Preliminary final report

Name of entity

WATERCO LIMITED

ABN or equivalent company reference	Half yearly *(tick)*	Preliminary final *(tick)*	Half year/financial year ended ('current period')
62002070733		✓	30TH JUNE 2004

For announcement to the market

Extracts from this report for announcement to the market (see note 1). $A'000

Revenues from ordinary activities *(item 1.1)*	up	4.2%	to	74,474
Profit (loss) from ordinary activities after tax attributable to members (*item 1.22*)	up	38.9%	to	5,414
Profit (loss) from extraordinary items after tax attributable to members (*item 2.5(d)*)	gain (loss) of			
Net profit (loss) for the period attributable to members *(item 1.11)*	up	38.9%	to	5,414

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend *(Preliminary final report only - item 15.4)* Interim dividend *(Half yearly report only - item 15.6)*	9¢	9¢
Previous corresponding period *(Preliminary final report - item 15.5; half yearly report - item 15.7)*	7¢	7¢

+Record date for determining entitlements to the dividend, (in the case of a trust, distribution) *(see item 15.2)*	1st October 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)*	74,474	71,475
1.2	Expenses from ordinary activities (*see items 1.26 & 1.27)*	(66,414)	(64,964)
1.3	Borrowing costs	(939)	(1,201)
1.4	Share of net profits (losses) of associates and joint venture entities (*see item 16.7*)		
1.5	**Profit (loss) from ordinary activities before tax**	**7,121**	**5,310**
1.6	Income tax on ordinary activities *(see note 4)*	1,753	1,497
1.7	**Profit (loss) from ordinary activities after tax**	**5,368**	**3,813**
1.8	Profit (loss) from extraordinary items after tax (*see item 2.5*)	-	-
1.9	**Net profit (loss)**	**5,368**	**3,813**
1.10	Net profit (loss) attributable to outside +equity interests	(46)	(86)
1.11	**Net profit (loss) for the period attributable to members**	**5,414**	**3,899**
	Non-owner transaction changes in equity		
1.12	Increase (decrease) in revaluation reserves	4,814	-
1.13	Net exchange differences recognised in equity	(164)	(1,001)
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)	4,650	(1,001)
1.17	**Total changes in equity not resulting from transactions with owners as owners**	10,064	2,898

	Earnings per security (EPS)	Current period	Previous corresponding period
1.18	Basic EPS	26.7c	20.6c
1.19	Diluted EPS	26.7c	20.6c

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 (*item 1.7*)	5,368	3,813
1.21	Less (plus) outside +equity interests	(46)	(86)
1.22	**Profit (loss) from ordinary activities after tax, attributable to members**	**5,414**	**3,899**

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 *(see item 2.3)*		
Capitalised outlays			
1.28	Interest costs capitalised in asset values	-	-
1.29	Outlays capitalised in intangibles (unless arising from an +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 (*item 1.11*)	5,414	3,899
1.32	Net transfers from (to) reserves *(details if material)*	-	-
1.33	Net effect of changes in accounting policies	-	-
1.34	Dividends and other equity distributions paid or payable	2,673	2,081
1.35	**Retained profits (accumulated losses) at end of financial period**	**10,807**	**8,066**

Intangible and extraordinary items

		Consolidated - current period			
		Before tax $A'000 (a)	Related tax $A'000 (b)	Related outside +equity interests $A'000 (c)	Amount (after tax) attributable to members $A'000 (d)
2.1	Amortisation of goodwill	46	-	-	46
2.2	Amortisation of other intangibles	-	-	-	-
2.3	**Total amortisation of intangibles**	46	-	-	46
2.4	Extraordinary items (details)	-			
2.5	**Total extraordinary items**	-			

Comparison of half year profits

(Preliminary final report only)

		Current year - $A'000	Previous year - $A'000
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)	2,885	2,536
3.2	Consolidated profit (loss) from ordinary activities after tax attributable to members for the *2nd* half year	2,529	1,363

