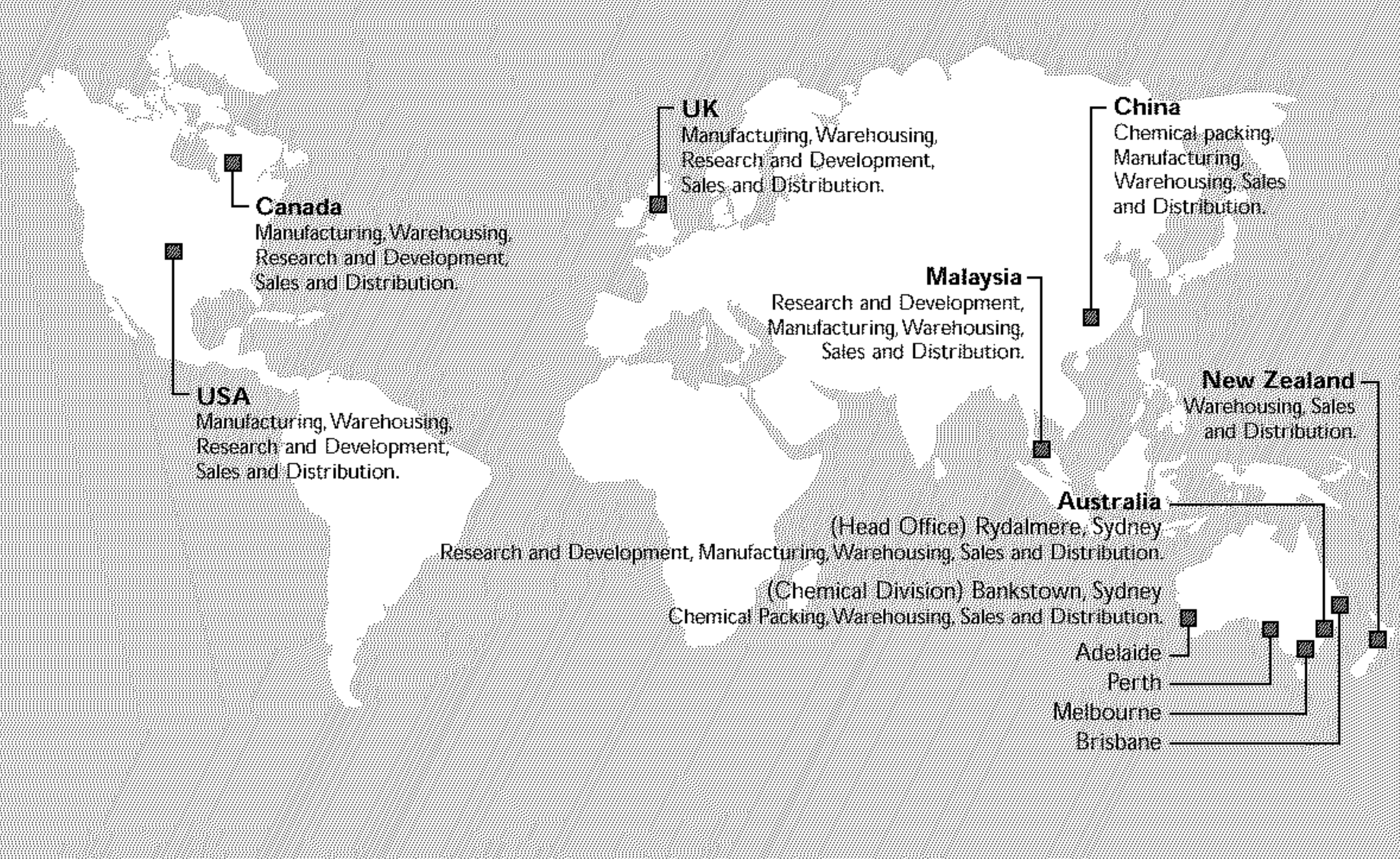
WATERCO

Water, the Liquid of Life

2005 Annual Report



NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of Waterco Limited A.B.N. 62 002 070 733 will be held at

36 South Street, Rydalmere NSW 2116 on Wednesday 23 November 2005 at 3.00pm.

Company Profile

Waterco commenced business in 1981 as a distributor of PVC pipes for swimming pools and spas. Since then, through a series of acquisitions as well as internal growth, the company has expanded into manufacturing and distribution of a comprehensive range of swimming pool and spa equipment and chemicals, as well as water treatment equipment.

Research & Development and Manufacturing

Waterco's R & D division has led to the development of innovative products, meeting the challenge of changes in the market place. Waterco's advanced fibreglass winding, pioneering plastic moulding and efficient manufacturing procedures enable Waterco to deliver high quality products at exceptional value.

Global Presence

Waterco exports to over 40 countries via branches operating in Australia, New Zealand, Malaysia, China, United Kingdom, United States of America, Canada and Indonesia as well as through international distributors.

Retail Distribution

Swimart – An Australian and New Zealand franchise network of swimming pool and spa equipment and chemicals retail outlets.

Zane Solar - A network of Australian solar pool heating dealers.

Watershoppe - A network of Malaysian domestic and commercial water filter dealers.

Economic Entity Financial Highlights

	2005 $	2004 $	2003 $	2002 $	2001 $	2000 $	1999 $
Operating revenue ($million)	86.23	74.47	71.48	61.01	56.19	46.58	41.98
Sales revenue ($million)	80.96	73.77	69.67	59.48	55.63	45.22	40.7
Earnings Before Interest and Tax (EBIT)	7,450,933	8,059,763	6,510,696	2,998,279	4,994,100	5,458,660	4,415,766
EBIT / Sales Revenue	9.2%	10.93%	9.35%	5.04%	8.98%	12.07%	10.85%
Profit from ordinary activities before income tax	6,206,660	7,120,887	5,310,035	1,795,746	3,765,014	4,740,966	3,799,268
Net profit attributable to Members of the Parent Entity	4,175,881	5,413,954	3,898,964	1,184,937	2,613,216	3,212,667	2,628,224
Total assets ($million)	73.43	56.02	47.11	47.18	44.55	35.61	31.3
Equity	37,697,207	32,959,587	21,328,399	20,560,630	21,628,021	19,270,279	17,466,867
Basic Earnings per share	19.1 cents	26.7 cents	20.6 cents	6.3 cents	14.2 cents	17.8 cents	15.4 cents
Dividend per share	16.0 cents	15.0 cents	13.0 cents	11.0 cents	11.0 cents	10.0 cents	9.0 cents
Net Tangible Assets per share	$1.54	$1.54	$1.11	$1.06	$1.13	$1.04	94.4 cents

Chief Executive Officer's Review of Operations

SALES REVENUE AND PROFIT

Improved sales performance in the USA and the addition of two newly acquired businesses on 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, compared with 10.6 per cent in 2004. If we exclude 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 cents per share fully franked payable to shareholders on 8th November 2005. This brings total dividends for the year to 16 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 :

- have complemented Waterco's existing sales and distribution operations on the West Coast of the United States and increased our North American sales.
- have increased Waterco's global footprint and shortened supply lines and delivery times.
- will help us achieve critical mass in the key North American market, and both Baker Hydro's and Focus Temp's distribution networks will help increase sales of both their and Waterco products, and build brand awareness.
- 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.

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 in Augusta, Georgia. which provides an assembly plant for pumps and commercial filters. This enhanced distribution of Waterco products on the East Coast.

Baker Hydro

Augusta, USA

Baker Hydro is the originator of the high rate filter which is still today, the technology used by most filter manufacturers. Baker Hydro currently services the swimming pool, aquaculture, industrial and commercial industries.

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 high 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.

Focus Temp

Quebec, Canada

Established in 1997, Focus Temp is a Quebec-based manufacturer and marketer of highly energy efficient swimming pool heat pumps.

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.

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 grey water 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 unrealized 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 company's 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 further reduce 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 $5.308 million (net of expenses) 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.

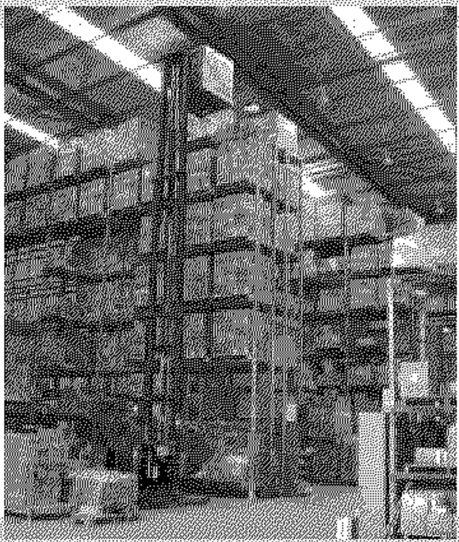
OUR FUTURE

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

With the acquisitions of the 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.

Perth's New Office



Waterco Western Australia

Perth, Western Australia

Waterco's newly built Perth warehouse has a separate dangerous good store, and a hardstand to suit container deliveries. The warehouse facility is 12 metres high at its peak, allowing for storage of equipment up to 9.5 metres in height.

New Zealand's New Office

Waterco New Zealand

Auckland, New Zealand

Waterco opened its new premises in Penrose with a warehouse of over 2000 sqm, nearly 3 times the size of its former site at Rockfield Rd. The new warehouse has double the pallet and bulk handling capacity.

Swimart's New Stores

Rouse Hill

New South Wales, Australia

Greensborough

Victoria, Australia

The franchise division recorded another year of solid growth with the number of stores in Australia increasing to 56, including two more stores opening after the end of the reporting period, one in Rouse Hill, New South Wales and the other in Greensborough, Victoria. Swimart continues to underpin the performance of the group with total sales exceeding the previous years figure by 6%.

Commercial Water Treatment

The Commercial Water Treatment Division continues to be a significant contributor to Waterco's growth. Waterco continues to diversify into water treatment areas such as industrial and household water treatment, aquaculture, cooling towers and grey water recycling.

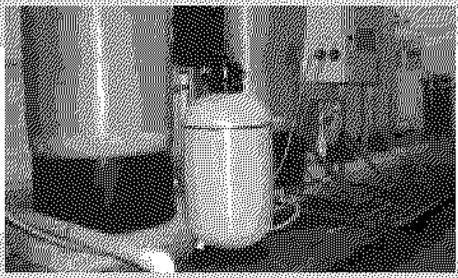
Grey water treatment

Over the past few years the efficient and economical use of water resources has become a major global issue. Reclaiming grey water for additional and varied uses is a key factor in the conservation of water. With this in mind, Waterco has initiated two field trials of its clarification and filtration equipment. These trials will assist us in proving our technology in the treatment of grey water and simultaneously provide market exposure. The data obtained from these trials will also provide us with additional proof of the cost effectiveness of our equipment and technology in a variety of applications.

Grey Water Treatment Field Trials

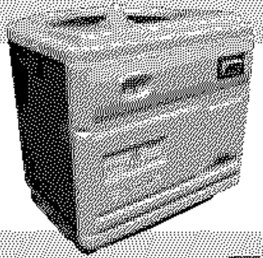
In one field trial we are working closely with a waste management company in treating wash down water from their truck washing facilities. The water being treated in this trial is excessively dirty, containing high levels of oils, suspended solids and dissolved solids. The objective of the trial is to provide water which is acceptable to water municipalities and/or of a reasonable quality so it can be reused in the car/truck washing systems.

A second trial is being conducted at a well-known brewery in Brisbane. At present, to wash down its pasteurizers and bottling equipment, the facility uses thousands of litres of water which is currently not acceptable for reuse. The objective of this trial is to reduce dissolved solids, and biological contamination so the water can be reused in other parts of the facility.



Electronic clarifier brewery installation
Brisbane, Australia

In addition to the two trials under way for our clarification technology, we continue to make progress on the use of our equipment in cooling towers. As part of their normal operation, cooling towers bleed an excessive amount of water on a daily basis in an effort to control scale formation and microbiological growth, such as Legionella. Our future objective in this market will be to significantly reduce water use and improve chemical and biological controls in cooling systems.



ElectroHeat Swimming Pool Heat Pumps

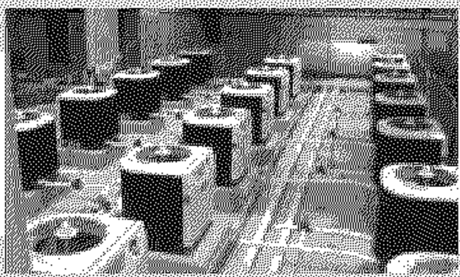
The ElectroHeat is Waterco's latest advancement in the swimming pool heating. The ElectroHeat pump is one of the most energy efficient means of heating the swimming pool all year round.

The ElectroHeat operates like a reversed closed cycle cooling system, it uses an evaporator, a compressor, and a condenser to heat water, rather than cool air.

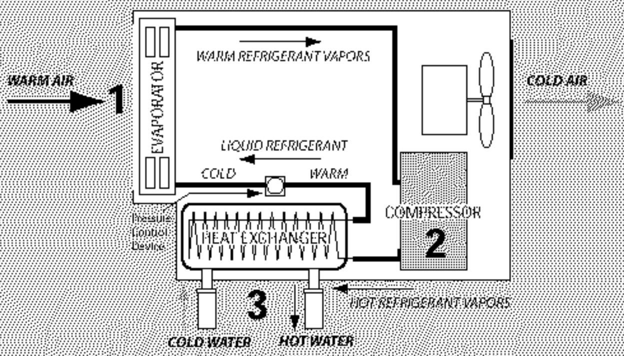
ElectroHeat absorbs heat from ambient air, amplifying the process via compression action of the compressor, and transfers it to the water in the heat exchanger (condenser).

The ElectroHeat does not generate heat itself and only requires a small amount of electrical energy to operate a compressor and a fan motor. The ElectroHeat is capable of producing up to 5 times more heat energy than the electrical power it consumes.

To eliminate the risk of corrosion, ElectroHeat's cabinet is non-metallic and its heat exchanger is manufactured from titanium.



Focus Temp Heat Pump Installation
Torreon public sport centre, Mexico
13 Excellence 125's heat the olympic swimming pool and 8 Excellence 125's heat the diving pool. The heat pumps maintain a constant water temperature of 28°C all year round.



ElectroHeat's heating process

Board of Directors

SOON SINN GOH - FCPA
Chairman/CEO

Mr Goh is the founder of Waterco Limited. He has been a member of the Board since the Company's incorporation in February, 1981. Prior to the inception of Waterco, he was the Managing Director of a company specialising in the construction of water and sewage treatment facilities. His extensive experience in the water treatment industry is instrumental to the success of Waterco.

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

BRUCE LEITCH
Marketing/Sales Director

Mr Leitch was appointed to the Board in November 1992. He has a strong background in sales and marketing in both Australia and overseas. He has twenty five years' experience in the pool industry, eighteen of them with Waterco. Mr Leitch has overall responsibility for group sales throughout Australia, New Zealand and USA and is also responsible for the growth and development of the Swimart franchising and Zane solar pool heating businesses.

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

GARRY NORMAN - B COM CA
Non-Executive Director

Mr Norman was appointed to the Board as a non executive director in October 1993. He is the principal of the chartered accountancy firm G R Norman and Co. He has a solid background in accountancy, having worked for fourteen years with Duesburys Chartered Accountants, where prior to his departure, in order to establish his own firm, he was a manager of the Business Services Division. He is the Chairman of the Audit Committee and a member of the Remuneration Committee.

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

STUART LLOYD - FCA
Non-Executive Director

Mr Lloyd was appointed to the Board as a non executive director in November 1994. He is a Fellow of the Institute of Chartered Accountants in Australia, and a member of CPA Australia. He has practised as a professional accountant in his own firm since 1982 and is also a director of companies involved in IT Services and Specialised Security and SmartCard Technologies. He is the Chairman of the Remuneration Committee and a member of the Audit Committee.

