

## Half yearly report

Name of entity

WATERCO LIMITED

ABN or equivalent company reference

62002070733

Half yearly (tick)



Preliminary final (tick)



Half year ('current period')

31<sup>ST</sup> DECEMBER 2003

### For announcement to the market

*Extracts from this report for announcement to the market (see note 1).*

\$A'000

Revenues from ordinary activities ( <i>item 1.1</i> )	up	7.3%	to	41,249
Profit (loss) from ordinary activities after tax attributable to members ( <i>item 1.22</i> )	up	13.8%	to	2,885
Profit (loss) from extraordinary items after tax attributable to members ( <i>item 2.5(d)</i> )	gain (loss) of			
Net profit (loss) for the period attributable to members ( <i>item 1.11</i> )	up	13.8%	to	2,885
<b>Dividends (distributions)</b>		Amount per security		Franked amount per security
Final dividend ( <i>Preliminary final report only - item 15.4</i> )		6¢		6¢
Interim dividend ( <i>Half yearly report only - item 15.6</i> )		6¢		6¢
Previous corresponding period ( <i>Preliminary final report - item 15.5; half yearly report - item 15.7</i> )		6¢		6¢
+Record date for determining entitlements to the dividend,(in the case of a trust, distribution) ( <i>see item 15.2</i> )		2nd April,2004		
Brief explanation of any of the figures reported above (see Note 1) and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				

**If this is a half yearly report it is to be read in conjunction with the most recent annual financial report.**

## Condensed consolidated statement of financial performance

	Current period - \$A'000	Previous corresponding period - \$A'000
1.1 Revenues from ordinary activities (see items 1.23 -1.25)	41,249	38,458
1.2 Expenses from ordinary activities (see items 1.26 & 1.27)	(36,862)	(34,441)
1.3 Borrowing costs	(480)	(689)
1.4 Share of net profits (losses) of associates and joint venture entities (see item 16.7)		
<b>1.5 Profit (loss) from ordinary activities before tax</b>	<b>3,907</b>	<b>3,328</b>
1.6 Income tax on ordinary activities (see note 4)	1,070	866
<b>1.7 Profit (loss) from ordinary activities after tax</b>	<b>2,837</b>	<b>2,462</b>
1.8 Profit (loss) from extraordinary items after tax (see item 2.5)	--	--
<b>1.9 Net profit (loss)</b>	<b>2,837</b>	<b>2,462</b>
1.10 Net profit (loss) attributable to outside <sup>+</sup> equity interests	(48)	(74)
<b>1.11 Net profit (loss) for the period attributable to members</b>	<b>2,885</b>	<b>2,536</b>
<b>Non-owner transaction changes in equity</b>		
1.12 Increase (decrease) in revaluation reserves		
1.13 Net exchange differences recognised in equity	(816)	8
1.14 Other revenue, expense and initial adjustments recognised directly in equity (attach details)		
1.15 Initial adjustments from UIG transitional provisions		
1.16 Total transactions and adjustments recognised directly in equity (items 1.12 to 1.15)	(816)	8
<b>1.17 Total changes in equity not resulting from Transactions with owners as owners</b>	<b>2,069</b>	<b>2,544</b>

	Current period	Previous corresponding Period
<b>Earnings per security (EPS)</b>		
1.18 Basic EPS	14.9c	13.4c
1.19 Diluted EPS	14.9c	13.4c

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## Notes to the condensed consolidated statement of financial performance

### Profit (loss) from ordinary activities attributable to members

	Current period - \$A'000	Previous corresponding period - \$A'000
1.20 Profit (loss) from ordinary activities after tax ( <i>item 1.7</i> )	2,837	2,462
1.21 Less (plus) outside <sup>+</sup> equity interests	(48)	(74)
<b>1.22 Profit (loss) from ordinary activities after tax, attributable to members</b>	<b>2,885</b>	<b>2,536</b>

### Revenue and expenses from ordinary activities - See Annexure A

(see note 15)

	Current period - \$A'000	Previous corresponding period - \$A'000
1.23 Revenue from sales or services		
1.24 Interest revenue		
1.25 Other relevant revenue		
1.26 Details of relevant expenses		
1.27 Depreciation and amortisation excluding amortisation of intangibles ( <i>see item 2.3</i> )		
<b>Capitalised outlays</b>		
1.28 Interest costs capitalised in asset values	--	--
1.29 Outlays capitalised in intangibles (unless arising from an <sup>+</sup> acquisition of a business)	--	--