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
	Current assets			
4.1	Cash	1,424	2,808	3,700
4.2	Receivables	9,010	10,320	15,993
4.3	Investments	-	-	-
4.4	Inventories	20,040	16,711	20,471
4.5	Tax assets	-	-	-
4.6	Other (provide details if material)	690	535	949
4.7	**Total current assets**	**31,164**	**30,374**	**41,113**
	Non-current assets			
4.8	Receivables	1,596	494	1,619
4.9	Investments (equity accounted)	-	-	-
4.10	Other investments	-	-	-
4.11	Inventories	-	-	-
4.12	Exploration and evaluation expenditure capitalised *(see para .71 of AASB 1022)*	-	-	-
4.13	Development properties (+mining entities)	-	-	-
4.14	Other property, plant and equipment (net)	21,136	14,747	14,734
4.15	Intangibles (net)	790	396	600
4.16	Tax assets	1,330	1,100	1,454
4.17	Other (provide details if material)	3	-	-
4.18	**Total non-current assets**	**24,855**	**16,737**	**18,407**
4.19	**Total assets**	**56,019**	**47,111**	**59,520**
	Current liabilities			
4.20	Payables	5,724	7,900	14,324
4.21	Interest bearing liabilities	1,222	1,156	1,148
4.22	Tax liabilities	1,182	783	1,398
4.23	Provisions exc. tax liabilities	1,580	1,762	2,217
4.24	Other (provide details if material)	-	-	-
4.25	**Total current liabilities**	**9,708**	**11,601**	**19,087**
	Non-current liabilities			
4.26	Payables	-	-	-
4.27	Interest bearing liabilities	12,656	13,396	13,789
4.28	Tax liabilities	370	457	354
4.29	Provisions exc. tax liabilities	325	329	345
4.30	Other (provide details if material)	-	-	-
4.31	**Total non-current liabilities**	**13,351**	**14,182**	**14,488**

Condensed consolidated statement of financial position continued

4.32	**Total liabilities**	**23,059**	**25,783**	**33,575**
4.33	**Net assets**	**32,960**	**21,328**	**25,945**
	Equity			
4.34	Capital/contributed equity	18,140	13,823	17,869
4.35	Reserves	4,144	(507)	(1,323)
4.36	Retained profits (accumulated losses)	10,807	8,066	9,531
4.37	**Equity attributable to members of the parent entity**	**33,091**	**21,382**	**26,077**
4.38	Outside +equity interests in controlled entities	(131)	(54)	(132)
4.39	**Total equity**	**32,960**	**21,328**	**25,945**
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		
5.6	**Closing balance as shown in the consolidated balance sheet** *(item 4.12)*		

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		
6.7	**Closing balance as shown in the consolidated balance sheet** *(item 4.13)*		

Condensed consolidated statement of cash flows

		Current period $A'000	Previous corresponding period - $A'000
	Cash flows related to operating activities		
7.1	Receipts from customers	80,885	68,562
7.2	Payments to suppliers and employees	(75,266)	(57,516)
7.3	Dividends received from associates	-	-
7.4	Other dividends received	-	-
7.5	Interest and other items of similar nature received	63	18
7.6	Interest and other costs of finance paid	(939)	(1,201)
7.7	Income taxes paid	(1,670)	(792)
7.8	Other (provide details if material)	487	570
7.9	**Net operating cash flows**	**3,560**	**9,641**
	Cash flows related to investing activities		
7.10	Payment for purchases of property, plant and equipment	(3,307)	(1,138)
7.11	Proceeds from sale of property, plant and equipment	154	1,097
7.12	Payment for business	(1,086)	-
7.13	Proceeds from sale of business	-	379
7.14	Loans to other entities	-	-
7.15	Loans repaid by other entities	-	-
7.16	Other (provide details if material)	-	-
7.17	**Net investing cash flows**	**(4,239)**	**338**
	Cash flows related to financing activities		
7.18	Proceeds from issues of +securities (shares, options, etc.)	3,141	-
7.19	Proceeds from borrowings	74	7
7.20	Repayment of borrowings	(927)	(4,117)
7.21	Dividends paid	(2,704)	(2,082)
7.22	Other (provide details if material)	-	-
7.23	**Net financing cash flows**	**(416)**	**(6,192)**
7.24	**Net increase (decrease) in cash held**	(1,095)	**3,787**
7.25	Cash at beginning of period *(see Reconciliation of cash)*	1,808	(336)
7.26	Exchange rate adjustments to item 7.25.	(291)	(1,643)
7.27	**Cash at end of period** *(see Reconciliation of cash)*	422	1,808

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 year, the economic entity 1)acquired pland and equipment with an aggregate fair value of $250,907 (2003$246,199) by means of finance leases and 2)issued 500,000 shares at $2.35 each (amounting to $1,175,000 to Mr S S Goh under the delayed loan repayment terms of the Waterco C E O Share Plan. Both financing activities are not reflected in the statement of cash flows..