Listed company directorships held during the past three financial years:

Biometrics Limited from 31 March 2005 to 3 August 2005.

Lloyd Cooper Associates Limited from 1 June 1982 to 31 July 2005.

BEN HUNT - PHD (ANU)
Non-Executive Director

Professor Hunt was appointed to the Board as a non executive director in June 1998. He is the Associate Dean (Teaching & Learning) of the Faculty of Business and and an Associate Professor of Finance at the University of Technology, Sydney (UTS). He has a doctorate from the Australian National University. In addition to his role as a lecturer, teacher and administrator at UTS, Professor Hunt is a Director of Protango Computing, a development house that specialises in financial software. Although Professor Hunt has written extensively on Australian financial markets, his knowledge extends to the South East Asian region. He is a regular presenter of financial seminars in Hong Kong and Singapore for Euromoney. He is a member of the Audit Committee and of the Remuneration Committee.

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

This statement sets out the corporate governance practices that the Company had in place during the financial year ended 30 June 2005.

In compliance with ASX Listing Rule 4.10, this statement:

- discloses the extent to which the Company has followed the ASX Best Practice Recommendations during the financial year; and
- identifies those recommendations that have not been followed, and the reasons for not following them.

As foreshadowed in last year's Annual Report, the Board and senior management have, during the course of the financial year, taken time to review the Company's governance structures and policies in light of the ASX Best Practice Recommendations. This process has resulted in the updating of some existing policies, and the adoption and publication of new ones.

PRINCIPLE 1
LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Role of the Board

The Board oversees the business and operations of the Company directly or through its committees with particular focus on and responsibility for:

- developing and approving strategies designed to ensure the controlled growth and success of the entity;
- the monitoring of senior management's strategy implementation and performance;
- ensuring that the necessary resources are available to allow effective strategy implementation by senior management;
- monitoring of the Company's control and accountability systems;
- reviewing and adopting annual budgets for the financial performance of the Company and monitoring the results on a regular basis;
- monitoring and approving any other necessary reporting, financial or otherwise;
- ensuring that the Company has implemented adequate systems of internal controls and risk management strategies together with appropriate monitoring of compliance activities; and
- approving and monitoring fundamental areas of the Company's financial operation, including major capital expenditure and capital management.

Some responsibilities and authorities have been delegated to senior management for the purposes of operating the Company's day to day activities.

In accordance with the ASX Best Practice Recommendations, some further responsibilities have been delegated to the Company's committees. Satisfaction of these responsibilities is monitored by the Board by way of established lines of communication between the Board and the committees.

During the year the Board discussed and on 31 March 2005 adopted a Board Charter which reflects these principles and deals with other matters relating to the Company's Board structure. This Board Charter is published on the Company's website www.waterco.com.

PRINCIPLE 2
STRUCTURE THE BOARD TO ADD VALUE

Board Composition

The Board of Directors comprises an Executive Chairman who is also the Chief Executive Officer, an Executive Director and three Non-Executive Directors. The Board views each of the three Non-Executive Directors as being independent.

The Board's membership is reviewed periodically as deemed necessary to ensure that it maintains an appropriate mix of skills, qualifications and experience. At each Annual General Meeting (AGM) one third of the directors (excluding the Chief Executive Officer) and any director appointed to fill a casual vacancy since the previous AGM must retire but may stand for re-election.

The Board has adopted the principle that it will comprise at least five directors at any time, and will maintain a majority of Non-Executive (and, where possible, independent) Directors.

A policy setting out the details of the selection and appointment process for new directors of the Company was prepared during the course of the financial year and adopted by the Board on 12 May 2005. This policy is published on the Company's website.

Directors

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

Soon Sinn Goh
Bruce Leitch
Garry Norman
Stuart Lloyd
Ben Hunt

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

The details of the directors' qualifications and experience are included in the **Board of Directors** section of the Company's annual report.

Independent Directors

A majority of the Board – Garry Norman, Ben Hunt and Stuart Lloyd - are independent directors, taking into account the guidelines set out in Box 2.1 in Principle 2 of the ASX Guidelines.

The Company's materiality threshold for assessing the materiality of directors' other relationships with the Company is conducted on a case by case basis by the Board. Where an entity associated with a Director provides services to the Company, the Board uses a threshold of $100,000 in fees in a financial year as a guideline. However the Board does not follow an inflexible set of criteria but considers whether the relationship in question is one reasonably likely to interfere with that director's independent judgement. Although the ASX Guidelines identify longevity of appointment as potentially affecting a director's independence, the Board does not believe that this is a relevant concern for any of the three Non-Executive Directors. Further details as to how the Board assesses independence can be found in the Board Charter published on the Company's website.

The Company's directors have the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as directors. This right is subject to prior approval of the Chairman. In the light of the fact that all directors are aware of this right, the Board is of the opinion that a more formal procedure for directors to seek independent legal advice need not be established at this time.

Chairperson of the Board

The roles of Chairperson and Chief Executive Officer are both held by Mr Goh. The Board believes that Mr Goh brings a vital level of experience both in relation to the industry and the operations of Waterco itself to both of these roles. Also, as the major shareholder of Waterco, Mr Goh's commitment to the success of Waterco is unquestionable. Therefore it is the Board's opinion that it is appropriate in the Company's circumstances that the two roles be combined. With three of the Board's five Directors being independent, and with Independent Directors chairing the Audit and the Remuneration Committees, the Board is also of the opinion that it is not necessary that the office of Chairperson be held by an independent director.

Nomination Committee

The Company has not established a Nomination Committee. The ASX Guidelines acknowledge that such committees are more appropriate in large companies. The Board is of the opinion that it is appropriate in a company the size of Waterco for the Board as a whole to fulfil this role.

PRINCIPLE 3
PROMOTE ETHICAL DECISION MAKING

During the financial year the Board discussed and on 31 March 2005 adopted a code of conduct for directors and employees that addresses the issues referred to in Box 3.1 in Principle 3. The Company has published this code on its website. In addition to the code of conduct:

- there is a published policy within the organisation on accepting gifts;
- employees' letters of appointment emphasise their obligations to protect the Company's confidential information, not to misuse Company property, to act responsibly in matters of health and safety and to conduct themselves ethically and lawfully;
- the Company's audit committee has responsibility for encouraging the reporting by employees of matters of concern; and
- these matters are reinforced in the Company's induction processes for employees.

The Board finalised the Company's draft share trading policy, referred to in last year's report, and adopted it on 31 March 2005. This policy is entitled "Staff and Officer Trading Policy" and is published on the Company's website.

PRINCIPLE 4
SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

CEO/CFO Signoffs

At the Board meeting at which the 2005 financial reports were approved, the Chief Executive Officer and Chief Financial Officer advised the Board in writing that they were satisfied that:

- the Company's financial reports presented a true and fair view, in all material respects, of the Company's financial condition and the operational results and that they had been prepared in accordance with the relevant accounting standards; and
- the Company's financial reports were founded on a system of risk management and internal compliance and control which implements the policies adopted by the Board, and that this system is operating efficiently and effectively in all material respects.

Audit Committee

The Audit Committee operates under the Audit Committee Charter which was revised by the Audit Committee and Board during the year. The revised version was adopted on 12 May 2005 and is published on the Company's website.

The role of the Audit Committee is to oversee the existence and maintenance of internal controls, accounting systems, and the financial reporting process. The Committee also nominates external auditors, reviews existing audit arrangements and co-ordinates external and internal auditing functions. In addition, the audit committee examines any other matters referred to it by the Board.

Throughout the last financial year (and to the date of this report) the Audit Committee consisted of three independent directors, and was headed by an independent chairperson not holding the position of chairperson of the Board.

The members of the Audit Committee during the last financial year were:

Garry Norman – Chairman
Stuart Lloyd
Ben Hunt

The number of Audit Committee meetings and details of Committee members' attendance are included in the **Directors' Report.**

PRINCIPLE 5
MAKE TIMELY AND BALANCED DISCLOSURE

The Board formalised the Company's continuous disclosure systems by adopting a written policy on 31 March 2005 and this policy is published on its website. This policy sets out the rules and responsibilities for Waterco's officers and employees in promoting timely and balanced disclosure of all material matters concerning the Company.

As detailed in the continuous disclosure policy, the Board has delegated responsibility for compliance with disclosure requirements to the company secretaries, who work in conjunction with the company's senior management to ensure ASX Listing Rule disclosure requirements are satisfied.

The company secretaries are required to:

- keep themself informed and up to date regarding the type of information that must be disclosed;
- notify senior management of any developments in disclosure requirements;
- promote an understanding of disclosure requirements within the company;
- monitor and note compliance with disclosure requirements;
- monitor and review the safeguarding of company information to avoid premature disclosure;
- monitor and/or manage external communication lines such as media releases and shareholder queries.

The Board undertakes to provide the company secretaries and senior management with the necessary resources to allow all disclosure requirements to be met in a timely and balanced fashion.

PRINCIPLE 6
RESPECT THE RIGHTS OF SHAREHOLDERS

The Board adopted a communications strategy entitled "Shareholder Communication Policy" on 31 March 2005 and this is published on its website. This policy details the mechanisms put in place to ensure that the rights of shareholders are respected and to facilitate the effective exercise of those rights.

The Board requests that the external auditor attend the annual general meeting (AGM) for the purpose of answering shareholder questions regarding the conduct of the audit and the preparation and content of the audit report, and to facilitate the rights of shareholders (introduced by the CLERP 9 amendments) to ask certain questions of the auditor in writing in advance of the AGM.

PRINCIPLE 7
RECOGNISE AND MANAGE RISK

The Board is continuing to work on formalising the Company's Risk Management Policy but the basic principles are summarised and published on the Company's website "Summary of Risk Management Policy". This summary was approved by the Board on 12 May 2005.

PRINCIPLE 8
ENCOURAGE ENHANCED PERFORMANCE

The Board is committed to an ongoing internal process of performance evaluation of the Board, its committees, individual directors and key executives to ensure the diligent and effective discharge of responsibilities and a consistent mindset of improving corporate governance practices.

A draft Induction Policy for New Executives and Directors and a draft Board Performance Evaluation Policy have been discussed by the Board during the course of the financial year.

These two policies are currently awaiting Board approval. A summary of the Board Performance Evaluation Policy will be published on the Company's website once it has been adopted.

PRINCIPLE 9
REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration of Directors and Key Executives

The Board continued to review the draft remuneration policy during the financial year.

The company's revised remuneration policy was approved by the Board on 24 August 2005.

In constructing, reviewing and determining the remuneration policy for executive directors and the senior executive team, the Remuneration Committee has considered a number of factors including:

- the importance of attracting, retaining and motivating management of the appropriate calibre to further the success of the business;
- linking pay to performance by rewarding effective individual achievement as well as business performance; and
- the mix within the package which is designed to align personal reward with shareholder value over both the short and long term.

The executive directors' and the senior executive team's packages consist of a number of components:

- salary
- short term incentives, combined with the ability to apply cash bonuses towards the acquisition of shares,
- long term incentives (in the case of the CEO, via the CEO Share Plan)
- benefits

Details of directors' remuneration, and remuneration of the Company's five highest paid executives are contained in the **Remuneration Report.**

The Company's remuneration policy, the essential elements of which have been in operation throughout the financial year, is founded upon the following objectives:

- ensuring a direct link between remuneration and corporate performance. Key performance indicators will apply to deliver results to the Company;
- making remuneration decisions that are appropriately balanced between market factors, organisational factors and individual factors;
- ensuring that remuneration is linked to the creation of value to shareholders;
- ensuring that both financial and non-financial performances are rewarded; and
- integrating remuneration principles into the performance management system

This remuneration structure is intended to deliver the following outcomes, identified in the IFSA Executive Share and Option Scheme Guidelines:

- ensuring that total remuneration is reasonable, taking into account the responsibilities and commitments of the executive;
- aligning executives' interests with those of shareholders, by setting benchmarks based on improved company performance. The CEO Share Plan, approved in November 2003, contains performance hurdles based on improved Company performance. Depending on the extent to which those hurdles are met, the CEO may be entitled to access some, all, or none of the shares allocated to him under the Plan.
- ensuring that the number of shares or options issued under incentive schemes are a reasonable proportion of total issued capital; and
- ensuring that shareholders understand the costs and benefits of the remuneration.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board of Directors on remuneration packages and policies for the Executive Directors and the executive team. The Remuneration Committee Charter (which had existed in draft form since August 2003) was finalised by the Board on 23 June 2005 and is published on the Company's website.

Throughout the last financial year (and to the date of this report), the Remuneration Committee consisted of three independent directors, and was headed by an independent chairperson not holding the position of chairperson of the Board.

The members of the Remuneration Committee during the year were:

- Stuart Lloyd – Chairman
- Garry Norman
- Ben Hunt

The number of Remuneration Committee meetings and details of Committee members' attendance are included in the **Directors' Report.**

Remuneration of Non-Executive Directors

Remuneration of the Company's Non-Executive Directors is determined by the Waterco Board itself, upon receipt of advice from external consultants. No equity-based remuneration was offered to Non-Executive Directors in the financial year just ended, nor is there any proposal to do so this year. Non-Executive Directors are not entitled to any retirement benefits other than statutory superannuation.

Equity-Based Remuneration

During the last financial year, shares were offered, bought or issued to executive directors and senior executives under:

- the "Exempt" and "Deferred" plans, which commenced on 1 July 02 and continued to operate throughout the financial year just ended. All employees, including eligible executive directors were invited to participate. However, Executive Directors were not entitled to the additional contribution made by the Company where employees salary sacrifice to acquire shares.

Details of the value of shares offered, bought or issued are included in the **Remuneration Report.**

PRINCIPLE 10

RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS

The Company has published its code of conduct in relation to the Company's compliance with its legal and other obligations to its legitimate stakeholders on its website. As suggested by the ASX Best Practice Recommendations, the Board adopted a single code of conduct on 31 March 2005 to address the matters covered by both principle 3 and principle 10.

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2005.

Directors

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

Soon Sinn Goh
Bruce Leitch
Garry Norman
Stuart Lloyd
Ben Hunt

Directors have been in office since the start of the financial year unless otherwise stated. For details of the directors' qualifications and experience, refer to the **Board of Directors** which is to be read as part of this report.

Company Secretaries

The following persons held the position of joint company secretary at the end of the financial year:

Bee Hong Leo

Mrs Leo was appointed Company Secretary on 3 March 1983. She has been employed by Waterco since March 1981 performing management roles in the administration, payroll and legal divisions.

Gerard Doumit CPA

Mr Doumit was appointed Joint Company Secretary on 22 July 1991. He joined Waterco on 5 January 1987 as the Accountant and is currently the Chief Accountant and Joint Company Secretary.

Principal Activities

The principal activities of the economic entity during the financial year were:

- Wholesale, export and manufacture of equipment and accessories in the swimming pool, spa pool, spa bath, rural pump and water treatment industries;
- Manufacture and sale of solar heating systems for swimming pools and pre-heat industrial solar systems;
- Franchise of retail outlets for swimming pool equipment and accessories.
- Packing and distribution of swimming pool chemicals to pool shops, supermarket and hardware chains.

Consolidated Results

The consolidated result for the year in review was a profit of $4,175,881

Dividends

Dividends paid or declared for payment are as follows:

- Final ordinary dividend of 9 cents per share paid on 8 November 2004 as recommended in last year's report - $1,879,618
- Interim ordinary dividend of 7 cents per share paid on 9 May 2005 - $1,581,976
- Final ordinary dividend of 9 cents per share declared by the directors to be paid on 8 November 2005 - $2,033,969

All dividends paid or declared since the end of the previous financial year were fully franked.

