Waterco Limited
Chairman's Address to the Annual General Meeting
9th November, 2004

I would like to briefly review the past year's highlights and discuss Waterco's outlook for the new financial year 2004/05. Rather than repeating in detail contents of the Annual Report, I will be providing details on the factors that lead us to arrive at Waterco's outlook for the new financial year.

Last financial year, sales revenue improved by 4.2%, over the previous year's. This translated into an excellent bottom-line result. This year, we are looking for an improvement in a result that will largely depend on increasing revenue beyond $80 million. This improvement will be mainly from our businesses in Australia, the United Kingdom and the USA.

While we have completed one full quarter, it is always difficult to predict how Waterco will perform for the full year based on this. In the past years, our results relied heavily on the performance of the Australian and New Zealand entities, with most of our revenue derived during the summer months, in particular the second quarter of the financial year. These two entities will continue to heavily influence the first half year's results but may, gradually in the near future, be less dominant, as our entities in the USA and Europe become more significant over the next few years.

Sales in the first quarter are encouraging, pointing towards a good year for us in Australia. The slowdown in housing has had no adverse impact on our business to date. We have made improvements in business from a gain in market share. The weather this year in the first quarter was not as favourable as that of the first quarter in the previous year, but it improved in October. Despite that, the Company made a good start in the first quarter, recording an increase in sales over the corresponding period last year. Overall, the sales trend looks promising and, assuming weather conditions remain normal for the rest of the season, we expect our sales revenue forecast to be on track to be above $80 million.

The northern hemisphere season in our industry has yet to commence and we are, therefore, at this stage, unable to comment on the outlook for our entities in Europe and the USA and its effect on the new financial year. Forward orders received indicate that sales in the USA are expected to be better than the previous year's. Activities to date suggest that there is no change in our outlook in regard to our total sales revenue. These two regions' markets are huge and, while we expect improvement in business over the previous year's, we do not expect that there will be significant impact on the group's revenue this financial year. Rather, we expect that activities will be stepped up in an orderly manner to cope with this large market.

After balance sheet date, Waterco Limited raised $5,488,000 (before costs of issue), through a placement of 1,715,000 fully paid ordinary shares at $3.20 each to institutional and professional investors. This placement of the Shares was to fund the expansion of manufacturing facilities in Malaysia and China to cater for increased global demand of our products. Subject to continuing improvement in our financial performance, we expect to continue placement of shares to improve the capital base and liquidity of Waterco Shares in the market. At all times, however, careful consideration will be given to ensure that the future Earnings Per Share will not be eroded after dilution.

In closing, I would like to thank shareholders for their continuing support, and of course, my fellow Directors the management and employees for the effort they have put in during the year.