### Consolidated retained profits

	Current period - \$A'000	Previous corresponding period - \$A'000
1.30 Retained profits (accumulated losses) at the beginning of the financial period	8,066	6,248
1.31 Net profit (loss) attributable to members ( <i>item 1.11</i> )	2,885	2,536
1.32 Net transfers from (to) reserves ( <i>details if material</i> )		
1.33 Net effect of changes in accounting policies		
1.34 Dividends and other equity distributions paid or payable	(1,420)	(945)
<b>1.35 Retained profits (accumulated losses) at end of financial period</b>	<b>9,531</b>	<b>7,839</b>

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## Intangible and extraordinary items

		<i>Consolidated - current period</i>			
		Before tax \$A'000	Related tax \$A'000	Related outside +equity interests \$A'000	Amount (after tax) attributable to members \$A'000
		(a)	(b)	(c)	(d)
2.1	Amortisation of goodwill	23	--	--	23
2.2	Amortisation of other intangibles	7	--	--	7
<b>2.3</b>	<b>Total amortisation of intangibles</b>	30	--	--	30
2.4	Extraordinary items (details)				
<b>2.5</b>	<b>Total extraordinary items</b>	--			

## Comparison of half year profits

*(Preliminary final report only)*

- 3.1 Consolidated profit (loss) from ordinary activities after tax attributable to members reported for the *1st* half year (item 1.22 in the half yearly report)
- 3.2 Consolidated profit (loss) from ordinary activities after tax attributable to members for the *2nd* half year

	Current year - \$A'000	Previous year - \$A'000

**Condensed consolidated statement of financial position**

	At end of current period \$A'000	As shown in last annual report \$A'000	As in last half yearly report \$A'000	
<b>Current assets</b>				
4.1	Cash	3,700	2,808	2,939
4.2	Receivables	15,993	10,320	17,115
4.3	Investments	--	--	--
4.4	Inventories	20,471	16,711	20,998
4.5	Tax assets	--	--	--
4.6	Other (provide details if material)	949	535	691
<b>4.7</b>	<b>Total current assets</b>	<b>41,113</b>	<b>30,374</b>	<b>41,743</b>
<b>Non-current assets</b>				
4.8	Receivables	1,619	494	495
4.9	Investments (equity accounted)	--	--	--
4.10	Other investments	--	--	--
4.11	Inventories	--	--	--
4.12	Exploration and evaluation expenditure capitalised ( <i>see para .71 of AASB 1022</i> )	--	--	--
4.13	Development properties (+mining entities)	--	--	--
4.14	Other property, plant and equipment (net)	14,734	14,747	15,207
4.15	Intangibles (net)	600	396	517
4.16	Tax assets	1,454	1,100	1,372
4.17	Other (provide details if material)	--	--	45
<b>4.18</b>	<b>Total non-current assets</b>	<b>18,407</b>	<b>16,737</b>	<b>17,636</b>
<b>4.19</b>	<b>Total assets</b>	<b>59,520</b>	<b>47,111</b>	<b>59,379</b>
<b>Current liabilities</b>				
4.20	Payables	14,324	7,900	13,410
4.21	Interest bearing liabilities	1,148	1,156	1,195
4.22	Tax liabilities	1,398	783	758
4.23	Provisions exc. tax liabilities	2,217	1,762	1,262
4.24	Other (provide details if material)	--	--	--
<b>4.25</b>	<b>Total current liabilities</b>	<b>19,087</b>	<b>11,601</b>	<b>16,625</b>
<b>Non-current liabilities</b>				
4.26	Payables	--	--	--
4.27	Interest bearing liabilities	13,789	13,396	19,848
4.28	Tax liabilities	354	457	464
4.29	Provisions exc. tax liabilities	345	329	357
4.30	Other (provide details if material)	--	--	--
<b>4.31</b>	<b>Total non-current liabilities</b>	<b>14,488</b>	<b>14,182</b>	<b>20,669</b>

## Condensed consolidated statement of financial position continued

<b>4.32</b>	<b>Total liabilities</b>	<b>33,575</b>	<b>25,783</b>	<b>37,294</b>
<b>4.33</b>	<b>Net assets</b>	<b>25,945</b>	<b>21,328</b>	<b>22,085</b>
	<b>Equity</b>			
4.34	Capital/contributed equity	17,869	13,823	13,786
4.35	Reserves	(1,323)	(507)	501
4.36	Retained profits (accumulated losses)	9,531	8,066	7,839
<b>4.37</b>	<b>Equity attributable to members of the parent entity</b>	<b>26,077</b>	<b>21,382</b>	<b>22,126</b>
4.38	Outside <sup>†</sup> equity interests in controlled entities	(132)	(54)	(41)
<b>4.39</b>	<b>Total equity</b>	<b>25,945</b>	<b>21,328</b>	<b>22,085</b>
4.40	Preference capital included as part of 4.37			