Review of Operations

A review of operations of the economic entity during the financial year and of the results of those operations together with likely developments in the operations of the economic entity and the expected results of those operations are set out in the **Chief Executive Officer's Review of Operations.**

Financial Position

The net assets of the economic entity have increased by $4.74 million from $32.96 million in June 2004 to $37.70 million in June 2005.

The change has largely resulted from:

- shares issued in November 2004 of $5.308 million (net of expenses);
- downward movement in reserves of $1.579 million (asset revaluation $0.831 million and foreign currency translation $0.748 million) and;
- movement in profits (less dividends) of $0.715 million.

The group's working capital being current assets less current liabilities improved from $21.456 million in 2004 to $32.865 million in 2005.

The economic entity's strong financial position has enabled it to purchase the two businesses in North America costing $9.7million and at the same time commence construction on a new building in Malaysia to expand its manufacturing base for future growth.

The directors believe that the Group is in a strong and stable financial position to expand and grow its current operations.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

- On 15 November 2004 the company issued 1,715,000 ordinary shares at $3.20 each by way of placement to fund the new manufacturing and office facilities in Guangzhou, China and in Malaysia.
- On 29 November 2004,Waterco (C) Ltd allotted 1 million shares at RMB 8.2763 ($A1.27) each to Waterco Ltd.The purpose of the funds raised was to partly pay for the construction of a new building in China.
- In March 2005, Waterco USA Inc and Waterco Canada Inc acquired the assets of Baker Hydro Filtrations Inc (a filter manufacturing business based in Georgia, USA) and Focus Temp International (a heat pump manufacturing business based in Quebec, Canada) respectively for a total $A9.7m (including a property). On 16 March 2005,Waterco Canada Inc allotted 1.25 million shares at $CAD1.00 ($A1.05) each to Waterco Ltd. On 30 June 2005 Waterco Canada Inc allotted another 1.25 million shares at $CAD 1.00 ($A1.0717) each to Waterco Ltd.

The directors are not aware of any other significant changes in the state of affairs of the economic entity that occurred during the financial year which have not been covered elsewhere in this report.

After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

Likely Developments

Information as to likely developments in the operations of the economic entity are included in the Chief Executive Officer's Review of Operations. Other possible developments have not been included in this report as such inclusions would, in the opinion of the directors, prejudice the interests of the economic entity.

Environmental Issues

The entity's operations are subject to some environmental regulations, particularly with regard to the storage of chemicals and waste management. The consolidated entity has adequate systems in place for the management of its environmental requirements. The directors are not aware of any breaches of the environmental regulations during the financial year.

Share Options

There are no options outstanding at the date of this report. No new option was granted during or since the end of the financial year.

Remuneration Report

Remuneration Committee

The remuneration committee operates under the delegated authority of Waterco's Board. The committee's charter is available on Waterco's website at www.waterco.com

The committee is made up solely of independent Non-Executive Directors. Its members throughout the financial year were:

- Stuart Lloyd - Chairman
- Garry Norman
- Ben Hunt

The committee met nine times during the year, with Stuart Lloyd and Ben Hunt attending all meetings. Garry Norman attended eight meetings during the year.

The committee's primary responsibility is to assist the Board in fulfilling its corporate governance responsibilities with respect to:

- Waterco being able to attract and retain executives and directors who will create value for shareholders and who will support the Waterco Mission.
- Waterco fairly and responsibly rewarding executives and directors having regard to the interests of shareholders, the performance of the company, the performance of the executives and directors and the employment market conditions.

The committee has the appropriate resources and authority to discharge its duties and responsibilities, including the authority to engage external professionals, on terms it determines appropriate, with the approval of the Chairman of the Board.

Waterco has a number of external remuneration advisors who are independent and engaged on the basis of their competency in the relevant field. During the financial year, neither Waterco nor the committee engaged any external advisors on matters relating to remuneration.

Remuneration Principles

The Committee recognises that Waterco operates in a global environment and that its performance depends on the quality of its people. To successfully achieve its financial and operating objectives, Waterco must be able to attract, retain and motivate highly skilled executives dedicated to the interests of its shareholders.

Waterco's remuneration principles

- Competitive remuneration arrangements are provided to attract, retain and motivate executive talent.
- Rewards to executives are linked to the creation of value to shareholders.
- Full legal compliance and disclosure of executive remuneration.

The Board and the committee also recognise that although remuneration is a major factor in recruiting and retaining highly talented and effective people, Waterco's corporate reputation, its ethical culture, business values and its ability to provide interesting and challenging career opportunities, also play a substantial role.

Remuneration structure

Waterco's remuneration structure comprises policies and programmes under two general elements:

- A fixed remuneration component consisting of base salary which executives may "salary sacrifice" and other benefits;
- A variable or "at risk" component consisting of an annual short term incentive plan for executives and a long term incentive plan for the CEO, which is tied to performance and is at risk, depending upon performance.

The total reward produces an appropriate mix of fixed remuneration with short and long term incentive opportunities.

Fixed remuneration

The committee reviews the fixed remuneration levels of the CEO and executive director. The CEO determines the executives fixed remuneration which is then reviewed by the committee. Fixed remuneration for the CEO, executive director and executives is reviewed annually and is determined by reference to appropriate benchmark information of comparable companies, taking into account the executive's responsibility, performance, qualifications, experience and potential.

Variable Remuneration

The committee and the Board believe that well designed and managed short and long term incentive plans are important elements of employee remuneration, providing tangible incentives for employees to strive to improve Waterco's performance both in the short and long term for the benefit of shareholders.

The proportions of total remuneration which may be received in variable form vary among senior executives and take into account the executives' responsibilities, performance and experience. All variable remuneration is tied to performance.

Short term incentive (STI) plan

The STI plan is designed to directly link variable remuneration to financial performance and to drive continuous performance improvement. The STI plan encourages participants to improve upon the performance levels reached in the prior year. The CEO does not participate in the STI plan.

The STI plan is currently being refined and in this initial stage (2004/2005) performance will be measured on growth in gross profit, less relevant variable Operating Expenses, over the previous year's, excluding the impact of acquisitions. Eventually, in principle, future performance will be measured on EBIT (earnings before interest and tax) in Australia

Long term incentive (LTI) plan

The CEO has as part of his remuneration package a performance-based component, which is governed by the CEO Share Plan that was approved on 17 November 2003.

On 5 December 2003 the CEO was issued 500,000 shares at $2.35 each under the delayed loan repayment terms of this plan. Under this plan the CEO is entitled to withdraw and deal with these shares if the following criteria have been satisfied:

Minimum Employment Period

The CEO must continue to be employed as CEO of the company for 36 months following the issue of the shares. If this is not satisfied, the CEO will forfeit the shares.

Performance Hurdles

The company must meet the targeted earnings per share (EPS) growth as follows:

- growth in EPS of 15% each year compounded over the Targeted EPS Period (30th June 2003 to 30th June 2006) which results in 50% of the shares being available to be withdrawn from the Plan plus 10% of the shares for every 1% growth in EPS greater than 15% over the Targeted EPS Growth Period, up to a maximum of 100% of the shares; and
- growth in EPS of less than 15% per year compounded over the Targeted EPS Period, results in 0% of the shares being available to be withdrawn from the plan.

For the CEO to achieve the minimum and maximum entitlements under the CEO Plan, the EPS as at 30th June 2006 must be 31.33 cents and 35.60 cents respectively.

This loan is an interest chargeable loan and the amount of interest payable is equivalent to the dividends paid on these shares. During the year a total of $80,000 in interest was received on this loan.

The loan is repayable on the earlier of the date the Plan Shares are removed from the Plan or 5 years from the date the shares are issued (4 December 2008).

Other benefits

Waterco provides senior executives with other benefits commonly provided at their peer management levels. These benefits may include salary continuance, life cover and company motor vehicles.

Employee share plans

Waterco operates two employee share plans.

The Waterco Exempt Employee Share Plan;

The Waterco Deferred Employee Share Plan.

All Australian employees are eligible to participate in only one of the above plans at any time.

Waterco Exempt Employee Share Plan

The Waterco Exempt Employee Share Plan, which commenced on 1 July 2002 is open to all Australian employees who have been employed for at least one year.

Employees wishing to participate in this plan can salary sacrifice up to $500 and receive up to $500 worth of matching shares from Waterco. These shares are purchased on-market.

Shares received under the Exempt Plan are ordinary shares, equivalent in all respects to, and ranking equally with, existing fully paid ordinary shares.

Shares received under the Exempt Plan may not be disposed of before the earlier of the end of three years after the time of acquisition of the shares, or when the participant ceases to be employed by any Waterco group company.

The CEO is not eligible to participate in this Plan and the executive director is not eligible to receive the $500 worth of matching shares if he participates in this plan by way of salary sacrifice.

Waterco Deferred Employee Share Plan

The Waterco Deferred Employee Share Plan, which commenced on 1 July 2002 enables directors and employees of Waterco in Australia to purchase Waterco shares with pre-tax remuneration or bonuses.

To be eligible to participate in the Waterco Deferred Plan Australian employees need to have been employed for at least one year.

Eligible employees wishing to participate in this plan may annually acquire a parcel of shares with a minimum of $2,000 pre-tax remuneration and Waterco will provide matching shares up to a maximum of $1,000.00. These shares are purchased on-market.

Shares received under the Deferred Plan are ordinary shares, equivalent in all respects to, and ranking equally with, existing fully paid ordinary shares.

Shares received under the Deferred Plan may not be disposed of before the earlier of the end of two years after the time of acquisition of the shares, or when the participant ceases to be employed by any Waterco group company.

The CEO is not eligible to participate in this Plan and the executive director is not eligible to receive the $1,000 worth of matching shares if he participates in this plan by way of salary sacrifice.

The tables below (Tables 1 & 2) show the movement during the reporting period in the number of ordinary shares in Waterco Ltd held directly, indirectly or beneficially by each Director and relevant executive, including their personally-related entities:

Executive Service Contracts

All persons who are invited and agree to act as a Director of the Company do so by a formal letter of consent.

Director appointments to Board Committees are by formal resolutions of the Board. In the past they have not received formal letters of appointment to Committees. However such letters will be issued to new appointees in the future.

Waterco has service contracts with each of the executives. These contracts are for an undefined term and as such are capable of termination on reasonable notice. No termination payments are provided for under these contracts.

Executive Directors

At the date of this report there are two executive directors:

Soon Sinn Goh – Chairman and CEO;

Bruce Leitch – Sales & Marketing Director.

The remuneration paid to the executive directors is set out in the table below (Table 3).

Senior executives

The table on page 17 (Table 4), sets out remuneration details for the five most highly remunerated executives in the parent entity.

Non-Executive Directors

Fees for Non-Executive Directors are based on the nature of their work and their responsibilities. The Board's policy is to remunerate Non-Executive Directors at market rates for comparable companies. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting.

The Board approved an increase in base Non-Executive Director fees to $42,000.00 each for the new financial year. The remuneration of Non-Executive Directors is fixed. They do not participate in any incentive plans available to executives.

Details of fees paid to Non-Executive Directors during year ended June 2005 are set out in page 17 (Table 5).

Parent entity Directors' ordinary shareholdings

Table 1

Directors' shareholdings	Balance 1 July 2004	Received as remuneration	Options exercised	Net change other	Balance 30 June 2005
Soon Sinn Goh	10,585,377	-	-	500,556	11,085,933
Bruce Leitch	354,610	-	-	61,590	416,200
Garry Norman	85,000	-	-	15,000	100,000
Stuart Lloyd	86,000	-	-	-	86,000
Ben Hunt	126,800	-	-	-	126,800

Parent entity senior executives' ordinary shareholdings

Table 2

Senior executives' shareholdings	Balance 1 July 2004	Received as remuneration	Options exercised	Net change other	Balance 30 June 2005
Sze Tin Lim Financial Controller	117,997	834	-	-	118,831
Bee Hong Leo Joint Company Secretary	101,065	836	-	(6,540)	95,361
Gerard Doumit Chief Accountant/Joint Company Secretary	88,516	279	-	-	88,795
Peter Drummond NSW Branch Mgr/GM, Chemical Division	28,068	1,696	-	-	29,764
Michael Lonton National Franchise Mgr	24,000	-	-	-	24,000

Remuneration paid to Executive Directors

Table 3

Name	Year	Base Salary[1]	Cash Bonus	Directors' Fees[4]	Super Contri.	Incentives[2]	Non Cash Benefits[3]	Options	Total
Soon Sinn Goh Chairman & CEO	2005	$221,185	-	$60,000	$18,000	$16,672	-	-	$315,857
	2004	$218,525	-	$60,000	$17,862	$10,369	$10,149	$4,670	$321,575
Bruce Leitch Executive Director	2005	$170,714	$15,000	-	$12,150	$3,140	$24,048	-	$225,052
	2004	$170,224	-	-	$12,150	$6,158	$27,329	-	$215,861

[1] Base salary includes any salary sacrifice amounts

[2] Incentives are made up of employee share plan benefits

There were 26 pay periods during the year (2004 : 27)

[3] Non cash benefits are made up of company vehicle benefits and salary continuance premiums

[4] Directors' fees of $60,000 paid to Mr Soon Sinn Goh by a subsidiary, Waterco (Far East) Sdn Bhd.

Remuneration paid to senior executives

Table 4

Name	Year	Base Salary[1]	Cash Bonus	Superannuation Contributions	Incentives[2]	Non Cash Benefits[3]	Total
Sze Tin Lim Financial Controller	2005	$123,643	$10,000	$11,880	$3,642	$8,841	$158,006
	2004	$124,020	-	$11,028	$5,649	$10,275	$150,972
Bee Hong Leo Joint Company Secretary	2005	$125,092	$10,000	$11,970	$3,264	-	$150,326
	2004	$123,650	-	$11,028	$5,069	-	$139,747
Gerard Doumit Chief Accountant/Joint Company Secretary	2005	$106,272	$10,000	$10,350	$2,764	$14,720	$144,106
	2004	$105,529	-	$9,346	$4,569	$14,969	$134,413
Peter Drummond NSW Branch Mgr/GM Chemical Division	2005	$101,000	$7,500	$9,765	$3,264	$18,297	$139,826
	2004	$101,769	-	$9,159	$6,871	$23,214	$141,013
Michael Lonton National Franchise Mgr	2005	$115,358	$10,000	$11,070	$2,264	-	$138,692
	2004	$110,790	-	$9,907	$5,871	-	$126,568

[1] Base salary includes any salary sacrifice amounts.
[2] Incentives are made up of employee share plan benefits.
[3] Non cash benefits are made up of company vehicle benefits, life insurance premiums and salary continuance premiums.

There were 26 pay periods during the year (2004 : 27)

Remuneration paid to Non-Executive Directors

Table 5

Name	Year	Directors' Fees[1]	Super Contri.	Options	Total
Garry Norman	2005	$39,000	$3,510	-	$42,510
	2004	$36,000	$3,240	$467	$39,707
Stuart Lloyd	2005	$39,000	$3,510	-	$42,510
	2004	$36,000	$3,240	$467	$39,707
Ben Hunt	2005	$39,000	$3,510	-	$42,510
	2004	$36,000	$3,240	$467	$39,707

[1] Directors' fees are paid by the parent entity.

Meetings of Directors

Table 6

Director	Directors' Meeting		Audit Committee Meeting		Remuneration Committee Meeting	
	No. Eligible To Attend	No. Attended	No. Eligible To Attend	No. Attended	No. Eligible To Attend	No. Attended
Soon Sinn Goh	5	5	-	-	-	-
Bruce Leitch	5	5	-	-	-	-
Garry Norman	5	4	8	8	9	8
Stuart Lloyd	5	5	8	8	9	9
Ben Hunt	5	5	8	8	9	9

Meetings of Directors

During the financial year, 22 meetings of Directors (including meetings of Audit and Remuneration Committees) were held. Attendances are set out above, in Table 6.

