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 2005

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	15.8%	to	86,231
Profit (loss) from ordinary activities after tax attributable to members (*item 1.22*)	down	22.8.%	to	4,176
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)*	down	22.8%	to	4,176

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)*	9¢	9¢

+Record date for determining entitlements to the dividend, (in the case of a trust, distribution) *(see item 15.2)*	30th September 2005

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)*	86,231	74,474
1.2	Expenses from ordinary activities (*see items 1.26 & 1.27)*	(78,780)	(66,414)
1.3	Borrowing costs	(1,244)	(939)
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**	**6,207**	**7,121**
1.6	Income tax on ordinary activities *(see note 4)*	2,018	1,753
1.7	**Profit (loss) from ordinary activities after tax**	**4,189**	**5,368**
1.8	Profit (loss) from extraordinary items after tax (*see item 2.5*)	-	-
1.9	**Net profit (loss)**	**4,189**	**5,368**
1.10	Net profit (loss) attributable to outside +equity interests	13	(46)
1.11	**Net profit (loss) for the period attributable to members**	**4,176**	**5,414**
Non-owner transaction changes in equity			
1.12	Increase (decrease) in revaluation reserves	(831)	4,814
1.13	Net exchange differences recognised in equity	(748)	(164)
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)	(1,579)	4,650
1.17	**Total changes in equity not resulting from transactions with owners as owners**	2,597	10,064

Earnings per security (EPS)		Current period	Previous corresponding period
1.18	Basic EPS	19.1c	26.7c
1.19	Diluted EPS	19.1c	26.7c

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*)	4,189	5,368
1.21	Less (plus) outside +equity interests	13	(46)
1.22	**Profit (loss) from ordinary activities after tax, attributable to members**	**4,176**	**5,414**

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	10,807	8,066
1.31	Net profit (loss) attributable to members (*item 1.11*)	4,176	5,414
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	3,462	2,673
1.35	**Retained profits (accumulated losses) at end of financial period**	**11,521**	**10,807**

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	63	-	-	63
2.2	Amortisation of other intangibles	-	-	-	-
2.3	**Total amortisation of intangibles**	63	-	-	63
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)	3,203	2,885
3.2	Consolidated profit (loss) from ordinary activities after tax attributable to members for the *2nd* half year	973	2,529

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	5,332	1,424	3,548
4.2	Receivables	12,951	9,010	17,188
4.3	Investments	-	-	-
4.4	Inventories	26,118	20,040	24,525
4.5	Tax assets	-	-	-
4.6	Other (provide details if material)	842	690	596
4.7	**Total current assets**	**45,243**	**31,164**	**45,857**
	Non-current assets			
4.8	Receivables	1,509	1,596	1,555
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)	23,029	21,136	21,019
4.15	Intangibles (net)	2,395	790	656
4.16	Tax assets	812	1,330	1,226
4.17	Other (provide details if material)	116	3	19
4.18	**Total non-current assets**	**27,861**	**24,855**	**24,475**
4.19	**Total assets**	**73,104**	**56,019**	**70,332**
	Current liabilities			
4.20	Payables	8,587	5,724	12,497
4.21	Interest bearing liabilities	1,222	1,222	1,235
4.22	Tax liabilities	1,055	1,182	1,451
4.23	Provisions exc. tax liabilities	1,513	1,580	1,835
4.24	Other (provide details if material)	-	-	-
4.25	**Total current liabilities**	**12,377**	**9,708**	**17,018**
	Non-current liabilities			
4.26	Payables	-	-	-
4.27	Interest bearing liabilities	21,538	12,656	14,102
4.28	Tax liabilities	1,514	370	348
4.29	Provisions exc. tax liabilities	302	325	336
4.30	Other (provide details if material)	-	-	-
4.31	**Total non-current liabilities**	**23,354**	**13,351**	**14,786**

Condensed consolidated statement of financial position continued

4.32	**Total liabilities**	**35,731**	**23,059**	**31,804**
4.33	**Net assets**	**37,373**	**32,960**	**38,528**

	Equity			
4.34	Capital/contributed equity	23,448	18,140	23,448
4.35	Reserves	2,565	4,144	3,113
4.36	Retained profits (accumulated losses)	11,521	10,807	12,130
4.37	**Equity attributable to members of the parent entity**	**37,534**	**33,091**	**38,691**
4.38	Outside +equity interests in controlled entities	(161)	(131)	(163)
4.39	**Total equity**	**37,373**	**32,960**	**38,528**