## Notes to the condensed consolidated statement of financial position

### Exploration and evaluation expenditure capitalised

*(To be completed only by entities with mining interests if amounts are material. Include all expenditure incurred.)*

	Current period \$A'000	Previous corresponding period - \$A'000
5.1	Opening balance	--
5.2	Expenditure incurred during current period	
5.3	Expenditure written off during current period	
5.4	Acquisitions, disposals, revaluation increments, etc.	
5.5	Expenditure transferred to Development Properties	
<b>5.6</b>	<b>Closing balance as shown in the consolidated balance sheet (item 4.12)</b>	

### Development properties

*(To be completed only by entities with mining interests if amounts are material)*

	Current period \$A'000	Previous corresponding period - \$A'000
6.1	Opening balance	--
6.2	Expenditure incurred during current period	
6.3	Expenditure transferred from exploration and evaluation	
6.4	Expenditure written off during current period	
6.5	Acquisitions, disposals, revaluation increments, etc.	
6.6	Expenditure transferred to mine properties	
<b>6.7</b>	<b>Closing balance as shown in the consolidated balance sheet (item 4.13)</b>	

## Condensed consolidated statement of cash flows

	Current period \$A'000	Previous corresponding period - \$A'000	
<b>Cash flows related to operating activities</b>			
7.1	Receipts from customers	35,285	29,861
7.2	Payments to suppliers and employees	(32,902)	(27,410)
7.3	Other Income	254	200
7.4	Other dividends received	--	--
7.5	Interest and other items of similar nature received	10	7
7.6	Interest and other costs of finance paid	(480)	(689)
7.7	Income taxes paid	(911)	(451)
7.8	Other (provide details if material)	--	--
<b>7.9</b>	<b>Net operating cash flows</b>	<b>1,256</b>	<b>1,518</b>
<b>Cash flows related to investing activities</b>			
7.10	Payment for purchases of property, plant and equipment	(334)	(848)
7.11	Proceeds from sale of property, plant and equipment	73	24
7.12	Payment for business	(529)	--
7.13	Proceeds from sale of equity investments	--	--
7.14	Loans to other entities	--	--
7.15	Loans repaid by other entities	--	--
7.16	Other (provide details if material)	--	--
<b>7.17</b>	<b>Net investing cash flows</b>	<b>(790)</b>	<b>(824)</b>
<b>Cash flows related to financing activities</b>			
7.18	Proceeds from issues of <sup>+</sup> securities (shares, options, etc.)	2,871	--
7.19	Proceeds from borrowings	378	2,523
7.20	Repayment of borrowings	(55)	(67)
7.21	Dividends paid	(1,451)	(945)
7.22	Other (provide details if material)	--	--
<b>7.23</b>	<b>Net financing cash flows</b>	<b>1,743</b>	<b>1,511</b>
<b>7.24</b>	<b>Net increase (decrease) in cash held</b>	<b>2,209</b>	<b>2,205</b>
7.25	Cash at beginning of period (see Reconciliation of cash)	1,808	(336)
7.26	Exchange rate adjustments to item 7.25.	(1,317)	13
<b>7.27</b>	<b>Cash at end of period</b> (see Reconciliation of cash)	<b>2,700</b>	<b>1,882</b>

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## Non-cash financing and investing activities

**Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows.**  
**( If an amount is quantified, show comparative amount.)**

During the period, the economic entity 1)acquired plant and equipment amounting to \$112,707 (2002 \$70,060) by means of finance leases and 2) Issued 500,000 shares at \$2.35 each under the delayed repayment terms of the CEO Share Plan. Both financing activities are not reflected in the statement of cashflows.
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## Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current period \$A'000	Previous corresponding period - \$A'000
8.1 Cash on hand and at bank	3,700	2,939
8.2 Deposits at call	--	--
8.3 Bank overdraft	--	(57)
8.4 Other (commercial bills)	(1,000)	(1,000)
<b>8.5 Total cash at end of period (item 7.27)</b>	<b>2,700</b>	<b>1,882</b>

## Other notes to the condensed financial statements

Ratios	Current period	Previous corresponding Period
9.1 <b>Profit before tax / revenue</b> Consolidated profit (loss) from ordinary activities before tax (item 1.5) as a percentage of revenue (item 1.1)	9.47%	8.65%
9.2 <b>Profit after tax / + equity interests</b> Consolidated net profit (loss) from ordinary activities after tax attributable to members (item 1.11) as a percentage of equity (similarly attributable) at the end of the period (item 4.37)	11.06%	11.86%

## Earnings per security (EPS)

10. Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of AASB 1027: *Earnings Per Share* are as follows.