Directors' and Officers' Indemnification

During or since the financial year, the company has paid premiums to insure all directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the company, other than conduct involving a wilful breach of duty in relation to the company. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify a director or officer of the company or any related body corporate against a liability incurred as an officer.

Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit arising from a contract made by the parent entity, controlled entity, or a related body corporate with a director, a firm of which a director is a member or a director or an entity in which a director has a substantial financial interest other than;

Payments made by a controlled entity for rental of warehouse and offices by Waterco (Far East) to Goh Lai Huat & Sons Sdn Bhd Sdn Bhd of which Mr S S Goh is a director and shareholder.

Sales made to and commissions paid by a controlled entity to Asiapools (M) Sdn Bhd of which Mr S S Goh is a shareholder.

Payments made for rental of warehouses and offices to Mint Holdings Pty Ltd of which Mr S S Goh is a director and shareholder.

This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors and shown in the company's accounts or the fixed salary of a full-time employee of the parent entity, controlled entity or related body corporate.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

The auditor's independence declaration made under section 307C of the Corporations Act 2001 is included below.

Bentleys mri

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2005 there have been:

(a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
(a) no contraventions of any applicable code of professional conduct in relation to the audit.

Bentleys MRI

BENTLEYS MRI
Sydney Partnership

ROBERT RYN
Partner

Dated at Sydney this 24th day of August 2005

Details of the amounts paid to the auditor of the company, Bentleys MRI for audit services provided during the year are set out in Note 3 to the financial statements.

Signed in accordance with a resolution of the Board of Directors:

SOON SINN GOH
Chairman
24 August 2005

Statement of Financial Performance *for the year ended 30 June 2005*

WATERCO LIMITED AND CONTROLLED ENTITIES

	Note No.	Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
Revenues from ordinary activities	2	**86,231,417**	74,473,597	**62,946,630**	57,224,537
Changes in inventories of finished goods and work in progress		**(2,037,900)**	(3,125,091)	**(1,597,743)**	(1,936,244)
Raw materials and consumables used		**(43,352,922)**	(36,697,810)	**(31,100,119)**	(30,551,369)
Employee benefits expense		**(12,328,883)**	(11,519,838)	**(8,681,534)**	(3,562,102)
Depreciation and amortisation expense	3	**(1,263,678)**	(1,172,569)	**(928,638)**	(822,169)
Borrowing costs expense		**(1,244,273)**	(938,876)	**(1,216,194)**	(923,805)
Advertising expense		**(1,645,585)**	(1,416,396)	**(820,081)**	(744,268)
Discounts allowed		**(1,171,389)**	(1,588,311)	**(1,159,456)**	(1,579,199)
Outward freight expense		**(2,347,119)**	(2,273,661)	**(1,841,545)**	(1,832,993)
Rent expense		**(2,330,076)**	(1,995,550)	**(1,578,361)**	(1,093,800)
Contracted staff expense		**(813,463)**	(1,024,068)	**(803,041)**	(1,023,846)
Intercompany labour cost		**-**	-	**-**	(4,696,992)
Warranty expense		**(429,065)**	(583,305)	**(250,477)**	(270,481)
Commission expense		**(606,111)**	(391,152)	**(283,866)**	(340,980)
Other expenses from ordinary activities		**(10,454,293)**	(4,626,083)	**(7,515,368)**	(1,736,950)
Profit from ordinary activities before income tax expense	3	**6,206,660**	7,120,887	**5,170,207**	6,109,339
Income tax expense relating to ordinary activities	4	**2,017,503**	1,752,541	**1,705,437**	1,740,198
Profit from ordinary activities after related income tax expense		**4,189,157**	5,368,346	**3,464,770**	4,369,141
Net Profit		**4,189,157**	5,368,346	**3,464,770**	4,369,141
Net profit/(loss) attributable to outside equity interests	33	**13,276**	(45,608)	**-**	-
Net profit attributable to members of the parent entity		**4,175,881**	5,413,954	**3,464,770**	4,369,141
Increase / (Decrease) in asset revaluation reserve	25(c)	**(831,083)**	4,814,454	**(831,083)**	4,814,454
Net exchange difference on translation of financial reports of self-sustaining foreign operations	25(b)	**(747,676)**	(163,953)	**-**	-
Total revenue, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity		**(1,578,759)**	4,650,501	**(831,083)**	4,814,454
Total changes in equity other than those resulting from transactions with owners as owners		**2,597,122**	10,064,455	**2,633,687**	9,183,595
Basic earnings per share (cents per share)	32	**19.1**	26.7		
Diluted earnings per share (cents per share)	32	**19.1**	26.7		

The accompanying notes form part of these financial statements.

Statement of Financial Position *as at 30 June 2005*

WATERCO LIMITED AND CONTROLLED ENTITIES

	Note No.	Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
Current Assets					
Cash assets		**5,331,900**	1,423,607	**3,201,851**	761,326
Receivables	6	**12,950,626**	9,009,506	**4,265,310**	4,315,673
Inventories	7	**26,117,714**	20,039,806	**12,950,888**	11,272,461
Other	8	**842,297**	690,304	**465,999**	448,043
Total Current Assets		**45,242,537**	31,163,223	**20,884,048**	16,797,503
Non-Current Assets					
Receivables	9	**1,509,220**	1,595,800	**22,569,638**	13,532,853
Other financial assets	10	-	-	**7,924,950**	4,000,230
Property, plant & equipment	12	**23,029,374**	21,136,480	**12,289,891**	15,530,612
Intangible assets	13	**2,796,870**	790,152	**310,452**	437,850
Deferred tax assets	14	**812,234**	1,329,678	**635,388**	833,606
Other	15	**38,187**	3,067	-	-
Total Non-Current Assets		**28,185,885**	24,855,177	**43,730,319**	34,335,151
Total Assets		**73,428,422**	56,018,400	**64,614,367**	51,132,654
Current Liabilities					
Payables	16	**8,587,138**	5,724,294	**5,014,249**	5,753,937
Interest bearing liabilities	17	**1,221,951**	1,221,881	**1,221,951**	1,220,379
Current tax liabilities	18	**1,055,436**	1,181,525	**816,819**	1,139,627
Provisions	19	**1,512,728**	1,579,991	**1,470,790**	1,546,247
Total Current Liabilities		**12,377,253**	9,707,691	**8,523,809**	9,660,190
Non-Current Liabilities					
Payables	20	-	-	**3,023,332**	3,005,758
Interest bearing liabilities	21	**21,538,032**	12,655,356	**21,257,907**	12,279,916
Deferred tax liabilities	22	**1,514,190**	370,327	**1,282,203**	116,428
Provisions	23	**301,740**	325,439	**301,740**	325,439
Total Non-Current Liabilities		**23,353,962**	13,351,122	**25,865,182**	15,727,541
Total Liabilities		**35,731,215**	23,058,813	**34,388,991**	25,387,731
Net Assets		**37,697,207**	32,959,587	**30,225,376**	25,744,923
Equity					
Contributed equity	24	**23,448,028**	18,139,668	**23,448,028**	18,139,668
Reserves	25	**2,564,930**	4,143,689	**4,163,797**	4,994,880
Retained profits	26	**11,520,965**	10,806,678	**2,613,551**	2,610,375
Parent entity interest		**37,533,923**	33,090,035	**30,225,376**	25,744,923
Outside equity interest	33	**163,284**	(130,448)	-	-
Total Equity		**37,697,207**	32,959,587	**30,225,376**	25,744,923

The accompanying notes form part of these financial statements.

Statement of Cash Flows *for the year ended 30 June 2005*

WATERCO LIMITED AND CONTROLLED ENTITIES

	Note No.	Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
Cash Flows from Operating Activities					
Receipts from customers		85,433,334	80,885,404	63,295,689	62,602,221
Payments to suppliers and employees		(78,794,087)	(75,266,583)	(59,292,977)	(54,189,438)
Interest received		116,995	63,156	103,711	57,952
Other Income		239,186	487,467	144,619	383,813
Borrowing costs		(1,244,273)	(938,876)	(1,216,194)	(923,805)
Income tax paid		(2,189,442)	(1,670,329)	(2,371,409)	(1,621,157)
Net cash provided by/(used in) operating activities	(38b)	3,561,713	3,560,239	663,439	6,309,586
Cash Flows from Investing Activities					
Dividends received		108	-	34,891	39,003
Payment for property, plant & equipment		(3,948,960)	(3,307,830)	(1,035,964)	(649,158)
Proceeds from sale of property, plant & equipment		4,885,340	154,248	4,892,170	66,745
Payment for business	(38d)	(9,816,219)	(1,085,942)	(107,583)	(536,122)
Proceeds from sale of business (net of cash)	(38c)	345,769	-	345,769	-
Proceeds from sale of investment		14,264	-	-	-
Payment for investment		-	-	(3,924,720)	(832,241)
Payment for intangibles		(213,187)	-	-	-
Net cash provided by/(used in) investment activities		(8,732,885)	(4,239,524)	204,563	(1,911,773)
Cash Flows from Financing Activities					
Proceeds from/(repayment of) borrowings		8,904,685	(746,576)	9,000,000	(1,000,000)
Proceeds from issue of shares		5,308,360	3,141,330	5,308,360	3,141,330
Payment of lease liabilities		(255,033)	(180,390)	(255,032)	(180,390)
Dividends paid		(3,495,013)	(2,703,989)	(3,461,594)	(2,673,005)
Employee share plan repayments		86,580	73,758	86,580	73,758
Loans to controlled entities		-	-	(9,105,791)	(5,080,072)
Net cash provided by/(used in) financing activities		10,549,579	(415,867)	1,572,523	(5,718,379)
Net increase/(decrease) in cash held		5,378,407	(1,095,152)	2,440,525	(1,320,566)
Cash at beginning of the year		422,105	1,807,906	(238,674)	1,081,892
Effects of exchange rate changes on balance of cash held in foreign currencies at the beginning of the year		(1,468,612)	(290,649)	-	-
Cash at the end of the year	(38a)	4,331,900	422,105	2,201,851	(238,674)

The accompanying notes form part of these financial statements.

Note 1: Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report covers the economic entity of Waterco Limited and controlled entities, and Waterco Limited as an individual parent entity. Waterco Limited is a listed public company, incorporated and domiciled in Australia. The financial report has been prepared on an accrual basis and is based on historical costs and does not take into account changing money values, or except where stated, current valuations of non-current assets. Cost is based on the fair value of the consideration given in exchange for assets. The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied unless otherwise stated.

a. Principles of Consolidation

The consolidated accounts comprise the accounts of Waterco Ltd and all entities controlled by Waterco Ltd. Control exists where Waterco Ltd has the capacity to dominate the decision making in relation to the financing and operating policies of another entity so that the other entity operates with Waterco Ltd to achieve the objectives of Waterco Ltd. A list of controlled entities is contained in note 11 to the financial statements.

All intercompany balances and transactions between entities in the economic entity including any unrealised profits or losses, have been eliminated on consolidation. Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until control ceased.

Outside interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

b. Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for ownership interest in a controlled entity exceeds the fair value attributed to its net tangible assets at date of acquisition. Both purchased goodwill and goodwill on consolidation are amortised on a straight line basis over a period of 20 years, beginning in the year following the year of acquisition. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

c. Investments

Investments in controlled entities are measured on a cost basis less amounts written off for permanent diminutions in the value of the investments.

d. Depreciation of Fixed Assets

Depreciation where applicable has been charged in the accounts so as to write off each asset over the estimated useful life of the asset concerned. Either the diminishing value or prime cost method, as considered appropriate, is used.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Assets	Depreciation Rate
Buildings	1.5 - 2.50%
Plant and equipment	6.0 - 33.33%
Leased plant and equipment	13.0 - 20.00%

e. Leases

Assets of the economic entity which are subject to finance lease are capitalised. The initial amount of the leased asset and corresponding lease liability is the present value of minimum lease payments. Leased assets are depreciated over the life of the assets. Lease liabilities are reduced by repayments of principal.

The interest components of lease payments are charged against profits. The finance leases are in respect of motor vehicles and forklifts used by the economic entity.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor are charged as expenses in the period in which they are incurred. The leases are property leases that are subject to different terms and conditions and are all subject to renewal.

Contingent liabilities are guarantees given by the head lessor (Waterco Ltd or Swimart Pty Ltd) for shops subleased by or licensed to franchisees. These are based on the rental at the beginning of the lease adjusted for estimated future inflation movements and movements in market value.

f. Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined on a standard cost basis. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Net realisable value is determined as the estimated selling price less costs to sell.

g. Taxation

Tax effect accounting is applied whereby income tax expense based on profit from ordinary activities adjusted for any permanent differences. Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either deferred income tax liability or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. Future income tax benefits are not brought to account unless the realisation of the asset is assured beyond reasonable doubt. The future income tax benefit in relation to tax losses is recognised where the company is virtually certain of realisation of the benefit.

Waterco Limited and its wholly-owned Australian subsidiaries have entered into a consolidated group for the purposes of the tax consolidation provisions of the Income Tax Assessment Act 1997. All of the deferred tax assets and liabilities of the subsidiary members have become part of the deferred assets and liabilities of Waterco Limited. Each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the consolidated group. The group notified the ATO on 20 January 2005, that it had formed an income tax consolidated group to apply from 1 July 2003.

h. Foreign Currencies

Foreign currency transactions are converted to Australian dollars at exchange rates ruling at the dates of those transactions. Amounts payable and receivable in foreign currency at balance date are converted to Australian dollars at exchange rates ruling on that date. Exchange differences arising from short term amounts payable and receivable are brought to account in the profit from ordinary activities when the exchange rates change. Foreign controlled entities financial statements have been translated at the exchange rate current at reporting date. The assets and liabilities of the overseas controlled entities, which are self sustaining, are translated at year-end rates and operating results are translated at the rates ruling at the end of each month. Gains and losses arising on translation are taken directly to the foreign currency translation reserve.

i. Employee Benefits

Provision for employee benefits, which include long service leave, and annual leave are computed to cover expected benefits at balance date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related oncosts. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Contributions are made by the economic entity to an employee superannuation fund and are charged as expenses when incurred. The economic entity has no legal obligation to cover any shortfall in the funds obligations to provide benefits to employees on retirement.

j. Deferred Expenditure

Research and Development costs are charged to profit from ordinary activities as incurred unless it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover these deferred costs. Other significant items of expenditure having a benefit or relationship to more than one accounting period are deferred and amortised over the periods of their expected benefit.

k. Acquisition of Assets
The cost method of accounting has been used for acquisition of all assets (including shares). Cost is defined as the fair value of the assets given up at the date of acquisition plus costs incidental to acquisition. Where goodwill arises it is brought to account on the basis described in note 1 (b) to the accounts.

l. Property, Plant and Equipment
Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Property
Freehold land and buildings are measured on a fair value basis being the amount for which an asset could be exchanged between knowledgeable willing parties in an arms length transaction. It is the policy of the economic entity to have an independent valuation every three years, with annual appraisals being made by the directors.

The value of the freehold land and building owned by the economic entity is based on the following independent valuation:

Land & Buildings	Date of Valuation	Amount
Rydalmere, NSW	23 June 2005	9,200,000

The revaluation of freehold land and buildings has taken into account the potential capital gains tax on assets acquired after the introduction of the capital gains tax.