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	85,433	80,885
7.2	Payments to suppliers and employees	(78,894)	(75,266)
7.3	Dividends received from associates	-	-
7.4	Other dividends received	-	-
7.5	Interest and other items of similar nature received	117	63
7.6	Interest and other costs of finance paid	(1,244)	(939)
7.7	Income taxes paid	(2,189)	(1,670)
7.8	Other (provide details if material)	239	487
7.9	**Net operating cash flows**	**3,462**	**3,560**
	Cash flows related to investing activities		
7.10	Payment for purchases of property, plant and equipment	(3,966)	(3,307)
7.11	Proceeds from sale of property, plant and equipment	4,885	154
7.12	Payment for business	(9,709)	(1,086)
7.13	Proceeds from sale of business	346	-
7.14	Proceeds from sale of investments	14	-
7.15	Loans repaid by other entities	-	-
7.16	Payment for intangibles	(203)	-
7.17	**Net investing cash flows**	**(8,633)**	**(4,239)**
	Cash flows related to financing activities		
7.18	Proceeds from issues of +securities (shares, options, etc.)	5,308	3,141
7.19	Proceeds from borrowings	8,991	74
7.20	Repayment of borrowings	(255)	(927)
7.21	Dividends paid	(3,495)	(2,704)
7.22	Other (provide details if material)	-	-
7.23	**Net financing cash flows**	**10,549**	**(416)**
7.24	**Net increase (decrease) in cash held**	5,378	**(1,095)**
7.25	Cash at beginning of period *(see Reconciliation of cash)*	422	1,808
7.26	Exchange rate adjustments to item 7.25.	(1,468)	(291)
7.27	**Cash at end of period** *(see Reconciliation of cash)*	4,332	422

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 acquired plant and equipment with an aggregate fair value of $234,595 (2004$250,907) by means of finance leases and This financing activity is 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	5,332	1,424
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)*	**4,332**	**422**

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*)	7.2%	9.56%
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*)	11.12%	16.36%

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	4,189	5,368
Net Profit/(Loss) attributable to outside equity interests	(13)	(46)
Earnings used in calculation of basic EPS	4,176	5,414
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	21,876,061	20,298,038

NTA backing *(see note 7)*	Current period	Previous corresponding Period
11.1 Net tangible asset backing per +ordinary security	$1.55	$1.54

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	8^{th} November 2005
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)	30^{th} September 2005
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	9¢	9¢	¢
	(Half yearly and preliminary final reports)			
15.6	**Interim dividend:** Current year	7¢	7¢	¢
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	16¢	15¢
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)*	1,582	1,253
15.11	Preference +securities *(each class separately)*		
15.12	Other equity instruments *(each class separately)*		
15.13	**Total**	**1,582**	**1,253**

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**	22,599,650	22,599,650		
18.4	Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks	1,715,000	1,715,000		
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				
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	23rd NOVEMBER 2005
Time	3PM
Approximate date the +annual report will be available	11th OCTOBER 2005

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: 24th August 2005............
(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

PRELIMINARY FINAL REPORT 30TH JUNE 2005

ANNEXURE A

REVENUES AND EXPENSES FROM ORDINARY ACTIVITIES

	Economic Entity 2005 $	Economic Entity 2004 $
Revenues from ordinary activities		
Revenue from sales or services	80,963,607	73,768,726
Interest revenue	116,995	63,156
Other relevant revenue		
Dividend received	108	-
Rent	174,026	165,092
Bad debts recovered	3,319	5,027
Other	239,186	317,348
Proceeds on disposal of property, plant and equipment	4,734,176	154,248
Details of relevant expenses		
Changes in inventories of finished goods and work in progress	(2,037,900)	(3,125,091)
Raw Materials and consumables used	(43,352,922)	(36,697,810)
Employee benefits expense	(12,328,883)	(11,519,838)
Borrowing costs expense	(1,244,273)	(938,876)
Advertising expense	(1,645,585)	(1,416,396)
Discounts allowed	(1,171,389)	(1,588,311)
Outward freight	(2,347,119)	(2,273,661)
Rent expense	(2,330,076)	(1,995,550)
Salary-Agency hire	(813,476)	(1,024,068)
Warranty	(429,065)	(583,305)
Commissions	(606,111)	(391,152)
Depreciation and amortisation expense (excluding intangibles)	(1,200,338)	(1,126,320)
Other expenses from ordinary activities	(10,517,620)	(4,672,332)
Profit from ordinary activities (before income tax)	**6,206,660**	**7,120,887**
Income tax expense relating to ordinary activities	**2,017,503**	**(1,752,541)**
Profit from ordinary activities (after income tax)	**4,189,157**	**5,368,346**
Net profit/(loss) attributable to outside equity interests	**13,276**	**(45,608)**
Net profit attributable to members of Waterco Limited	**4,175,881**	**5,413,954**