	Current Period \$A'000	Previous corresponding Period \$A'000
Net Profit	2,837	2,462
Net Profit/(Loss) attributable to outside equity	(48)	(74)
Earnings used in calculation of basic EPS	2,885	2,536
Weighted average number of ordinary shares	19,337	18,896

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<b>NTA backing</b> <i>(see note 7)</i>	Current period	Previous corresponding Period
11.1 Net tangible asset backing per <sup>+</sup> ordinary security	\$1.22	\$1.14

### Discontinuing Operations

*(Entities must report a description of any significant activities or events relating to discontinuing operations in accordance with paragraph 7.5 (g) of AASB 1029: Interim Financial Reporting, or, the details of discontinuing operations they have disclosed in their accounts in accordance with AASB 1042: Discontinuing Operations (see note 17).)*

#### 12.1 Discontinuing Operations

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### Control gained over entities having material effect

13.1 Name of entity (or group of entities)	--
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13.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was <sup>+</sup> acquired	\$	
13.3 Date from which such profit has been calculated		
13.4 Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	\$	

### Loss of control of entities having material effect

14.1 Name of entity (or group of entities)	--
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14.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	\$	
14.3 Date to which the profit (loss) in item 14.2 has been calculated		
14.4 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	\$	
14.5 Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	\$	

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**Dividends (in the case of a trust, distributions)**

15.1 Date the dividend (distribution) is payable

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15.2 <sup>+</sup>Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if <sup>+</sup>securities are not <sup>+</sup>CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if <sup>+</sup>securities are <sup>+</sup>CHESS approved)

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15.3 If it is a final dividend, has it been declared?  
*(Preliminary final report only)*

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**Amount per security**

		Amount per security	Franked amount per security at % tax (see note 4)	Amount per security of foreign source dividend
15.4	<i>(Preliminary final report only)</i> <b>Final dividend:</b> Current year	¢	¢	¢
15.5	Previous year	¢	¢	¢
15.6	<i>(Half yearly and preliminary final reports)</i> <b>Interim dividend:</b> Current year	6¢	6¢	¢
15.7	Previous year	6¢	6¢	¢

**Total dividend (distribution) per security (interim plus final)**

*(Preliminary final report only)*

15.8 <sup>+</sup>Ordinary securities

15.9 Preference <sup>+</sup>securities

	Current year	Previous year
15.8	€	€
15.9	€	€

**Half yearly report - interim dividend (distribution) on all securities or Preliminary final report - final dividend (distribution) on all securities**

15.10 <sup>+</sup>Ordinary securities *(each class separately)*

15.11 Preference <sup>+</sup>securities *(each class separately)*

	Current period \$A'000	Previous corresponding period - \$A'000
15.10		
15.11		

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15.12 Other equity instruments (each class separately)


**15.13 Total**

The <sup>†</sup>dividend or distribution plans shown below are in operation.

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The last date(s) for receipt of election notices for the <sup>†</sup>dividend or distribution plans

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Any other disclosures in relation to dividends (distributions). (For half yearly reports, provide details in accordance with paragraph 7.5(d) of AASB 1029 Interim Financial Reporting)

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### Details of aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates' and joint venture entities':	Current period \$A'000	Previous corresponding period - \$A'000
16.1 Profit (loss) from ordinary activities before tax	--	
16.2 Income tax on ordinary activities		
<b>16.3 Profit (loss) from ordinary activities after tax</b>		
16.4 Extraordinary items net of tax		
<b>16.5 Net profit (loss)</b>		
16.6 Adjustments		
<b>16.7 Share of net profit (loss) of associates and joint venture entities</b>		

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**Material interests in entities which are not controlled entities**

The economic entity has an interest (that is material to it) in the following entities. *(If the interest was acquired or disposed of during either the current or previous corresponding period, indicate date of acquisition ("from dd/mm/yy") or disposal ("to dd/mm/yy").)*

<i>Name of entity</i>	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss) ( <i>item 1.9</i> )	
	Current period	Previous corresponding period	Current period \$A'000	Previous corresponding period - \$A'000
<b>17.1 Equity accounted associates and joint venture entities</b>				
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<b>17.2 Total</b>				
17.3 Other material interests				
<b>17.4 Total</b>				