On 24th June 2005, Waterco Ltd disposed of the Bankstown Property. This property had been revalued up to its market valuation amount on 30th June 2004 and then subsequently revalued down to its realisable value amount on 24th June 2005

Original Cost (wdv) at 30th June 2004	2,589,333	
Revalued Amount at 30th June 2004	4,821,071	
Revalued Amount at 24th June 2005	4,384,355	
Net Consideration of Sales		4,384,355
Profit on sale (on original cost) of Property		1,795,022

However, AASB1046 does not allow the recognition of a profit on sale (on original cost) of this property. AASB1041 does not allow the reversal of any revaluations and reinstatement of the written down value of the property so as to correctly and fairly record the profit on the sale of the property. Instead, AASB1046 requires that the profit on sale of this property be measured as the difference between the revalued amount and the net sales proceeds and requires the balance in the asset revaluation reserve be retained even though the property has been sold and removed from the books.

Plant and equipment
Plant and equipment are measured on cost basis.
The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, and an appropriate proportion of fixed and variable overheads.

Depreciation
The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, is depreciated over their useful lives commencing from the time the asset is ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The gain or loss on disposal of all fixed assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in operating profit before income tax of the economic entity in the year of disposal.

m. Revenue
Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Rental revenue is recognised when the right to receive the rent has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

n. Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

p. Adoption of Australian Equivalents to International Financial Reporting Standards
The company is preparing and managing the transition to Australian Equivalents to International Financial Reporting Standards(AIFRS) effective for the financial years commencing on 1 January 2005. The adoption of AIFRS will be reflected in the economic entity's and the parent entity's financial statements for the year ending 30 June 2006. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004.

The economic entity's management with the assistance of external consultants, has assessed the significance of the expected changes and is preparing for their implementation. An AIFRS committee is overseeing and managing the economic entity's transition to AIFRS. The impact of the alternative treatments and elections under AASB1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been considered where applicable.

The directors are of the opinion that the key material differences in the economic entity's accounting policies on conversion to AIFRS and the financial effect of the differences where known are as follows. Users of the financial statements should note however, that the current AIFRS or interpretation of the AIFRS requirements changes from the continuing work of the economic entity's AIFRS Committee.

Impairment of Assets
Under AASB 136: Impairment of Assets, the recoverable amount of an asset is determined as the higher value of fair value less costs to sell, and value in use. In determining value in use, projected future cash flows are discounted using a risk adjusted pre-tax discount rate and impairment is assessed for the individual asset or at the "cash generating unit" level. A "cash generating unit" is determined as the smallest group of assets that generates cash flows that are largely independent of the cash inflows for other assets or groups of assets. The current policy is to determine the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the asset's use and subsequent disposal. It is likely that this change in accounting policy will lead to impairments being recognised more often.

The economic entity has reassessed its impairment testing policy and tested all material assets for impairment as at 1 July 2005. The impact of the change is estimated to be $100,000 (parent nil), being a reduction in property, plant and equipment, partly offset by a $30,000 (parent nil) reduction in deferred tax liabilities . The resulting net adjustment to retained earnings at 30 June 2005 is $70,000 (parent nil). The resulting adjustment to property, plant and equipment is due to lower expected growth in the market for certain product lines, change of products being produced, and restructuring of operations,

Goodwill on Consolidation
Under AASB3: Business Combinations, goodwill is capitalised to the statement of financial position and subjected to an annual impairment test. Amortisation of goodwill is prohibited. Current accounting policy of the entity is to amortise goodwill on a straight-line basis over a period of 20 years.

Impairment testing as at 1 July 2005 confirmed no impairment of the $3,436,122 goodwill less accumulated amortisation of $641,493 except for an amount of $13,819 less $6,913 related to a product line that has now been deleted.

The entity has decided to utilise the exemption under AASB1 for all past business combinations and therefore the previously amortised goodwill will not be reversed.

Income Tax
Currently, the economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefits. Under AASB112 Income Taxes, the entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

Reconciliation of Net Profit under AGAAP to that Under AIFRS

	Economic Entity	Parent Entity
	2005 $	2005 $
Net Profit reported under Australian Accounting Standards	4,175,881	3,464,770
Key transitional adjustments		
Recognition of impairment loss	(100,000)	-
Reversal of amortisation of goodwill (current year)	81,746	37,046
Income tax expense-deferred tax movement (on impairment loss)	30,000	-
Total transitional adjustments	11,746	37,046
Net profit under AIFRS	4,187,627	3,501,816

	Economic Entity		Parent Entity	
	2005 $	2004 $	2005 $	2004 $
Note 2: Revenue				
Operating activities				
• sales of goods	**80,963,607**	73,768,726	**57,766,035**	56,677,024
• dividends received	**108**	-	**34,891**	39,003
• interest received	**116,995**	63,156	**103,711**	57,952
• rent	**174,026**	165,092	**156,383**	165,092
• bad debts recovered	**3,319**	5,027	**21**	2,277
• other	**239,186**	317,348	**144,619**	216,444
	81,497,241	74,319,349	**58,205,660**	57,157,792
Non-operating activities				
• proceeds on disposal of property, plant and equipment	**4,734,176**	154,248	**4,740,970**	66,745
	4,734,176	154,248	**4,740,970**	66,745
Total Revenue	**86,231,417**	74,473,597	**62,946,630**	57,224,537
(a) Dividends received or receivable from				
• partly-owned subsidiaries	**-**	-	**34,783**	39,003
• other persons	**108**	-	**108**	-
Total dividend revenue	**108**	-	**34,891**	39,003
(b) Interest received or receivable from				
• other persons	**116,995**	63,156	**103,711**	57,952
Total interest revenue	**116,995**	63,156	**103,711**	57,952

	Economic Entity		Parent Entity	
	2005 $	2004 $	2005 $	2004 $
Note 3: Profit from Ordinary Activities				
Profit from ordinary activities has been determined after:				
(a) Expenses:				
Cost of Sales	46,357,505	40,205,158	33,583,068	32,808,561
Borrowing costs:				
* other persons	1,205,714	908,329	1,177,635	893,258
* finance charges on finance leases	38,559	30,547	38,559	30,547
	1,244,273	938,876	1,216,194	923,805
Depreciation of non current assets:				
* buildings	163,098	115,778	163,098	115,778
* plant & equipment	847,807	875,686	557,467	552,122
* capitalised leased assets	171,027	122,286	171,027	122,286
	1,181,932	1,113,750	891,592	790,186
Amortisation of non current assets:				
* leasehold land	10,905	10,905	10,905	10,905
* goodwill on acquisition	40,124	23,033	26,141	21,078
* goodwill on consolidation	23,216	23,216	-	-
* expenditure carried forward	7,501	1,665	-	-
	81,746	58,819	37,046	31,983
Foreign currency translation losses/(gains)	840,602	(219,434)	840,602	(219,434)
Bad and doubtful debts				
* trade debtors	40,896	32,050	27,056	21,673
Rental expense on operating leases	2,330,076	1,995,550	1,578,361	1,093,800
Research & development	886,093	516,130	351,315	228,249
Net loss on disposal of non-current assets				
* property, plant and equipment	34,053	55,919	12,505	9,978
Auditors' Remuneration				
Remuneration of the auditor of the parent entity for:				
* audit or reviewing the financial report	99,100	102,492	97,600	97,792
* other services	-	-	-	-
Remuneration of other auditors of subsidiaries for:				
* auditing or reviewing the financial report of subsidiaries	105,955	64,614	-	-
* other services	-	379	-	-
No other benefits were received by auditors				
(b) Revenue and Net Gains				
Net gain on disposal of				
* property, plant and equipment	54,206	44,940	34,403	10,022
	54,206	44,940	34,403	10,022

	Economic Entity		Parent Entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Note 4: Income Tax Expense				
(a) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:				
Profit from ordinary activities before income tax	**6,206,660**	7,120,887	**5,170,207**	6,109,339
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2004 30%)	**1,861,998**	2,136,267	**1,551,062**	1,832,802
Tax effect of permanent differences				
- Depreciation of buildings	**25,219**	9,616	**25,219**	9,616
- Entertainment	**3,125**	3,123	**2,309**	1,059
- Amortisation - Goodwill	**19,363**	13,875	**7,843**	6,323
- Amortisation - Leasehold Land	**3,272**	3,272	**3,272**	3,272
- Special building write off	**(1,889)**	(1,888)	**(1,889)**	(1,888)
- Reinvestment allowance	**(139,889)**	(268,737)	-	-
- Effects of lower rates in overseas countries	**(124,670)**	(112,489)	-	-
- Unrealised foreign exchange losses/(gains)	**241,381**	(65,830)	**241,381**	(65,830)
- Foreign controlled entities not tax effected	**396,615**	125,112	-	-
- Expenses not allowable	-	12,897	-	1,661
- (Profit)/Loss on sale of building	**(28,154)**	-	**(28,154)**	-
- Rebateable dividends	**(32)**	9,674	**(10,467)**	-
- Other	**(6,967)**	(11,628)	**(16,472)**	(6,658)
- (Over)/under provision for tax in prior year	**(231,869)**	(100,723)	**(68,667)**	(40,159)
Income tax expense attributable to profit from ordinary activities before income tax	**2,017,503**	1,752,541	**1,705,437**	1,740,198

Note 5: Remuneration of Directors & Executives

(a) Names and positions held of parent entity directors and specified executives in office at any time during the financial year are:

Parent Entity Directors

Mr S S Goh	*Chairman & CEO*
Mr B Leitch	*Director - Executive*
Mr G Norman	*Director - Non-Executive*
Mr S Lloyd	*Director - Non-Executive*
Mr B Hunt	*Director - Non-Executive*

Specified Executives

Mr S T Lim	*Financial Controller*
Mrs B H Leo	*Joint Company Secretary*
Mr G Doumit	*Chief Accountant/Joint Company Secretary*
Mr P Drummond	*NSW Branch Manager/GM - Chemical Division*
Mr M Lonton	*National Franchise Manager*

b) Parent Entity Directors' Remuneration

2005

	Base Salary*	Cash Bonus	Director's Fees**	Superannuation Contributions	Incentives***	Non Cash Benefits****	Options	TOTAL
Mr S S Goh	221,185	-	60,000	18,000	16,672	-	-	315,857
Mr B Leitch	170,714	15,000	-	12,150	3,140	24,048	-	225,052
Mr G Norman	-	-	39,000	3,510	-	-	-	42,510
Mr S Lloyd	-	-	39,000	3,510	-	-	-	42,510
Mr B Hunt	-	-	39,000	3,510	-	-	-	42,510

2004

	Base Salary*	Director's Fees**	Superannuation Contributions	Incentives***	Non Cash Benefits****	Options	TOTAL
Mr S S Goh	218,525	60,000	17,862	10,369	10,149	4,670	321,575
Mr B Leitch	170,224	-	12,150	6,158	27,329	-	215,861
Mr G Norman	-	36,000	3,240	-	-	467	39,707
Mr S Lloyd	-	36,000	3,240	-	-	467	39,707
Mr B Hunt	-	36,000	3,240	-	-	467	39,707

* Base salary includes any salary sacrifice amounts

** Director's fees of $60,000 paid to Mr S S Goh by a subsidiary (Waterco (Far East) Sdn Bhd). All other directors fees are paid by the parent entity.

*** Incentives are made up of employee share plan benefits

**** Non cash benefits are made up of company vehicle benefits and salary continuance premiums.

There were 26 pay periods during the year (2004 : 27)

Note 5: Remuneration of Directors & Executives (continued)

c) Specified Executives Remuneration

2005

	Base Salary*	Cash Bonus	Superannuation Contributions	Incentives**	Non Cash Benefits***	TOTAL
Mr S T Lim	123,643	10,000	11,880	3,642	8,841	158,006
Mrs B H Leo	125,092	10,000	11,970	3,264	-	150,326
Mr G Doumit	106,272	10,000	10,350	2,764	14,720	144,106
Mr P Drummond	101,000	7,500	9,765	3,264	18,297	139,826
Mr M Lonton	115,358	10,000	11,070	2,264	-	138,692

2004

	Base Salary*	Superannuation Contributions	Incentives**	Non Cash Benefits***	TOTAL
Mr S T Lim	124,020	11,028	5,649	10,275	150,972
Mr P Drummond	101,769	9,159	6,871	23,214	141,013
Mrs B H Leo	123,650	11,028	5,069	-	139,747
Mr G Doumit	105,529	9,346	4,569	14,969	134,413
Mr M Lonton	110,790	9,907	5,871	-	126,568

* Base salary includes any salary sacrifice amounts

** Incentives are made up of employee share plan benefits

*** Non cash benefits are made up of company vehicle benefits, life insurance premiums and salary continuance premiums.

There were 26 pay periods during the year (2004 : 27).

d) Shareholdings

Number of Shares held by Parent Entity Directors and Specified Executives

Directors

Parent Entity Directors	Balance 1.7.04	Received as Remuneration	Options Exercised	Net Change Other	Balance 30.6.05
Mr S S Goh	10,585,377	-	-	500,556	11,085,933
Mr B Leitch	354,610	-	-	61,590	416,200
Mr G Norman	85,000	-	-	15,000	100,000
Mr S Lloyd	86,000	-	-	-	86,000
Mr B Hunt	126,800	-	-	-	126,800

Executives

Specified Executives	Balance 1.7.04	Received as Remuneration	Options Exercised	Net Change Other	Balance 30.6.05
Mr S T Lim	117,997	834	-	-	118,831
Mrs B H Leo	101,065	836	-	(6,540)	95,361
Mr G Doumit	88,516	279	-	-	88,795
Mr P Drummond	28,068	1,696	-	-	29,764
Mr M Lonton	24,000	-	-	-	24,000

e) Remuneration Practices

In constructing, reviewing and determining the remuneration policy for Executive Directors and the senior executive team, the Board and Remuneration Committee has considered a number of factors including: - the importance of attracting, retaining and motivating management of the appropriate calibre to further the success of the business;

linking pay to performance by rewarding effective individual achievement as well as business performance; and

the mix within the package which is designed to align personal reward with enhanced shareholder value over both the short & long-term.

The Executive Directors' and the senior executive team's package consists of two general components;

Fixed remuneration components consisting of base salary which executives may "salary sacrifice" and other benefits; and variable or "at risk" component consisting of an annual short term incentive plan for executives and a long term incentive plan for the CEO.

Remuneration of the company's non-executive directors is determined by the Board, based on the nature of their work, responsibilities and market comparisons and approved by the shareholders.