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current period $A'000	Previous corresponding period - $A'000
8.1 Cash on hand and at bank	1,424	2,808
8.2 Deposits at call	-	-
8.3 Bank overdraft	(2)	-
8.4 Other (provide details)	(1,000)	(1,000)
8.5 Total cash at end of period *(item 7.27)*	**422**	**1,808**

Other notes to the condensed financial statements

Ratios	Current period	Previous corresponding period
9.1 **Profit before tax / revenue** Consolidated profit (loss) from ordinary activities before tax (*item 1.5*) as a percentage of revenue (*item 1.1*)	9.56%	7.43%
9.2 **Profit after tax / +equity interests** 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*)	16.36%	18.23%

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.

Net Profit	5,368	3,813
Net Profit/(Loss) attributable to outside equity interests	(46)	(86)
Earnings used in calculation of basic EPS	5,414	3,899
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	20,298,038	18,921,362

NTA backing *(see note 7)*	Current period	Previous corresponding period
11.1 Net tangible asset backing per +ordinary security	$1.54	$1.11

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

-

Control gained over entities having material effect

13.1	Name of entity (or group of entities)	-
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 +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)	-
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	$

Dividends (in the case of a trust, distributions)

15.1	Date the dividend (distribution) is payable	8th November 2004
15.2	+Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if +securities are not +CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if +securities are +CHESS approved)	1st October 2004
15.3	If it is a final dividend, has it been declared? *(Preliminary final report only)*	Yes

Amount per security

		Amount per security	Franked amount per security at % tax (see note 4)	Amount per security of foreign source dividend
	(Preliminary final report only)			
15.4	**Final dividend:** Current year	9¢	9¢	¢
15.5	Previous year	7¢	7¢	¢
	(Half yearly and preliminary final reports)			
15.6	**Interim dividend:** Current year	6¢	6¢	¢
15.7	Previous year	6¢	6¢	¢

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

(Preliminary final report only)

		Current year	Previous year
15.8	+Ordinary securities	15¢	13¢
15.9	Preference +securities	¢	¢

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

		Current period $A'000	Previous corresponding period - $A'000
15.10	+Ordinary securities *(each class separately)*	1,253	1,136
15.11	Preference +securities *(each class separately)*		
15.12	Other equity instruments *(each class separately)*		
15.13	**Total**	**1,253**	**1,136**

The +dividend or distribution plans shown below are in operation.

The last date(s) for receipt of election notices for the +dividend or distribution plans	

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)*

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		
16.3 Profit (loss) from ordinary activities after tax		
16.4 Extraordinary items net of tax		
16.5 Net profit (loss)		
16.6 Adjustments		
16.7 Share of net profit (loss) of associates and joint venture entities		

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").)*

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

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 +securities	Total number	Number quoted	Issue price per security (see note 14) (cents)	Amount paid up per security (see note 14) (cents)
18.1	**Preference +securities** *(description)*				
18.2	Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks, redemptions				
18.3	**+Ordinary securities**	20,884,650	20,884,650		
18.4	Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks	1,950,000	1,950,000		
18.5	**+Convertible debt securities** *(description and conversion factor)*				
18.6	Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted				
18.7	**Options** *(description and conversion factor)*			*Exercise price*	*Expiry date (if any)*
	Directors option plan				
18.8	Issued during current period	-			
18.9	Exercised during current period	130,000	130,000	$1.16	31/3/04
18.10	Expired during current period	-			
18.11	**Debentures** *(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 A

(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 +accounts should be reported separately and attached to this report.)

Comments by directors - SEE ANNEXURE A

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 +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.

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

Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:

Place	36 SOUTH ST RYDALMERE NSW 2116
Date	9th NOVEMBER 2004
Time	3PM
Approximate date the +annual report will be available	11th OCTOBER 2004

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	

2 This report, and the +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 +accounts to which one of the following applies.
(Tick one)

☐	The +accounts have been audited.	☐	The +accounts have been subject to review.
☑	The +accounts are in the process of being audited or subject to review.	☐	The +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 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 a formally constituted audit committee.

Sign here: .... Date: 26th August 2004...........
(Managing Director)

Print name: Soon Sinn Goh...