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## Issued and quoted securities at end of current period

(Description must include rate of interest and any redemption or conversion rights together with prices and dates)

Category of <sup>+</sup> securities	Total number	Number quoted	Issue price per security (see note 14) (cents)	Amount paid up per security (see note 14) (cents)
<b>18.1 Preference <sup>+</sup>securities</b> (description)				
18.2 Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks, redemptions				
<b>18.3 <sup>+</sup>Ordinary securities</b>	20,784,650	20,784,650		
18.4 Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks	1,850,000	1,850,000		
<b>18.5 <sup>+</sup>Convertible debt securities</b> (description and conversion factor)				
18.6 Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted				
<b>18.7 Options</b> (description and conversion factor)			Exercise price	Expiry date (if any)
18.8 Directors Option Plan Issued during current period	130,000	--	<b>\$1.16</b>	31/3/04
18.9 Exercised during current period	--			
18.10 Expired during current period	--			
<b>18.11 Debentures</b> (description)	--			
18.12 Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted				

18.13 Unsecured notes (description)	--	
18.14 Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted		

**Segment reporting - See Annexure B**

(Information on the business and geographical segments of the entity must be reported for the current period in accordance with *AASB 1005: Segment Reporting* and for half year reports, *AASB 1029: Interim Financial Reporting*. Because entities employ different structures a pro forma cannot be provided. Segment information in the layout employed in the entity's <sup>+</sup>accounts should be reported separately and attached to this report.)

**Comments by directors - See Annexure C**

(Comments on the following matters are required by ASX or, in relation to the half yearly report, by *AASB 1029: Interim Financial Reporting*. The comments do not take the place of the directors' report and statement (as required by the Corporations Act) and may be incorporated into the directors' report and statement. For both half yearly and preliminary final reports, if there are no comments in a section, state NIL. If there is insufficient space to comment, attach notes to this report.)

**Basis of financial report preparation**

19.1 *If this report is a half yearly report, it is a general purpose financial report prepared in accordance with the listing rules and AASB 1029: Interim Financial Reporting. It should be read in conjunction with the last <sup>+</sup>annual report and any announcements to the market made by the entity during the period. The financial statements in this report are "condensed financial statements" as defined in AASB 1029: Interim Financial Reporting. This report does not include all the notes of the type normally included in an annual financial report. [Delete if preliminary final report.]*

19.2 Material factors affecting the revenues and expenses of the economic entity for the current period. In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations.

19.3 A description of each event since the end of the current period which has had a material effect and which is not already reported elsewhere in this Appendix or in attachments, with financial effect quantified (if possible).

19.4 Franking credits available and prospects for paying fully or partly franked dividends for at least the next year.

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19.5 Unless disclosed below, the accounting policies, estimation methods and measurement bases used in this report are the same as those used in the last annual report. Any changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows. (Disclose changes and differences in the half yearly report in accordance with *AASB 1029: Interim Financial Reporting*. Disclose changes in accounting policies in the preliminary final report in accordance with *AASB 1001: Accounting Policies-Disclosure*).

19.6 Revisions in estimates of amounts reported in previous interim periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous +annual reports if those revisions have a material effect in this half year.

19.7 Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assets since the last + annual report.

**Additional disclosure for trusts**

20.1 Number of units held by the management company or responsible entity or their related parties.

20.2 A statement of the fees and commissions payable to the management company or responsible entity.

Identify:

- initial service charges
- management fees
- other fees

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## Annual meeting

*(Preliminary final report only)*

The annual meeting will be held as follows:

Place

Date

Time

Approximate date the <sup>+</sup>annual report will be available


## Compliance statement

- 1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX (see note 12).

Identify other standards used

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- 2 This report, and the <sup>+</sup>accounts upon which the report is based (if separate), use the same accounting policies.

- 3 This report does give a true and fair view of the matters disclosed (see note 2).

- 4 This report is based on <sup>+</sup>accounts to which one of the following applies.

*(Tick one)*

The <sup>+</sup>accounts have been audited.

The <sup>+</sup>accounts have been subject to review.


The <sup>+</sup>accounts are in the process of being audited or subject to review.

The <sup>+</sup>accounts have *not* yet been audited or reviewed.

- 5 If the audit report or review by the auditor is not attached, details of any qualifications are attached/will follow immediately they are available\* *(delete one)*. *(Half yearly report only - the audit report or review by the auditor must be attached to this report if this report is to satisfy the requirements of the Corporations Act.)*

- 6 The entity has formally constituted audit committee.