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

2005

	AUSTRALIA 2005 $	S.E.ASIA 2005 $	NEW ZEALAND 2005 $	NORTH AMERICA 2005 $	OTHER 2005 $	ELIMINATION 2005 $	ECONOMIC ENTITY 2005 $
REVENUE SALES TO CUSTOMERS OUTSIDE THE ECONOMIC ENTITY	55,299,425	3,860,663	4,830,299	12,147,493	4,825,727		80,963,607
INTERSEGMENT SALES	2,634,567	11,174,723	14,917	91,815	1,995,468	(15,911,490)	-
UNALLOCATED REVENUE							5,267,810
TOTAL REVENUE	57,933,992	15,035,386	4,845,216	12,239,308	6,821,195	(15,911,490)	86,231,417
SEGMENT RESULT	10,359,686	918,692	107,946	1,197,149	(922,585)	(186,418)	11,474,470
UNALLOCATED EXPENSES NET OF UNALLOCATED REVENUE							(5,267,810)
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX							6,206,660
INCOME TAX EXPENSE							(2,017,503)
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX							4,189,157
SEGMENT ASSETS	66,319,633	16,093,297	2,882,943	7,300,070	3,664,286	(23,156,460)	73,103,769
SEGMENT LIABILITIES	34,328,343	9,060,743	2,326,789	3,647,014	2,012,689	(15,644,363)	35,731,215
DEPRECIATION & AMORTISATION	930,594	141,628	71,336	38,743	58,161	23,216	1,263,678
ACQUISITION OF NON CURRENT SEGMENT ASSETS	1,355,454	2,971,665	278,251	3,066,248	296,499	-	7,968,117

2004

	AUSTRALIA 2004 $	S.E.ASIA 2004 $	NEW ZEALAND 2004 $	NORTH AMERICA 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	3,801,207	5,050,662		73,768,726
INTERSEGMENT SALES	2,231,207	10,470,591	14,756	-	1,747,801	(14,464,355)	-
UNALLOCATED REVENUE							704,871
TOTAL REVENUE	56,677,024	15,852,512	5,103,875	3,801,207	6,798,463	(14,464,355)	74,473,597
SEGMENT RESULT	6,393,127	1,564,002	(6,637)	97,512	(127,779)	(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	1,455,129	3,275,422	(19,172,948)	56,018,400
SEGMENT LIABILITIES	25,334,720	8,284,126	1,779,030	1,415,458	1,849,044	(15,603,565)	23,058,813
DEPRECIATION & AMORTISATION	824,124	157,092	56,119	19,252	92,766	23,216	1,172,569
ACQUISITION OF NON CURRENT SEGMENT ASSETS	1,016,045	1,659,654	303,658	630	987,068	-	3,967,055

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.

Comments by Directors

Sales Revenue and Profit

Improved sales performance in the USA and the addition of two newly acquired businesses in the East Coast, USA and Canada in March 2005 contributed towards Waterco achieving record total sales of $81 million, up 10 per cent, reflecting the group's stronger global operations. Overseas revenue was 32 per cent of total sales, compared with 26 per cent the previous year.

A profit after tax of $4.18 million was disappointing, affected by three factors: an unrealized foreign exchange loss, restructuring costs in the United Kingdom and non-recognition of the profit from the sale of a property.

Excluding the foreign exchange loss, the EBIT (earnings before interest and tax) margin on sales was 10.2 per cent, compares with 10.6 per cent in 2004. If we exclude and the loss in the United Kingdom as well, the EBIT margin on sales would have been 12.51 per cent.

Your directors have declared a final dividend of 9.0 cents per share fully franked payable to shareholders on 8th November, 2005. This brings total dividends for the year to 16.0 cents per share, compared with 15 cents per share in the prior year.

Increasing an International Focus

In March 2005, Waterco strengthened its North American presence and expanded its product range through the acquisitions of the business assets of Focus Temp International Inc., the Canadian market leader for swimming pool heat pumps, and Baker Hydro Filtrations Inc., a United States producer of filtration and water treatment products. The combined purchase price for both businesses was $9.7 million.

These acquisitions complemented Waterco's existing sales and distribution operations on the West Coast of the United States and increased our North American sales. As a result of the Baker Hydro purchase, Waterco acquired a factory in Augusta, Georgia, which also provided an assembly plant for pumps and commercial filters. This enhanced distribution of Waterco products on the East Coast. The purchase of Focus Temp's operations at St-Hyacinthe, Quebec provided Waterco with an operational base in Canada.

