1.60
7	Mrs Christine Goh	500,000	1.42
8	Mr Shane Goh	470,346	1.34
9	Mrs Janet Swee Nyet Goh	447,112	1.27
10	Mr Chu Shien Chang	340,281	0.97
11	GWK Corporation Pty Ltd	334,387	0.95
12	Deuteronomy Pty Ltd (Dennis Hambleton SF A/C)	300,000	0.85
13	Brazil Enterprises Pty Ltd	295,173	0.84
14	Leitch Pty Ltd (Leitch Super Fund A/C)	269,000	0.76
15	Mr Tiow Lip Lee	245,386	0.70
16	Ms May-Yin Goh	225,267	0.64
17	Mr Bryan Weng Keong Goh	205,734	0.58
18	Mr Khoon Ping Kuok	173,000	0.49
19	Protango Pty Ltd (BFHunt SF A/C)	170,223	0.48
20	DWS Nominees Pty Ltd	95,130	0.27
TOTAL		32,728,258	93.02

(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
Wayne Beauman

Secretaries

Gerard Doumit
Sin Wei Yong

Registered office and principal place of business

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Fax: + 61 2 9898 1877
Website: www.waterco.com.au
E-mail: companysecretary@waterco.com

Share Registry

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Tel: 1300 850 505

Offices - Australia NSW

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