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*. +Mining exploration entities may use the form of cash flow statement in Appendix 5B.

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 +ordinary securities (ie, all liabilities, preference shares, outside +equity interests etc). +Mining entities are *not* required to state a net tangible asset backing per +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 +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. Normally an Appendix 4B to which *AASB 1029 Interim Financial Reporting* applies would be for the half year and consequently the information in the current period is also the year to date. If an Appendix 4B Half yearly version is produced for an additional interim period (eg because of a change of reporting period), the entity must provide the year to date information and comparatives required by *AASB 1029 Interim Financial Reporting*. This should be in the form of a multi-column version of the consolidated statement of financial performance as an attachment to the additional Appendix 4B.

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 +ASIC under the Corporations Act must also be given to ASX. For example, a director's report and declaration, if lodged with the +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 10*18 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 +accounts.

The information in lines 1.23 to 1.27 may be provided in an attachment to Appendix 4B.

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 +accounts in accordance with *AASB 1042 Discontinuing Operations*.

In any case the information may be provided as an attachment to this Appendix 4B.

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.

WATERCO LIMITED AND CONTROLLED ENTITIES

ANNEXURE A

REVENUES AND EXPENSES FROM ORDINARY ACTIVITIES

	Economic Entity			
	2004		2003	
	$		$	
Revenues from ordinary activities				
Revenue from sales or services	73,768,726		69,667,362	
Interest revenue	63,156		18,241	
Other relevant revenue				
Dividend received	-		72	
Rent		165,092		194,996
Bad debts recovered	5,027		85,791	
Other			317,348	298,461
Proceeds on disposal of property, plant and equipment			154,248	1,210,358
Details of relevant expenses				
Changes in inventories of finished goods and work in progress		(3,125,091)		2,525,986
Raw Materials and consumables used	(36,697,810)		(41,949,570)	
Employee benefits expense	(11,519,838)		(10,615,560)	
Borrowing costs expense	(938,876)		(1,200,661)	
Advertising expense	(1,416,396)		(1,199,394)	
Discounts allowed	(1,588,311)		(1,963,106)	
Outward freight	(2,273,661)		(2,055,195)	
Rent expense	(1,995,550)		(1,352,173)	
Salary-Agency hire	(1,024,068)		(803,886)	
Warranty	(583,305)		(522,059)	
Commissions	(391,152)		(282,754)	
Other expenses from ordinary activities	(4,672,332)		(5,558,478)	
Depreciation and amortisation expense (excluding intangibles)	(1,126,320)		(1,188,396)	
Profit from ordinary activities (before income tax)	**7,120,887**		**5,310,035**	
Income tax expense relating to ordinary activities	**(1,752,541)**		**(1,497,498)**	
Profit from ordinary activities (after income tax)	**5,368,346**		**3,812,537**	
Net profit/(loss) attributable to outside equity interests	**(45,608)**		**(86,427)**	
Net profit attributable to members of Waterco Limited	**5,413,954**		**3,898,864**	

WATERCO LIMITED AND CONTROLLED ENTITIES

ANNEXURE A
SEGMENT REPORTING

(a) Industry Segments

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

(b) Geographical Segments

2004

	AUSTRALIA 2004 $	S.E.ASIA 2004 $	NEW ZEALAND 2004 $	UK 2004 $	OTHER 2004 $	ELIMINATION 2004 $	ECONOMIC ENTITY 2004 $
REVENUE							
SALES TO CUSTOMERS OUTSIDE THE ECONOMIC ENTITY	54,445,817	5,381,921	5,089,119	3,989,505	4,862,364		73,768,726
INTERSEGMENT SALES	2,231,207	10,470,591	14,756	107,690	1,640,111	(14,464,355)	-
UNALLOCATED REVENUE							704,871
TOTAL REVENUE	56,677,024	15,852,512	5,103,875	4,097,195	6,502,475	(14,464,355)	74,473,597
SEGMENT RESULT	6,393,127	1,564,002	(6,637)	(499,475)	469,208	(94,467)	7,825,758
UNALLOCATED EXPENSES NET OF UNALLOCATED REVENUE							(704,871)
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX							7,120,887
INCOME TAX EXPENSE							(1,752,541)
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX							5,368,346
SEGMENT ASSETS	52,839,200	15,350,147	2,271,450	1,592,136	3,138,415	(19,172,948)	56,018,400
SEGMENT LIABILITIES	25,334,720	8,284,126	1,779,030	1,744,681	1,519,821	(15,603,565)	23,058,813
DEPRECIATION & AMORTISATION	824,124	157,092	56,119	74,428	37,590	23,216	1,172,569
ACQUISITION OF NON CURRENT SEGMENT ASSETS	1,016,045	1,659,654	303,658	389,079	598,619	-	3,967,055