	Economic Entity		Parent Entity	
	2005 $	2004 $	2005 $	2004 $
CURRENT ASSETS				
Note 6: Receivables				
Trade debtors	11,607,628	7,910,634	4,495,193	4,516,384
Less: provision for doubtful debts	248,211	258,159	200,000	200,000
	11,359,417	7,652,475	4,295,193	4,316,384
Other debtors	1,591,209	1,357,031	(29,883)	(711)
	12,950,626	9,009,506	4,265,310	4,315,673
Note 7: Inventories				
Raw materials and stores at cost	8,536,946	4,496,938	698,826	619,142
Work in progress at cost	463,855	221,497	43,018	84,607
Finished goods at cost	16,401,940	14,976,001	11,945,990	10,568,712
Goods in transit at cost	714,973	345,370	262,054	-
	26,117,714	20,039,806	12,950,888	11,272,461
Note 8: Other Current Assets				
Prepayments	842,297	690,304	465,999	448,043
	842,297	690,304	465,999	448,043
NON CURRENT ASSETS				
Note 9: Receivables				
Employee Share Plans	1,509,220	1,595,800	1,509,220	1,595,800
Amount owing by controlled entities	-	-	21,060,418	11,937,053
	1,509,220	1,595,800	22,569,638	13,532,853
(a) Foreign currency Receivables				
Non current assets not effectively hedged to				
a date at least 12 months after balance date				
- Malaysian ringgit	-	-	7,014,486	5,686,687
- United States dollars	-	-	3,017,869	333,525
- New Zealand dollars	-	-	1,462,055	1,497,304
- British pounds	-	-	4,611,535	3,251,041
- Chinese renminbi	-	-	157,351	143,665
- Canadian dollars	-	-	4,100,901	-
	-	-	20,364,197	10,912,222

	Economic Entity		Parent Entity	
	2005 $	2004 $	2005 $	2004 $
Note 10: Other Financial Assets				
(a) Shares in controlled entities at cost	-	-	7,924,950	4,000,230
	-	-	7,924,950	4,000,230

Note 11: Controlled Entities

	Country of incorporation	% owned 2005	% owned 2004
Parent Entity:			
Waterco Limited	Australia	-	-
Controlled Entities of Waterco Limited:			
Swimart Pty Ltd	Australia	100	100
Waterco Sales & Manufacturing Pty Ltd	Australia	100	100
Zane Solar Systems Australia Pty Ltd	Australia	100	100
Aquaswim Australia Pty Ltd	Australia	100	100
Watershoppe Pty Ltd	Australia	100	100
Waterco USA Inc	USA	100	100
Waterco (M) Sdn Bhd*	Malaysia	100	100
Waterco (Far East) Sdn Bhd	Malaysia	100	100
Watershoppe (M) Sdn Bhd	Malaysia	100	100
Lacron Filters (Far East) Sdn Bhd	Malaysia	100	100
Waterco (HK) Ltd**	Hong Kong	-	100
Waterco (NZ) Ltd	New Zealand	100	100
Swimart (NZ) Ltd	New Zealand	100	100
Watershoppe (NZ) Ltd	New Zealand	100	100
Waterco (Guangzhou) Ltd	China	100	100
Lacron (UK) Ltd	United Kingdom	100	100
Waterco (C) Ltd***	China	100	100
Waterco (Europe) Ltd****	United Kingdom	100	95.94
Waterco Canada Inc*****	Canada	100	-
Global Leisure Products Sdn Bhd	Malaysia	51	51

* On 8 August 2005, Waterco (M) Sdn Bhd changed its name to Waterco Engineering Sdn Bhd.
** Waterco (HK) Ltd ceased trading on 31 December 2003 and was finally deregistered on 28 January 2005.
*** On 29 November 2004, Waterco (C) Ltd allotted 1,000,000 shares at RMB8.2763 ($A1.27) each to Waterco Limited.
**** On 1 September 2004, Waterco Ltd acquired 4,500 shares from minority shareholders of Waterco (Europe) Ltd for nil consideration.
***** Waterco Canada Ltd allotted 1,250,000 shares at $CAD1.00 ($A1.05) each to Waterco Ltd on 16 March 2005 and allotted another 1,250,000 shares at $CAD1.00 ($A1.0717) each to Waterco Ltd on 30 June 2005.

Waterco USA Inc carries on business in the United States. Waterco (Far East) Sdn Bhd, Waterco (M) Sdn Bhd, Global Leisure Products Sdn Bhd, Watershoppe (M) Sdn Bhd and Lacron Filters (Far East) Sdn Bhd carry on business in Malaysia. Waterco (HK) Ltd carries on business in Hong Kong. Waterco (NZ) Ltd, Swimart (NZ) Ltd and Watershoppe (NZ) Ltd carry on business in New Zealand. Waterco (Europe) Ltd and Lacron (UK) Ltd carry on business in the United Kingdom. Waterco (Guangzhou) Ltd and Waterco (C) Ltd carry on business in China. Waterco Canada Inc carries on business in Canada.

	Economic Entity		Parent Entity	
	2005 $	2004 $	**2005 $**	2004 $
Note 12: Property, Plant & Equipment				
Freehold land at:				
* Independent valuation 2005	**2,752,033**	-	**2,752,033**	-
* Directors valuation 2004	**-**	5,955,536	**-**	5,955,536
* Cost	**803,441**	594,472	**-**	-
	3,555,474	6,550,008	**2,752,033**	5,955,536
Freehold buildings at				
* Independent valuation 2005	**6,447,967**	-	**6,447,967**	-
* Directors valuation 2004	**-**	6,494,464	**-**	6,494,464
* Cost	**3,589,960**	435,914	**-**	-
Less: accumulation depreciation	**165,117**	125,926	**-**	-
	9,872,810	6,804,452	**6,447,967**	6,494,464
Leasehold land at cost	**268,318**	268,318	**268,318**	268,318
Less: accumulation amortisation	**124,945**	114,040	**124,945**	114,040
	143,373	154,278	**143,373**	154,278
Plant & equipment at cost	**19,327,267**	16,422,571	**6,730,071**	6,371,911
Less: accumulated depreciation	**10,449,125**	9,379,918	**4,363,128**	4,030,666
	8,878,142	7,042,653	**2,366,943**	2,341,245
Leased plant & equipment at cost	**731,752**	727,690	**731,752**	727,690
Less: accumulated depreciation	**152,177**	142,601	**152,177**	142,601
	579,575	585,089	**579,575**	585,089
Total written down value	**23,029,374**	21,136,480	**12,289,891**	15,530,612

(a) Movements in Carrying Amounts

	Freehold Land	Buildings	Leasehold Land	Plant & Equipment	Leased Plant & Equipment	Total
Economic Entity:						
Balance at beginning of year	6,550,008	6,804,452	154,278	7,042,653	585,089	21,136,480
Additions	-	2,728,917	-	1,994,689	234,595	4,958,201
Additions through acquisition of businesses	265,301	859,483	-	1,941,464	-	3,066,248
Revaluation increments	405,518	907,272	-	-	-	1,312,790
Disposals	(3,665,353)	(1,210,550)	-	(147,825)	(69,082)	(5,092,810)
Depreciation expense	-	(216,764)	(10,905)	(1,952,839)	(171,027)	(2,351,535)
Carrying amount at end of year	3,555,474	9,872,810	143,373	8,878,142	579,575	23,029,374
Parent Entity:						
Balance at beginning of year	5,955,536	6,494,464	154,278	2,341,245	585,089	15,530,612
Additions	-	419,879	-	700,980	234,595	1,355,454
Revaluation increments	405,518	907,272	-	-	-	1,312,790
Disposals	(3,609,021)	(1,210,550)	-	(117,815)	(69,082)	(5,006,468)
Depreciation expense	-	(163,098)	(10,905)	(557,467)	(171,027)	(902,497)
Carrying amount at end of year	2,752,033	6,447,967	143,373	2,366,943	579,575	12,289,891

	Economic Entity		Parent Entity	
	2005 $	2004 $	2005 $	2004 $
Note 13: Intangibles				
Goodwill (note 1b)	**2,657,933**	901,365	**522,850**	624,107
Less: accumulated amortisation	**238,876**	198,367	**212,778**	186,637
	2,419,057	702,998	**310,072**	437,470
Preliminary expenses	**2,241**	2,241	**380**	380
Goodwill on consolidation	**778,189**	464,314	-	-
Less: accumulated amortisation	**402,617**	379,401	-	-
	375,572	84,913	-	-
	2,796,870	790,152	**310,452**	437,850
Note 14: Deferred Tax Assets				
Future income tax benefits	**812,234**	1,329,678	**635,388**	833,606
The future income tax benefits is made up of the following estimated tax benefits:				
- tax losses	-	438,555	-	77,016
- timing differences	**812,234**	891,123	**635,388**	756,590
	812,234	1,329,678	**635,388**	833,606
Note 15: Other				
Deferred expenditure carried forward	**38,187**	3,067	-	-
CURRENT LIABILITIES				
Note 16: Payables				
Trade creditors	**6,096,372**	4,170,283	**3,964,754**	4,899,232
Sundry creditors and accrued expenses	**2,490,766**	1,554,011	**1,049,495**	854,705
	8,587,138	5,724,294	**5,014,249**	5,753,937
Note 17: Interest Bearing Liabilities				
Bank loans – secured	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Bank overdraft – secured	-	1,502	-	-
Lease liability	**221,951**	220,379	**221,951**	220,379
	1,221,951	1,221,881	**1,221,951**	1,220,379

Bank facilities of the parent entity and subsidiaries are secured by a first ranking and registered fixed and floating debenture charge over the assets of the parent entity, and registered mortgages over freehold land and buildings and guarantees and indemnities from subsidiaries. That part of the facilities that fluctuate on an annual basis, are classified as current.

	Economic Entity		Parent Entity	
	2005 $	2004 $	2005 $	2004 $
Note 18 : Current Tax Liabilities				
Income Tax	**1,055,436**	1,181,525	**816,819**	1,139,627
Note 19: Provisions				
Employee benefits 23(a)	**1,512,728**	1,579,991	**1,470,790**	1,546,247
Non-Current Liabilities				
Note 20: Payables				
Amounts payable to controlled entities	-	-	**3,023,332**	3,005,758
	-	-	**3,023,332**	3,005,758
Note 21: Interest Bearing Liabilities				
Bank loans - secured	**21,280,125**	12,375,440	**21,000,000**	12,000,000
Lease liability	**257,907**	279,916	**257,907**	279,916
	21,538,032	12,655,356	**21,257,907**	12,279,916
Note 22: Deferred Tax Liabilities				
Provision for deferred income tax	**1,514,190**	370,327	**1,282,203**	116,428
	1,514,190	370,327	**1,282,203**	116,428
Note 23: Provisions				
Employee benefits 23(a)	**301,740**	325,439	**301,740**	325,439
a) Aggregate employee entitlement liability	**1,814,468**	1,905,430	**1,772,530**	1,871,686
b) Number of employees at year end	**546**	479	**160**	162
Note 24: Contributed Equity				
20,884,650 ordinary shares fully paid at beginning of the year (2004 18,934,650)	**18,139,668**	13,823,338	**18,139,668**	13,823,338
On 15 November 2004 1,715,000 ordinary shares were issued at $3.20 each to a group of institutional and professional investors	**5,488,000**	-	**5,488,000**	-
Less expenses of share issue	**179,640**	-	**179,640**	-
On 24 September 2003 1,350,000 ordinary shares were issued at $2.20 each to a group of institutional and professional investors	-	2,970,000	-	2,970,000
Less expenses of share issue	-	99,100	-	99,100
On 5 December 2003 500,000 ordinary shares were issued at $2.35 each to Mr S S Goh under the Waterco CEO Share Plan	-	1,175,000	-	1,175,000
On 20 February 2004 100,000 ordinary shares were issued at $2.7403 each to Mr S S Goh under the Waterco Directors Option Plan	-	270,430	-	270,430
22,599,650 ordinary shares fully paid at the end of the year (2004 20,884,650)	**23,448,028**	18,139,668	**23,448,028**	18,139,668

	Note No.	Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
Note 25: Reserves					
(a) Capital profits		**210,562**	210,562	**180,426**	180,426
The capital profits reserve relates to non taxable profits on sale of property.					
(b) Foreign currency translation					
The foreign currency translation reserve records exchange differences on translation of foreign controlled subsidiaries					
Balance at beginning of year		**(881,327)**	(717,374)	-	-
Net exchange differences on translation of foreign controlled entities		**(747,676)**	(163,953)	-	-
Balance at end of year		**(1,629,003)**	(881,327)	-	-
(c) Asset revaluation reserve					
Balance at the beginning of the year		**4,814,454**	-	**4,814,454**	-
Net revaluation increment/(decrement) on revaluation of land and buildings		**(831,083)**	4,814,454	**(831,083)**	4,814,454
Balance at end of year		**3,983,371**	4,814,454	**3,983,371**	4,814,454
		2,564,930	4,143,689	**4,163,797**	4,994,880
The asset revaluation reserve records the revaluation of non current assets.					
Note 26: Retained Profits					
Opening retained profits		**10,806,678**	8,065,729	**2,610,375**	914,239
Net profit attributable to the members of the parent entity		**4,175,881**	5,413,954	**3,464,770**	4,369,141
Dividends paid	31	**3,461,594**	2,673,005	**3,461,594**	2,673,005
Closing retained profits		**11,520,965**	10,806,678	**2,613,551**	2,610,375
Note 27: Lease Commitments					
Finance leases					
Lease expenditure contracted and provided for:					
- not later than one year		**249,990**	249,965	**249,990**	249,965
- later than one year but not later than five years		**274,400**	299,834	**274,400**	299,834
Total minimum lease commitments		**524,390**	549,799	**524,390**	549,799
Future finance charges		**44,532**	49,504	**44,532**	49,504
Lease liability		**479,858**	500,295	**479,858**	500,295
Current portion	17	**221,951**	220,379	**221,951**	220,379
Non-current portion	21	**257,907**	279,916	**257,907**	279,916
		479,858	500,295	**479,858**	500,295

	Economic Entity		Parent Entity	
	2005 $	2004 $	2005 $	2004 $
Note 27: Lease Commitments (continued)				
Finance leases are taken out on motor vehicles and forklifts, with an option to purchase the asset at the end of the lease term.				
Operating lease payable:				
- not later than one year	1,740,613	1,311,553	1,401,241	997,765
- later than one year but not later than five years	4,717,485	2,895,040	3,296,404	2,515,505
	6,458,098	4,206,593	4,697,645	3,513,270
Operating leases are taken out on the rental of offices, warehouses, motor vehicles and office equipment.				
Note 28: Contingent Liabilities				
Estimate of the maximum amount of contingent liabilities that may become payable:				
(a) Guarantees of leases of premises subleased or licensed to franchisees	6,913,600	5,709,421	3,572,205	2,576,258
	6,913,600	5,709,421	3,572,205	2,576,258
Note 29: Related Parties				
Transactions between related parties are on normal commercial terms and conditions unless otherwise stated. Related parties of Waterco Limited fall into the following categories:				
(a) Transactions with director related parties				
(i) Payments made to Goh Lai Huat and Sons Sdn Bhd for rental of warehouse and offices by Waterco (Far East) Sdn Bhd. Mr S S Goh, a director, has significant influence over Goh Lai Huat & Sons Sdn Bhd.	338,467	197,596	-	-
(ii) Sales made to Asiapools (M) Sdn Bhd. Mr S S Goh, a shareholder, has significant influence over Asiapools (M) Sdn Bhd.	212,635	243,880	-	-
(iii) Commission paid to Asiapools (M) Sdn Bhd. Mr S S Goh, a shareholder, has significant influence over Asiapools (M) Sdn Bhd.	35,447	33,580	-	-
(iv) Payments made to Mint Holdings Pty Ltd for rental of warehouses and offices. Mr S S Goh is a director and shareholder of Mint Holdings Pty Ltd.	468,594	354,257	468,594	354,257

	Economic Entity		Parent Entity	
	2005 $	2004 $	**2005 $**	2004 $
Note 29: Related Parties (continued)				
(v) Share transactions with Directors: Directors and director-related entities hold directly, indirectly or beneficially as at reporting date the following equity interests in Waterco Ltd:				
Ordinary shares	**11,814,933**	11,237,787	**11,814,933**	11,237,787

Directors and their related entities acquired 587,146 ordinary shares and sold 10,000 ordinary shares in Waterco Ltd during the period.

(b) Loans to Directors
Loans provided to directors in relation to acquisition of shares under:
i) Waterco Employee Share Plan.
This is an interest free loan and is payable within ten years of the share issue date.
ii) CEO Share Plan
This is an interest chargeable loan and is payable within five years of the share issue date.

	Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
Advanced				
Mr S S Goh	**1,175,000**	1,175,000	**1,175,000**	1,175,000
Mr B I Leitch	**28,750**	32,750	**28,750**	32,750
	1,203,750	1,207,750	**1,203,750**	1,207,750
Repaid				
Mr S S Goh	-	-	-	-
Mr B I Leitch	**4,000**	3,250	**4,000**	3,250
	4,000	3,250	**4,000**	3,250

Note 30: Statement of Operations by Segments

(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	S.E.ASIA	NEW ZEALAND	UK	OTHER	ELIMINATION	ECONOMIC ENTITY
	2005 $	2005 $	2005 $	2005 $	2005 $	2005 $	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	(22,831,807)	73,428,422
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	S.E.ASIA	NEW ZEALAND	UK	OTHER	ELIMINATION	ECONOMIC ENTITY
	2004 $	2004 $	2004 $	2004 $	2004 $	2004 $	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

(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.