Sign here

  
(Managing Director)

Date: 19<sup>th</sup> February, 2004.

Print name: Soon Sinn Goh.

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## Notes

1. **For announcement to the market** The percentage changes referred to in this section are the percentage changes calculated by comparing the current period's figures with those for the previous corresponding period. Do not show percentage changes if the change is from profit to loss or loss to profit, but still show whether the change was up or down. If changes in accounting policies or procedures have had a material effect on reported figures, do not show either directional or percentage changes in profits. Explain the reason for the omissions in the note at the end of the announcement section. Entities are encouraged to attach notes or fuller explanations of any significant changes to any of the items in page 1. The area at the end of the announcement section can be used to provide a cross reference to any such attachment.
  2. **True and fair view** If this report does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) the entity must attach a note providing additional information and explanations to give a true and fair view.
  3. **Condensed consolidated statement of financial performance**
    - Item 1.1 The definition of "revenue" and an explanation of "ordinary activities" are set out in *AASB 1004: Revenue*, and *AASB 1018: Statement of Financial Performance*.
    - Item 1.6 This item refers to the total tax attributable to the amount shown in item 1.5. Tax includes income tax and capital gains tax (if any) but excludes taxes treated as expenses from ordinary activities (eg, fringe benefits tax).
  4. **Income tax** If the amount provided for income tax in this report differs (or would differ but for compensatory items) by more than 15% from the amount of income tax *prima facie* payable on the profit before tax, the entity must explain in a note the major items responsible for the difference and their amounts. The rate of tax applicable to the franking amount per dividend should be inserted in the heading for the column "Franked amount per security at % tax" for items 15.4 to 15.7.
  5. **Condensed consolidated statement of financial position**

**Format** The format of the consolidated statement of financial position should be followed as closely as possible. However, additional items may be added if greater clarity of exposition will be achieved, provided the disclosure still meets the requirements of *AASB 1029: Interim Financial Reporting*, and *AASB 1040: Statement of Financial Position*. Also, banking institutions, trusts and financial institutions may substitute a clear liquidity ranking for the Current/Non-Current classification.

**Basis of revaluation** If there has been a material revaluation of non-current assets (including investments) since the last annual report, the entity must describe the basis of revaluation adopted. The description must meet the requirements of *AASB 1010: Accounting for the Revaluation of Non-Current Assets*. If the entity has adopted a procedure of regular revaluation, the basis for which has been disclosed and has not changed, no additional disclosure is required.
  6. **Condensed consolidated statement of cash flows** For definitions of "cash" and other terms used in this report see *AASB 1026: Statement of Cash Flows*. Entities should follow the form as closely as possible, but variations are permitted if the directors (in the case of a trust, the management company) believe that this presentation is inappropriate. However, the presentation adopted must meet the requirements of *AASB 1026*.
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7. **Net tangible asset backing** Net tangible assets are determined by deducting from total tangible assets all claims on those assets ranking ahead of the <sup>+</sup>ordinary securities (ie, all liabilities, preference shares, outside <sup>+</sup>equity interests etc). <sup>+</sup>Mining entities are *not* required to state a net tangible asset backing per <sup>+</sup>ordinary security.
  8. **Gain and loss of control over entities** The gain or loss must be disclosed if it has a material effect on the <sup>+</sup>accounts. Details must include the contribution for each gain or loss that increased or decreased the entity's consolidated profit (loss) from ordinary activities and extraordinary items after tax by more than 5% compared to the previous corresponding period.
  9. **Rounding of figures** This report anticipates that the information required is given to the nearest \$1,000. If an entity reports exact figures, the \$A'000 headings must be amended. If an entity qualifies under ASIC Class Order 98/0100 dated 10 July 1998, it may report to the nearest million dollars, or to the nearest \$100,000, and the \$A'000 headings must be amended.
  10. **Comparative figures** Comparative figures are to be presented in accordance with *AASB 1018* or *AASB 1029 Interim Financial Reporting* as appropriate and are the unadjusted figures from the latest annual or half year report as appropriate. However, if an adjustment has been made in accordance with an accounting standard or other reason or if there is a lack of comparability, a note explaining the position should be attached. For the statement of financial performance, *AASB 1029 Interim Financial Reporting* requires information on a year to date basis in addition to the current interim period.
  11. **Additional information** An entity may disclose additional information about any matter, and must do so if the information is material to an understanding of the reports. The information may be an expansion of the material contained in this report, or contained in a note attached to the report. The requirement under the listing rules for an entity to complete this report does not prevent the entity issuing reports more frequently. Additional material lodged with the <sup>+</sup>ASIC under the Corporations Act must also be given to ASX. For example, a director's report and declaration, if lodged with the <sup>+</sup>ASIC, must be given to ASX.
  12. **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if one exists) must be complied with.
  13. **Corporations Act financial statements** This report may be able to be used by an entity required to comply with the Corporations Act as part of its half-year financial statements if prepared in accordance with Australian Accounting Standards.
  14. **Issued and quoted securities** The issue price and amount paid up is not required in items 18.1 and 18.3 for fully paid securities.
  15. **Details of expenses** *AASB 1018* requires disclosure of expenses from ordinary activities according to either their nature or function. For foreign entities, there are similar requirements in other accounting standards accepted by ASX. *AASB ED 105* clarifies that the disclosures required by *AASB 1018* must be either *all* according to nature or *all* according to function. Entities must disclose details of expenses using the layout (by nature or function) employed in their <sup>+</sup>accounts.
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**Relevant Items** *AASB 1018* requires the separate disclosure of specific revenues and expenses which are not extraordinary but which are of a size, nature or incidence that disclosure is *relevant* in explaining the financial performance of the reporting entity. The term “relevance” is defined in *AASB 1018*. There is an equivalent requirement in *AASB 1029: Interim Financial Reporting*. For foreign entities, there are similar requirements in other accounting standards accepted by ASX.