2003

REVENUE	AUSTRALIA 2003 $	S.E.ASIA 2003 $	NEW ZEALAND 2003 $	UK 2003 $	OTHER 2003 $	ELIMINATION 2003 $	ECONOMIC ENTITY 2003 $
SALES TO CUSTOMERS OUTSIDE THE ECONOMIC ENTITY	55,083,051	3,359,181	3,490,290	1,249,565	6,485,275		69,667,362
INTERSEGMENT SALES	3,055,561	11,905,853	21,550	385,605	1,211,915	(16,580,484)	-
UNALLOCATED REVENUE							1,807,919
TOTAL REVENUE	58,138,612	15,265,034	3,511,840	1,635,170	7,697,190	(16,580,484)	71,475,281
SEGMENT RESULT	5,380,078	1,295,706	192,791	(344,626)	789,878	(195,873)	7,117,954
UNALLOCATED EXPENSES NET OF UNALLOCATED REVENUE							(1,807,919)
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX							5,310,035
INCOME TAX EXPENSE							(1,497,498)
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX							3,812,537
SEGMENT ASSETS	41,308,844	11,180,482	1,620,381	1,270,199	2,435,813	(10,704,220)	47,111,499
SEGMENT LIABILITIES	24,446,090	5,156,339	1,110,312	1,163,698	1,896,955	(7,990,294)	25,783,100
DEPRECIATION & AMORTISATION	831,764	191,583	30,146	72,474	89,300	23,216	1,238,483
ACQUISTION OF NON CURRENT SEGMENT ASSETS	931,276	661,789	8,858	452,447	34,041	-	2,088,411

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

WATERCO LIMITED AND CONTROLLED ENTITIES

ANNEXURE A

COMMENTS BY DIRECTORS

Record sales revenue and profit

Improved sales performance in Asia, Australia and Europe helped Waterco achieve record total sales in 2003/4. Sales revenue increased six per cent over 2002/3, a pleasing result that was stronger than anticipated mid-year.

We are delighted to report a record profit of $5.4 million. Strong financial management helped improve margins in Australian operations and achieve economies of scale from our manufacturing facilities in Malaysia.

Excluding foreign exchange fluctuations (and the sale of Property in the prior year), the EBIT (earnings before interest and tax) margin improved to 10.6 per cent from 10 per cent in 2002/3. This was despite losses in New Zealand and Europe.

Your directors have declared a final dividend of 9.0 cents fully franked (2002/3: 7.0 cents), payable to shareholders on 8th November 2004. This brings total dividends for the year to 15.0 (2002/3: 13.0 cents).

Building an international group

In 2003/4, Waterco strengthened its international position as a developer, manufacturer and marketer of water treatment and filtration products, for both commercial and domestic markets. We now export to 40 countries from manufacturing facilities in Australia, China, Malaysia and the United Kingdom. In addition, we have offices in New Zealand and the United States.

In Australia and New Zealand, we distribute our products through the Swimart franchise network; and in Malaysia we distribute our water treatment products through our own Watershoppe outlets. In Europe we market under the Waterco Europe and Lacron brands since our acquisition of Lacron, Britain's leading manufacturer of pressure sand filters in 2002.

Key achievements during the year include development of new manufacturing facilities, a strengthened balance sheet and increased research and development.

Increased manufacturing capability

The company has taken advantage of regulatory changes in China and Malaysia to build new factory and office facilities. We are building an 11,000 square metre factory and office in the Guangzhou new economic zone, on land purchased from the Chinese Government and on terms that entitle us to income tax exemption and concessions for five years. We are also building a manufacturing facility of 18,000 square metres in Malaysia to cater for growth in Europe and the United States.

Capital raising and acquisitions

During the year, we raised $2.97 million through an equity placement to professional investors to strengthen the company's balance sheet, and fund organic growth and possible acquisitions. This helped to expand the shareholder base and increase share liquidity and, at an opportune time, we will seek additional capital to fund further growth.