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	$	$	$	$
Note 31: Dividends Paid or Proposed				
Final fully franked ordinary dividend franked at the tax rate of 30% paid	**1,879,618**	1,419,926	**1,879,618**	1,419,926
Interim fully franked ordinary dividend franked at the tax rate of 30% paid	**1,581,976**	1,253,079	**1,581,976**	1,253,079
	3,461,594	2,673,005	**3,461,594**	2,673,005
Proposed final fully franked ordinary dividend franked at the tax rate of 30%	**2,033,969**	1,879,619	**2,033,969**	1,879,619
Balance of franking account at year end adjusted for franking credits arising from payment of income tax payable, payment of proposed dividends and franking credits not available for distribution.	**2,525,440**	2,818,419	**479,582**	779,756
Note 32: Earnings Per Share				
Reconciliation of Earnings to Net Profit				
Net Profit	**4,189,157**	5,368,346		
Net Profit/(Loss) attributable to outside equity interest	**13,276**	(45,608)		
Earnings used in the calculation of basic EPS	**4,175,881**	5,413,954		
Earnings used in the calculation of diluted EPS	**4,175,881**	5,413,954		
(a) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	**21,876,061**	20,298,038		
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	**21,876,061**	20,298,038		

	Economic Entity		Parent Entity	
	2005 $	2004 $	2005 $	2004 $
Note 33: Outside Equity Interests In Controlled Entities				
Outside equity interest comprises:				
Share Capital	**4,879**	15,657	-	-
Accumulated Profits/(Losses)	**158,405**	(146,105)	-	-
	163,284	(130,448)	-	-
(a) Outside equity interests in share capital of controlled entities:				
Issued ordinary shares of 55 cents (RM 1.00) each fully paid in Global Leisure Products Sdn Bhd	**4,879**	4,879	-	-
Issued ordinary shares of $2.65 (GBP1.00) each fully paid in Waterco (Europe) Ltd	**-**	10,778		
	4,879	15,657	-	-
(b) Accumulated Profits/(Losses)				
Opening balance	**(146,105)**	(69,513)	-	-
Share of profit from ordinary activities after income tax	**13,276**	(45,608)	-	-
Acquisition of minority interests in Waterco (Europe) Ltd (goodwill on consolidation)	**324,653**	-		
Dividend paid	**(33,419)**	(30,984)	-	-
	158,405	(146,105)	-	-
Note 34: Capital Expenditure Commitments				
Capital expenditure commitments contracted for:				
Construction of buildings	**5,192,328**	-	-	-
Payable not later than one year	**5,192,328**	-	-	-

Note 35: Events Subsequent To Reporting Date

There were no reportable events subsequent to balance date.

Note 36: Financial Instruments

(a) Interest Rate Risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Within 1 Year		1 to 5 Years		Non-interest Bearing		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	%	%	$	$	$	$	$	$	$	$	$	$
Financial Assets												
Cash	3.93	3.87	5,331,900	1,423,607							5,331,900	1,423,607
Receivables									12,950,626	9,009,506	12,950,626	9,009,506
Total Financial Assets			5,331,900	1,423,607					12,950,626	9,009,506	18,282,526	10,433,113
Financial Liabilities												
Bank overdraft	10.25	9.63	-	1,502							-	1,502
Bank loans	6.84	6.56	22,280,125	13,375,440							22,280,125	13,375,440
Trade and sundry creditors									8,587,138	5,724,294	8,587,138	5,724,294
Lease liabilities	6.98	6.93			221,951	220,379	257,907	279,916			479,858	500,295
Total Financial Liabilities			22,280,125	13,376,942	221,951	220,379	257,907	279,916	8,587,138	5,724,294	31,347,121	19,601,531

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk for derivative financial instruments arises from the potential failure by counter parties to the contract to meet their obligations. The credit risk exposure to forward exchange contracts and interest rate swaps is the net fair value of these contracts as disclosed in (c).

The economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

(c) Net Fair Values

The net fair value of bank overdrafts, bank loans and lease liabilities is determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value. Their net fair value is adjusted for any costs involved in settling the instrument.

	2005		2004	
	Carrying Amount $	Net Fair Value $	Carrying Amount $	Net Fair Value $
Financial Liabilities				
Bank Overdraft	-	-	1,502	1,517
Bank Loans	22,280,125	22,502,926	13,375,440	13,509,194
Lease Liabilities	479,858	503,851	500,295	525,310
	22,759,983	23,006,777	13,877,237	14,036,021

For financial assets and other liabilities, the net fair value approximates their carrying value. Financial assets where the carrying amount exceeds the net fair values have not been written down as the economic entity intends to hold these assets to maturity.

Note 37: Employee Benefits

Employee Share Plans
The following is a summary of the existing employee share plans.

(1) Waterco Employee Share Plan
The plan was approved by shareholders at the 1996 Annual General Meeting.

Its objective is to encourage full-time and part-time employees of the Waterco Group to acquire ordinary shares in the company in order to promote the long term success of the company as a goal shared by the employees.

All full-time and part-time employees are invited by the Board to subscribe for ordinary shares in the company at the market price at the time of invitation (being the weighted average price over the 3 preceding trading days on ASX subject to adjustment by the board if it believes the price is distorted) but not less than twenty cents The company may extend an interest free loan to acquire the shares which is repayable within ten years or immediately if the employee leaves the company. The security given for the loan is the pledge of the shares and a charge over any benefits generated by those shares including dividends and bonus shares etc. The proceeds of these benefits are used to reduce the borrower's indebtedness to the company.

The loans are limited recourse loans meaning that if the shares are sold and the proceeds are not sufficient to meet the loan balance outstanding, the company cannot recover the difference from the borrower.

Any ordinary shares issued during the year under this plan are shown in the statement of financial position as contributed equity with the resulting debt to the company shown as non current receivables. Any residual loan amounts written off are expensed during the year.

During the year no shares were issued under this plan while debts of $86,580 were repaid.

(2) Deferred Employee Share Plan and Exempt Employee Share Plan
The objective of these plans is to provide incentive to employees to acquire ordinary shares in the company by way of salary sacrifice thus leading to an alignment of the interests of the participants with those of other shareholders.

These plans which are offered to all employees, replace the Waterco Executive Share Acquisition Plan.

a) Deferred Employee Share Plan
Under this plan, employees are invited to salary sacrifice a minimum of $2,000 (and up to a maximum of 30% of their salary) per annum to purchase shares. Waterco contributes a matching $1,000 towards the purchase of shares on behalf of each employee who takes up the offer. Shares acquired under this plan must be held for at least two years unless the employee leaves and is therefore entitled to withdraw the shares from the Plan.

During the year, the company contributed $30,920 (2004: $29,999) for the purchase of 8,449 (2004: 12,194) shares under this plan.

b) Exempt Employee Share Plan
Under this plan, employees are invited to salary sacrifice a minimum of $500 per annum to purchase shares. Waterco contributes a matching $500 towards the purchase of shares for employees who take up this offer. Shares acquired under this plan must be held for at least three years unless the employee leaves and is therefore entitled to withdraw the shares from the plan.

During the year, the company contributed $21,280 (2004: $17,307) for the purchase of 5,930 (2004: 7,035) shares under this plan.

All costs associated with purchasing the shares under both Plans are borne by the company. However, a fee of $55.00 is payable (by the employee) for the transfer of the shares to the employee either at the end of the restriction period or early withdrawal (on resignation).

The closing share market price of an ordinary share of Waterco Limited on the Australian Stock Exchange at 30 June 2005 was $3.85 (30 June 2004: $2.55)

(3) Contributions

During the year, Waterco Limited made nil contributions to Waterco Share Plan Pty Limited, being the trustee company established to administer the above share plans. The charge in the statement of financial performance in respect of shares allocated during the year is reconciled to the contribution as follows:

	Economic Entity	Parent Entity
	2005 $	2004 $
Unexpended contribution brought forward from previous year	-	124,368
Add: Contributions during the year	-	449,127
Less: Amount provided for in previous year	-	(558,000)
Amount charged in the statement of financial performance for shares allocated during the year	-	15,495

Waterco Limited expenses the contributions at the time the shares are allocated to participants of the various plans, being the point in time that employees acquire their beneficial right to shares.

(4) CEO Share Plan

This plan was set up in 2003 and approved at the Annual General Meeting held on 17 November 2003. On 5 December 2003, Mr S S Goh was issued 500,000 shares at $2.35 each under the delayed loan repayment terms of this plan. Under this plan, Mr S S Goh is entitled to withdraw and deal with these shares if the following criteria has been satisfied:

i) Minimum Employment Period
Mr S S Goh must continue to be employed as CEO of the company for 36 months following the issue of the shares. If this is not satisfied, the CEO will forfeit the shares.

ii) Performance Hurdles
The company must meet the targeted earnings per share (EPS) growth as follows:
a) Growth in EPS of less than 15% per year compounded over the Targeted EPS Period (30 June 2003 - 30 June 2006) results in 0% of the shares being available to be withdrawn from the Plan; and
b) Growth in EPS of 15% or greater each year compounded over the Targeted EPS Period results in 50% of the shares being available to be withdrawn from the Plan plus 10% of the shares for every 1% growth in EPS greater than 15% over the targeted EPS Growth Period, up to a maximum of 100% of the shares.

This loan is an interest chargeable loan and the amount of interest payable is equivalent to the dividends paid on these shares. During the year, a total of $80,000 in interest was received on this loan.

	Economic Entity		Parent Entity	
	2005 $	2004 $	2005 $	2004 $

Note 38: Cash Flow Information

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks net of outstanding bank overdraft and current bank loans. Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2005 $	2004 $	2005 $	2004 $
Cash at bank	5,331,900	1,423,607	3,201,851	761,326
Bank overdraft	-	(1,502)	-	-
Bank loans	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
	4,331,900	422,105	2,201,851	(238,674)

(b) Reconciliation of cash flows from operations with profit from ordinary activities after income tax.

	2005 $	2004 $	2005 $	2004 $
Profit from ordinary activities after income tax	4,189,157	5,368,346	3,464,770	4,369,141
Non-cash flows in profit from ordinary activities				
Depreciation	2,342,546	2,174,449	891,592	790,186
Amortisation	74,245	57,154	37,046	31,983
(Profit)/loss on sale of non current assets	(20,153)	10,979	(21,898)	(44)
Changes in Assets and Liabilities:				
Trade debtors	(1,549,654)	1,279,729	21,191	551,767
Provision for doubtful debts	(9,948)	(26,460)	-	(50,000)
Other debtors	(234,178)	181,306	29,172	(4,399)
Inventories	(3,199,916)	(2,923,510)	(1,757,663)	(1,775,078)
Prepayments	(151,993)	(279,627)	(17,956)	(15,535)
Future income tax benefits	517,444	(229,280)	198,218	(141,744)
Expenditure carried forward	(35,120)	(3,067)	-	-
Trade creditors	1,926,089	(2,177,303)	(934,478)	2,030,913
Other creditors	486,755	1,604	(255,210)	(272,494)
Provision for employee benefits	(84,070)	(185,573)	(92,264)	573,108
Provision for tax	(126,089)	398,443	(322,808)	278,029
Provision for deferred tax	(563,294)	(86,951)	(541,382)	(17,244)
Cash Flows – Non Operating Activities:				
Dividends Received	(108)	-	(34,891)	(39,003)
Cash Flows provided by/(used in) operations	3,561,713	3,560,239	663,439	6,309,586

	Economic Entity		Parent Entity	
	2005 $	2004 $	2005 $	2004 $
Note 38: Cash Flow Information (continued)				
(c) During the financial year, two parent entity owned and operated stores were franchised:				
Disposal price	345,769	-	345,769	-
Cash portion of that price	345,769	-	345,769	-
Net assets and liabilities disposed:				
Inventory	101,819	-	101,819	-
Plant, equipment & intangibles	250,842	-	250,842	-
Provision for employee benefits	(6,892)	-	(6,892)	-
	345,769	-	345,769	-
(d) During the financial year, Waterco USA Inc and Waterco Canada Inc (two subsidiaries) acquired the businesses of Baker Hydro Filtrations Inc (based in Georgia, USA) and Focus Temp Inc (based in Quebec, Canada).				
Purchase Price	9,708,636	-	-	-
Cash consideration	9,708,636	-	-	-
Assets and liabilities held at acquisition date:				
Trade debtors	2,147,340	-	-	-
Inventories	2,957,228	-	-	-
Property, plant & equipment, & intangibles	4,604,068	-	-	-
	9,708,636	-	-	-
During the year, Waterco Ltd acquired the business of one pool shop (2004: two)				
Cash consideration	107,983	536,122	107,983	536,122
Assets and liabilities held at acquisition date:				
Inventories	22,583	258,122	22,583	258,122
Property, plant & equipment, & intangibles	85,000	278,000	85,000	278,000
	107,583	536,122	107,583	536,122
On 25 July 2003, Waterco (NZ) Ltd (a subsidiary) acquired the business of four retail pool shops from Poolcare FPI Services Ltd.				
Purchase Price	-	549,820	-	-
Cash consideration	-	549,820	-	-
Assets and liabilities held at acquisition date:				
Inventories	-	146,881	-	-
Property, plant & equipment, & intangibles	-	402,939	-	-
	-	549,820	-	-
	9,816,219	1,085,942	107,583	536,122

	Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
Note 38: Cash Flow Information (continued)				
(e) Non Cash Financial and Investment activities				
(i) Property, Plant and Equipment 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. This acquisition is not reflected in the statement of cash flows.				
(ii) Issue of Shares During the previous year, the economic entity issued 500,000 shares at $2.35 each (amounting to $1,175,000) to Mr S S Goh under the delayed repayment terms of the Waterco CEO Share Plan This financing activity is not reflected in the statement of cash flows.				
(f) Financing Facilities The following lines of credit were available at balance date:				
Multiple Advance/Fully Drawn Advance Facilities	27,912,000	19,908,000	27,000,000	18,900,000
Master lease facilities	1,350,000	1,300,000	1,350,000	1,300,000
	29,262,000	21,208,000	28,350,000	20,200,000
Amount utilised	(19,458,253)	(13,341,365)	19,392,549	(12,964,423)
Amount unutilised	9,803,747	7,866,635	8,957,451	7,235,577

The Multiple Advance Facility is due to expire on 31 July 2006. The Fully Drawn Advance Facility is due to expire on 27 June 2010. The parent entity expects to renew these facilities on expiry date.

Note 39: Company Details

The registered office of the company is:
Waterco Limited
36 South St
Rydalmere NSW 2116.

Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 19 to 46, are in accordance with the Corporations Act 2001:
   (a) comply with Accounting Standards and the Corporations Regulations 2001 and
   (b) give a true and fair view of the financial position as at 30 June 2005 and of the performance for the year ended on that date of the company and economic entity;

2. the Chief Executive Officer and Chief Financial Officer have each declared that:
   (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
   (c) the financial statements and notes for the financial year give a true and fair view.