**16 Dollars** If reporting is not in A\$, all references to \$A must be changed to the reporting currency. If reporting is not in thousands of dollars, all references to “000” must be changed to the reporting value.

**17. Discontinuing operations**

Half yearly report

All entities must provide the information required in paragraph 12 for half years beginning on or after 1 July 2001.

Preliminary final report

Entities must either provide a description of any significant activities or events relating to discontinuing operations equivalent to that required by paragraph 7.5 (g) of *AASB 1029: Interim Financial Reporting*, or, the details of discontinuing operations they are required to disclose in their <sup>†</sup>accounts in accordance with *AASB 1042 Discontinuing Operations*.

**18. Format**

This form is a Word document but an entity can re-format the document into Excel or similar applications for submission to the Companies Announcements Office in ASX.

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**WATERCO LIMITED AND CONTROLLED ENTITIES**

**ANNEXURE A**

**1.24 REVENUE AND EXPENSES FROM ORDINARY ACTIVITIES**

	Economic Entity	
	31/12/2003	31/12/2002
	\$	\$
Revenues from ordinary activities	41,248,926	38,458,420
Changes in inventories of finished goods and work in progress	(3,805,615)	(534,446)
Raw Materials and consumables used	(18,242,327)	(21,419,483)
Employee benefits expense	(5,986,237)	(4,974,393)
Depreciation and amortisation expense	(583,503)	(595,463)
Borrowing costs expense	(480,337)	(689,045)
Advertising expense	(630,869)	(498,836)
Discounts allowed	(850,171)	(1,253,674)
Outward freight expense	(1,142,319)	(973,352)
Rent expense	(977,662)	(699,537)
Contracted staff expense	(583,481)	(420,688)
Warranty expense	(366,235)	(240,199)
Commission expense	(205,973)	(175,505)
Other expenses from ordinary activities	(3,486,987)	(2,655,589)
Profit from ordinary activities before income tax expense	3,907,210	3,328,210
Income tax expense relating to ordinary activities	(1,069,470)	866,145
Profit from ordinary activities after related income tax expense	2,837,740	2,462,065
Net Profit	2,837,740	2,462,065
Net profit/(loss) attributable to outside equity interests	(47,609)	(73,763)
Net profit attributable to members of the parent entity	2,885,349	2,535,828

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**WATERCO LIMITED AND CONTROLLED ENTITIES**

**ANNEXURE B**

**SEGMENT INFORMATION**

Geographical Segment Summary

	<b>Australia</b>		<b>SE Asia</b>		<b>New Zealand</b>		<b>Other</b>		<b>Elimination</b>		<b>Consolidated</b>	
	<b>31/12/2003</b>	<b>31/12/2002</b>	<b>31/12/2003</b>	<b>31/12/2002</b>	<b>31/12/2003</b>	<b>31/12/2002</b>	<b>31/12/2003</b>	<b>31/12/2002</b>	<b>31/12/2003</b>	<b>31/12/2002</b>	<b>31/12/2003</b>	<b>31/12/2002</b>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total Segment Revenue	33,113,964	34,366,232	8,029,780	8,288,563	3,173,501	2,100,080	5,606,246	2,783,690	(9,011,780)	(9,311,048)	40,911,711	38,227,517
Unallocated revenue											337,215	230,903
Revenue from ordinary activities											41,248,926	38,458,420
Segment Result	3,257,738	3,029,954	1,027,295	754,294	(96,228)	158,494	138,479	(240,328)	(82,859)	(25,872)	4,244,425	3,676,542
Unallocated expenses net of unallocated revenue											(337,215)	(348,332)
Profit from ordinary activities before income tax expense											3,907,210	3,328,210