Research and development

We continue to invest in research and development to ensure that our products provide exceptional value. This includes development of high-pressure filters, commercial pumps and greywater recycling systems for commercial markets. Greywater is water from wash basins, baths and showers that can be treated and re-used in the home and commercially to flush toilets, wash cars and water gardens, and there is increasing interest in recycling water in this way in Australia, northern China and in other markets.

Striving for operational excellence

Our international expansion has enabled us to benefit from economies of scale, stronger supply lines and product diversification.

We have consolidated acquisitions in the key areas of chemicals and pool equipment, franchising and commercial water treatment. We are also investing in manufacturing and in new processes to support increasing demand from customers, allowing factories to operate more efficiently.

Chemicals and equipment

Our Australian operations, which generate 73.8 per cent of our revenue, produced a good result, although sales were below expectation. The strong Australian dollar increased the attractiveness of imports and enabled customers to demand lower prices, resulting in lower margins. Unusually cool weather also reduced volumes of chemicals sold, contributing to lower revenue, although strong growth in sales to Swimart franchisees and improved sales to pool builders indicated an increase in overall market share. Operations at our Bankstown plant were downsized, as we increased imports of chemicals from China.

Equipment sales, which have a higher margin than chemicals and did not face the same competitive pressures, were on a par with the first half of the previous year and improved in the second half. Improved collection of book debts and inventory management helped reduce working capital.

Franchising
The franchising division recorded one of its best years for revenue growth. There are now 52 Swimart stores in Australia, including two in Newcastle acquired after balance date, and four in New Zealand. Swimart continues to underpin the performance of the group, and total retail sales exceeded 2002/3 by 17 per cent.

Sales in New Zealand were below expectation, and changes during the year resulted in one-off costs which led to a small loss for the division.

Commercial Water Treatment
In recent years, the commercial water treatment division has become the most significant contributor to Waterco's growth, and now comprises 13 per cent of total group sales.

Our high-pressure commercial filters provide a significant entry opportunity into the general water treatment market. They are used extensively to treat drinking water in Asia, removing the rust from galvanised pipes and other sediments that cause discolouration. We are also developing a range of commercial pool pumps, which can also be used in water treatment systems.

Aquaculture has become an important market, as our swimming pool expertise has helped design mass-produced, economically priced pumps and filters to replace metal products, which corrode over a short period. For the same reasons, businesses are using Waterco filters in water-cooling towers for air-conditioning, treating recirculated water to reduce incidence of legionnaires disease.

Greywater treatment
Our improved manufacturing base has enabled us to explore mass production of greywater recycling equipment, which shares common components with swimming pool water treatment systems.

Greywater needs to be bacteria-free to prevent infection, and the equipment that traditionally has been used is often expensive and uneconomic, and usually is installed only at the insistence of local municipal authorities.

We are negotiating to introduce our equipment in public car washes and, while no significant financial contribution is expected in 2004/5, we anticipate a fast-growing worldwide market.

Regional distribution
In the United States, first half sales were promising, but several major customers cut their orders in the second half to reduce inventory. This was offset by increased sales to the general trade and total revenue was in line with the previous year.

In Europe, stronger sales to new and existing customers demonstrated that after consolidating Lacron, we have achieved a strong beachhead for future sales growth. Changes to achieve greater synergies resulted in one-off costs, contributing to a loss for the year, but we expect our European business to be profitable in 2004/5.

In China, sales of swimming pool pumps and filters were strong, and most of the filters were made in the new facilities at Guangzhou. In South East Asia, particularly in Malaysia and Thailand, sales of household filtration systems contributed significantly to our results.

We have increased capacity for our plastic injection moulding division in Malaysia. Worldwide sales of pumps now allow facilities that lay idle during the Australian winter to be used year-round, and the division's profit is healthy. Increased commitment to China and Malaysia enabled us to close our Hong Kong office at the end of 2003.

Our future

We have in place many of the building blocks necessary to establish Waterco as an international leader of water treatment products, for both commercial and domestic markets. We will continue to expand our operations through providing quality products and services and through strategic acquisitions that can contribute to the company's growth.

Waterco's success would not be possible without the commitment of its people and I would like to thank our staff for their efforts. We now employ 479 people in 6 countries, compared with 211 people in 5 countries eight years ago, which demonstrates our growth in recent years. Our continued progress attests to the expertise and dedication of our staff.