Focus Temp International was a Quebec-based designer, manufacturer and marketer of highly energy-efficient swimming pool heat pumps, complementing Waterco's existing solar heating division. The acquisition of this business came with a dominant market share in Canada, and a growing presence in both the United States and International markets, including Europe, for this product. The strong dealer network will help introduce our other products into the Canadian market and other markets that Focus Temp had a presence in.

The heat pumps are suitable for above ground and in-ground swimming pools as well as spas and have low operating costs. Heat pumps are used outside the swimming pool industry to heat water at an economical rate, lower than conventional methods using oil and gas, the prices of which are currently at record highs. Heat pumps are used where solar heating is not practical, or as back-up heating when solar energy is low.

Baker Hydro Filtrations has more than 50 years' experience in filtration and water treatment, and is well known in the United States and International swimming pool industries. Baker Hydro manufactures and markets cartridge and sand filtration systems used in agriculture, aquaculture, industrial and recreational markets, including wastewater treatment and recycling. As part of the acquisition, Waterco owns eight acres of land and a 25,200 square foot factory at Augusta, Georgia.

The acquisition of Baker Hydro Filtrations Inc was completed on 4th March 2005 and the acquisition of Focus Temp International Inc was completed on the 17th March 2005 . These acquisitions increased Waterco's global footprint and shortened supply lines and delivery times. They will help us achieve critical mass in the key North American market, with both Baker Hydro's and Focus Temp's distribution networks to increase sales of both their and Waterco products, and build brand awareness.

The acquisitions were funded by working capital, augmented by additional banking facilities. The company's gearing increased to approximately 55 per cent and was reduced back to 47 per cent with the sale of the property at Bankstown, Sydney.

Manufacturing Capability

Construction of the company's manufacturing plant in China has commenced. The building has been extended to 12,000 square metres, and will be completed in mid-2006, six months later than expected. Construction of the 18,000 square metre manufacturing facility in Malaysia is scheduled for completion by end-2005.

While these facilities are being built, Waterco has rented premises to handle increased production. When complete, these facilities will lead to lower production costs and enable Waterco to compete more effectively in the North American and European markets.

Waterco is continuing research and development to broaden and diversify the use of products for water treatment, including commercial water treatment and Greywater recycling.

On a group basis, research and development costs reached a record level of $886,093.

Australian and New Zealand Operations

Our Australian operations produced a steady result. Chemical sales were soft while equipment sales, with their higher margins, were stable, providing a satisfactory result for the year. New stores added to the franchising division during the year will underpin growth of the Australian business. There are now 56 Swimart Stores in Australia and 4 in New Zealand.

The company improved its margin in New Zealand and reduced expenses, returning the division to profit. This was an acceptable result following a difficult year of restructuring, and increased revenue and profitability are expected in 2006.

Significant Items

Profit was affected by unrealized foreign exchange losses of $841,000 resulting from the impact of the stronger Australian dollar on inter-company loans at balance date. This unrealized loss has no effect on Waterco's cash flow. If foreign exchange losses are excluded, the group's after-tax profit would be $5.02 million.

During the year, Waterco sold and leased back its Bankstown property to reduce its property portfolio as well as to reduce its gearing. We had expected that the profit on the original cost of the property would be recognised in the 2005 result. The capital gains of $1.8 million before tax would have well offset the unrealised foreign exchange losses. However, we had been recently advised that accounting standards do not allow the recognition of a profit on original cost after there had been a prior revaluation. The profit after tax is now retained in the asset revaluation reserve.

The United Kingdom business was restructured to focus on sales and marketing, and manufacturing operations were restricted to commercial filters and pump assembly. A decision was made to relocate to reduce further the manufacturing activity during the last quarter of the financial year; new computer facilities were put in place with an enhanced level of information systems. This led to a further loss in the second half of the year with loss for the year being $1.3 million. A new Chief Executive Officer was appointed in the last quarter of the financial year and, restructuring now complete, the business' performance is expected to improve significantly.

Capital Raising

During the year, we raised $5.488 million (before costs of the offer) 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 the right time, we will raise additional capital to fund further growth in areas of water treatment.

Our Future

We have now completed restructuring of the United Kingdom operations and expect improved performance.

With the acquisitions of two businesses in the North American markets and an improved brand awareness, we expect sales there to reach $25 million.

All our businesses are sound, and our enlarged North American operations are exceeding our expectations. We are therefore confident of achieving a net profit in 2005/06 higher than our record $5.4 million in 2003/04, with group revenue reaching $95 million.