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## WATERCO LIMITED AND CONTROLLED ENTITIES

### ANNEXURE C

#### COMMENTS BY DIRECTORS

Waterco sales revenue improved by 7% over the first half of 2002/03 to \$40.91 million. Waterco's profit after tax for the six months to the 31<sup>st</sup> December, 2003 was \$2.84 million, representing an increase of 15% over the previous corresponding period. The result was satisfactory and has taken into consideration a significant unrealised foreign exchange loss of \$687,364.

The Company's Australian operations, which generate most of its revenue, have produced a good result, although sales were not to expectation. Poor weather has dented sale of chemicals. With a strong Australian dollar, customers have demanded lower selling prices, as all the chemicals are imported, keeping margins suppressed and, correspondingly, a lower sales revenue. Combined with a lower tonnage of chemicals sold due to the cool weather, sales revenue was poor. Equipment sales, which have better margins than chemicals, performed on par with the previous year and selling prices were maintained, as this sector did not face the same competitive pressures as chemicals. Improved efficiency in operations, in the form of better collection of book debts and better inventory management, resulted in lower provisions for doubtful debts and stock obsolescence. The overall results were a better trading margin for the period.

The franchising division performed well during this period, with additional new stores and have contributed towards growth of the Australian business. The half-year sales to stores trading as Swimart remained healthy and are expected to continue to trade well during the second half of 2003/04.

The New Zealand entity performed poorly with sales in the newly acquired retail stores trading well below expectation.

In Asia, sales of Waterco's swimming pool pumps and filters and of its household filtration systems were strong, particularly in China and Malaysia. Both the divisions in China and Malaysia showed healthy trading results.

Waterco (HK) Limited, our entity based in Hong Kong, was closed on the 31<sup>st</sup> December, 2003. The recent relaxation of regulations relating to the import and export of goods in China has made it viable to hold inventory in China to cover the needs of some of our Asian Customers. In Malaysia, there has been relaxation in banking rules that allows various foreign-currency accounts to be held in the local bank. This has meant that our two entities in Malaysia and China are now able to service our customers in Asia without the need for an office in Hong Kong.

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**The Company's chemical packing operations in China achieved a higher output with more chemicals supplied to Australia. This division is now manufacturing components for supply to Malaysia and Australia and will be gearing up to manufacture parts for the United States and Europe. Currently, most of the filters sold in China are made in the new facilities of Waterco (Guangzhou) Limited.**

**Waterco's Plastic Injection Moulding Division in Malaysia, which manufactures pumps for local sale and export to Australia, the United States and Europe, has installed additional machinery improving its economies of scale. Profitability for this division, combined with strong local sales, has kept results healthy.**

**In the United States, Waterco continued to improve, with sales of the new pumps flowing through, maintaining a profitable half-year. Provided this sales trend continues into the second half of the year, we expect this division to generate a healthy contribution to the profit for the Group.**

**European sales are encouraging. Lacron, the entity that was acquired in the last financial year was trading at a loss then. Numerous changes have been made to synergise the operations of this entity and the European operations existing at the time of the acquisition. While management expects the business to be profitable when the benefits of the changes are felt, it is possible that this may not occur during this financial year.**

#### **Outlook**

**Waterco Limited is expecting steady growth for the second half of the year. However, it is uncertain at this time whether sales from the Northern Hemisphere, namely the United States and Europe, will contribute to the level the Company expects for the full financial year. With chemical sales lower than expected, sales revenue will likely be \$75 million instead of the \$80 million expected at the beginning of the financial year.**

#### **Performance Summary**

**Profit attributable to shareholders before tax was up by 16% to \$3.95 million.**

**Earnings per share of 14.9 cents were up by 11%.**

**An interim dividend of 6 cents per share fully franked has been declared.**

**The dividend will be paid on the 30<sup>th</sup> April, 2004 to shareholders registered at the close of business on the 2nd April, 2004.**

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