3 in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Soon Sinn Goh
Chairman/CEO

Dated at Sydney this 24th day of August 2005

CHARTERED
ACCOUNTANTS
& BUSINESS
ADVISORS

A MEMBER OF
MOORES ROWLAND
INTERNATIONAL

Bentleys mri
Thinking ahead

Bentleys MRI Sydney Partnership
ABN 68 093 412 031

Level 3, 31 Market Street
Sydney NSW 2000

GPO Box 3358
Sydney NSW 2001

T +61 2 9994 1000
F +61 2 9994 1001
admin@sydn.bentleys.com.au
www.bentleys.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF WATERCO LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Waterco Limited (the company) and Waterco Limited (the consolidated entity), for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects that financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Audit opinion

In our opinion, the financial report of Waterco Limited is in accordance with:

(a) the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Bentleys MRI

Bentleys MRI
Sydney Partnership

Robert B. Ryn
Partner

Dated at Sydney this 24th day of August 2005

Shareholder Information (as at 30 August 2005)

(a) **Distribution of Shareholders**

Range			Ordinary Shares
1	-	500	156
501	-	1,000	253
1,001	-	5,000	398
5,001	-	10,000	124
10,001	-	100,000	142
100,001	-	and over	20
			1093

(b) **Marketable Parcel**

Ten shareholders hold less than a marketable parcel

(c) **Substantial Shareholders**

The following information is extracted from the company's register as at 30 August 2005

Name	Number of Shares
S S Goh Group	9,953,345
Loftus Capital Partners Ltd ACN 067 185 899	1,772,886

(d) **Voting Rights**

For all shares, voting rights are one vote per member on a show of hands and one vote per share on a poll.

(e) **Twenty Largest Shareholders**

The twenty largest shareholders hold 70.17% of the total shares issued.

Name	Number of Shares	Percentage
GSS Holdings Pty Ltd	7,997,065	35.39
Invia Custodian Pty Limited	1,909,308	8.45
Mr Soon Sinn Goh	1,456,280	6.44
Citicorp Nominees Pty Limited	786,477	3.48
ANZ Nominees Limited	596,733	2.64
Mister Rain Pty Ltd	500,000	2.21
Goh Lai Huat & Sons Sdn Bhd	300,000	1.33
Mr Loke Weng Foo	280,000	1.24
BJ Services	228,500	1.01
Brazil Farming Pty Ltd	220,000	0.97
S G Corporation Pty Limited	202,500	0.90
GWK Corporation Pty Limited	201,500	0.89
Mint Holdings Pty Ltd	200,000	0.88
Mr Khoon Ping Kuok	173,000	0.77
Miss Penelope Pringle	163,000	0.72
Drill Investments Pty Ltd	150,000	0.66
Mr Charles Hepenstall & Mrs Julie Hepenstall	130,000	0.58
Key Pin Holdings	127,000	0.56
Mr Tiow Lip Lee	121,500	0.54
Barbree Pty Ltd	115,000	0.51
TOTAL	**15,857,863**	**70.17**

(f) **Stock Exchange Listing**

The shares of Waterco Limited are listed on the Australian Stock Exchange under the trade symbol WAT, with Sydney being the home exchange.

DIRECTORS
Soon Sinn Goh
Bruce Leitch
Garry Norman
Stuart Lloyd
Ben Hunt

SECRETARIES
Bee Hong Leo
Gerard Doumit

REGISTERED OFFICE
36 South Street, Rydalmere NSW 2116
Tel: + 61 2 9898 8600
Fax: + 61 2 9898 1877
Website: www.waterco.com
E-mail: administration@waterco.com.au

OFFICES - AUSTRALIA
NSW (Head Office)
36 South Street, Rydalmere NSW 2116
Postal Address: P O Box 230
Rydalmere BC NSW 1701
Tel: + 61 2 9898 8600

QLD
77 Nealdon Drive, Meadowbrook QLD 4131
Postal Address: P O Box 606
Springwood QLD 4127
Tel: + 61 7 3299 9999

VIC
24 Summer Lane, Ringwood VIC 3134
Tel: + 61 3 9879 5141

WA
2 Stretton Place, Balcatta WA 6021
Tel: + 61 8 9273 1900

SA
580 Torrens Road, Woodville North SA 5012
Tel: + 61 8 8244 6000

SHARE REGISTRY
Computershare Investor Services Pty Ltd
Level 3, 60 Carrington Street
Sydney NSW 2000
Tel: + 61 2 8234 5000

AUDITORS
Bentleys MRI
Level 3, 31 Market Street
Sydney NSW 2000
GPO Box 3356, Sydney NSW 2001

BANKER
HSBC Bank Australia Limited
HSBC Centre
580 George St
Sydney, NSW 2000

OFFICES - OVERSEAS
NEW ZEALAND
7 Industry Road, Penrose
Auckland, New Zealand
Tel: + 64 9 525 7570

MALAYSIA
Lot 24391-B, Jalan 3/32A off Batu 6 ½
Jalan Kepong, 52000 Kuala Lumpur, Malaysia
Tel: + 60 3 6250 8169

UNITED STATES OF AMERICA
PHOENIX
23015 North 15th Avenue
No. 106, Phoenix
Arizona 85027, USA
Tel: + 1 623 434 4703

AUGUSTA
1864 Tobacco Rd
Augusta, GA 30906, USA
Tel: + 1 706 793 7291

CANADA
5460 Rue Martineau,
St-Hyacinthe, Quebec, Canada J2R 1T8
Tel: + 1 450 796 4333

CHINA
1st Floor, (West Block), D1-3 Complex
Guang Ye Hang, No. 5, Ming Hua San Street
Jin Xiu Road, GETDD
Guangzhou 510730, PR China
Tel: + 86 20 8335 1107

UNITED KINGDOM
Radfield, London Road, Teynham
Sittingbourne, Kent, ME9 9PS, UK
Tel: + 44 1795 521733

WATERCO

REGISTERED OFFICE
36 South Street, Rydalmere NSW 2116
Tel: + 61 2 9898 8600
Fax: + 61 2 9898 1877
Website: www.waterco.com
E-mail: administration@waterco.com.au

WATERCO
Water, the Liquid of Life

WATERCO LIMITED
A.B.N. 62 002 070 733
36 South Street
Rydalmere, NSW 2116
P O Box 230 Rydalmere BC NSW 1701
Tel: (+ 61 2) 98988600
Fax: (+ 61 2) 98981877
www.waterco.com

21 October 2005

Dear Shareholder

I am pleased to invite you to attend our Annual General Meeting (AGM) to be held at 36 South Street, Rydalmere NSW 2116 on Wednesday 23 November 2005 at 3:00pm.

Enclosed is a Notice of Meeting which sets out the business to be dealt with at the AGM. If you are attending this meeting, please bring this letter with you to facilitate registration into the AGM.

If you do not plan to attend the meeting, you are encouraged to complete the enclosed Proxy Form. The Proxy Form should be returned in the envelope provided or faxed to our share registry on 61 3 9473 2118 so that it is received by 3:00pm on Monday 21 November 2005.

Corporate shareholders and corporate proxy-holders will be required to complete a "Certificate of Appointment of Representative" to enable a person to attend on their behalf. A form of this certificate may be obtained from the Company's share registry.

I look forward to seeing you at the AGM.

Yours sincerely

Soon Sinn Goh
Chairman

NOTICE OF ANNUAL GENERAL MEETING

WATERCO LIMITED
ABN 62 002 070 733

Notice is hereby given that the Annual General Meeting of the shareholders of Waterco Limited will be held at 36 South Street, Rydalmere NSW 2116 on Wednesday 23 November 2005 at 3.00pm.

Business:

1. **Financial Report**

   To receive and consider the financial report of the Company and its controlled entities for the year ended 30 June 2005 and the related Directors' Report and Auditor's Report.

2. **Re-Election of Director**

   Mr Garry Norman retires by rotation in accordance with the Company's Constitution and, being eligible, offers himself for re-election.

3. **Remuneration Report**

   To consider, and if thought fit, to pass the following non-binding resolution:

   "That the Shareholders adopt the Remuneration Report contained in the Directors' Report that was provided to Shareholders as part of the 2005 Annual Report."

4. **Adoption of new Constitution**

   Special Business:

   To consider, and if thought fit, to pass the following resolution as a special resolution:

   "That, in accordance with section 136(2) of the Corporations Act, the Company repeal and replace its Constitution in its entirety with the Constitution in the form attached to the Notice of Meeting dated 21 October 2005."

By order of the Board

B H Leo
Company Secretary
21 October 2005

Voting Entitlements
For the purpose of the Corporations Act, the Company has determined that all securities of the Company that are quoted securities at 7.00pm Australian Eastern Daylight Time on Monday 21 November 2005 will be taken, for the purpose of the Meeting, to be held by the persons who held them at the time.

Proxies
A shareholder has the right to appoint a proxy who need not be a shareholder of the Company. If a shareholder is entitled to two or more votes they may appoint two proxies and may specify the percentage of votes each proxy is appointed to exercise. The Proxy Form must be deposited at the share registry of the company, Computershare Investor Services Pty Ltd, located at level 3, 60 Carrington Street, Sydney NSW 2000 or at the Company's Registered Office, 36 South Street, Rydalmere NSW 2116, or by facsimile to Computershare on 61 3 9473 2118 or to the Company on 61 2 9898 1877.

EXPLANATORY NOTES

Item 1 – Financial Report

In accordance with section 317 of the Corporations Act, the Financial Report, Directors' Report and Independent Audit Report of the Company will be laid before the meeting for consideration. There is no requirement for shareholders to approve those reports. However, the Chairman will allow a reasonable opportunity for shareholders to ask questions or make comments about those reports. Shareholders will also be given a reasonable opportunity to ask the auditor questions about the conduct of the audit, the preparation and content of the Independent Audit Report, the company's accounting policies and the independence of the auditor.

Members may also submit written questions to the auditor in advance, relating to the content of the Independent Audit Report or the conduct of the audit. The questions must be provided to the company no later than 5 business days before the date of the AGM. Members wishing to submit written questions should post or deliver them to the Company's Registered Office, 36 South Street, Rydalmere NSW 2116, or by facsimile to the Company on 61 2 9898 1877, marked to the attention of the Company Secretary.

Item 2 - Re-Election Of Director

Mr Garry Norman retires in accordance with the Company's Constitution and, being eligible, offers himself for re-election.

Mr Norman was appointed to the Board as a non executive director in October 1993. He is the principal of the Chartered Accountancy firm of G R Norman & Co. He has a solid background in accountancy, having worked for fourteen years with Duesburys Chartered Accountants, where prior to his departure, in order to establish his own firm, he was a manager of the Business Services Division. He is the Chairman of the Audit Committee and a member of the Remuneration Committee. Mr Norman's Superannuation Fund holds a total of 100,000 shares in Waterco Limited.

The directors (with Garry Norman absent and not voting) recommend you vote in favour of the resolution.

Item 3 - Remuneration Report

In accordance with section 250R of the Corporations Act the Company must put to the vote a resolution that the Remuneration Report be adopted. The Remuneration Report forms part of the Directors' Report contained in the 2005 Annual Report to shareholders.

The vote on this resolution is advisory only and does not bind the directors or the Company, however, the directors may take into future consideration the shareholders' vote on this matter.

The Chair will allow a reasonable opportunity at the AGM for shareholders as a whole to ask questions about or make comments on the Remuneration Report.

Item 4 - Adoption of new Constitution

In accordance with section 136(2) of the Corporations Act the Company may replace its Constitution by special resolution of its shareholders.

The Directors are proposing that the current Constitution of the Company be replaced with the Constitution attached to this Notice of Meeting. The Directors believe that the Constitution should be updated to reflect changes in the law that have occurred since the adoption of the current Constitution on 18 December 1998.

The Constitution in the form attached incorporates all relevant changes in the law since the adoption of the current Constitution and therefore represents a better governing document for the Company and its shareholders.

WATERCO

Water, the Liquid of Life

Proxy Form

Waterco Limited

ABN 62 002 070 733

Mark this box with an 'X' if you have made any changes to your address details (see reverse)

All correspondence to:
Computershare Investor Services Pty Limited
GPO Box 7045 Sydney
New South Wales 2001 Australia
Enquiries (within Australia) 1300 855 080
(outside Australia) 61 3 9415 4000
Facsimile 61 2 8234 5050
www.computershare.com

Appointment of Proxy

I/We being a member/s of Waterco Limited and entitled to attend and vote hereby appoint

the Chairman of the Meeting (mark with an 'X') **OR**

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Waterco Limited to be held at 36 South Street, Rydalmere NSW 2116 on 23 November 2005 at 3.00pm and at any adjournment of that meeting.

Voting directions to your proxy - please mark X to indicate your directions

		For	Against	Abstain*
	Items of Business			
2	Re-election of Director: Mr Garry Norman			
3	Adoption of Remuneration Report			
	Special Business			
4	Adoption of new Constitution			

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

* If you mark the Abstain box for a particular item, you are directing your proxy <u>not</u> to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

PLEASE SIGN HERE

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

In addition to signing the Proxy form in the above box(es) please provide the information below in case we need to contact you.

Contact Name	Contact Daytime Telephone	Date / /

WAT 13PR

011518 - V2

How to complete this Proxy Form

1 Your Address

This is your address as it appears on the company's share register. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker (in which case your reference number overleaf will commence with an 'x') should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

3 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.

(b) return both forms together in the same envelope.

5 Signing Instructions

You must sign this form as follows in the spaces provided:

Individual:	where the holding is in one name, the holder must sign.
Joint Holding:	where the holding is in more than one name, all of the securityholders should sign.
Power of Attorney:	to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies:	where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of a corporate Securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry or at **www.computershare.com**.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below no later than 48 hours before the commencement of the meeting at 3.00pm on 23 November 2005. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged using the reply paid envelope or:

IN PERSON	Registered Office - 36 South Street, Rydalmere NSW 2116, Australia
	Share Registry - Computershare Investor Services Pty Limited, Level 2, 60 Carrington Street, Sydney NSW 2000 Australia
BY MAIL	Registered Office - PO Box 230, Rydalmere BC NSW 1701
	Share Registry - Computershare Investor Services Pty Limited, GPO Box 4195, Sydney NSW 2001 Australia
BY FAX	61 3 9473 2118

CONSTITUTION OF WATERCO LIMITED

WATERCO

ABN 62 002 070 733

DIBBS ABBOTT STILLMAN | LAWYERS

Level 8 Angel Place 123 Pitt Street Sydney NSW 2000
GPO Box 983 Sydney NSW 2001 DX 101 Sydney
Tel 61 2 8233 9500 Fax 61 2 8233 9555
www.daslaw.com.au

Ref: EAB/RMP: 3222792

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PRELIMINARY

1.1 Definitions and Interpretation

(a) In this Constitution:

"ACH Clearing Rules" means the operating rules of Australian Clearing House Pty Limited;

"ASTC Settlement Rules" means the operating rules of the ASX Settlement and Transfer Corporation Pty Limited

"ASX" means the Australian Stock Exchange Limited;

"Business Day" has the meaning given to that term in the Listing Rules;

"Certificated Holding" means a share or shares for which a certificate has been issued, and not subsequently cancelled, by the Company;

"Company" means Waterco Limited ABN 62 002 070 733;

"Dispose" has the meaning given to that term in the Listing Rules;

"Listed Company" means a company that is admitted to the official list of the ASX;

"Listing Rules" means the listing rules of the ASX and any other rules of the ASX which are applicable while the Company is admitted to the official list of the ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by the ASX;

"Proper ASTC Transfer" has the meaning given to that term in Regulation 1.0.02 of the Corporations Regulations;

"Related Body Corporate" has the meaning given to that term in the Corporations Act 2001;

"Representative", in relation to a body corporate, means a representative of the body corporate appointed under section 250D(1) of the Corporations Act 2001 or a corresponding previous law;

"Restricted Securities" has the meaning given to that term in the Listing Rules;

"Seal" means any common seal or duplicate common seal of the Company complying with section 123 of the Corporations Act 2001;

"Transmission Event" means:

(a) in respect of a member of the Company who is an individual:

(i) the death of the member;

(ii) the bankruptcy of the member;

(iii) the member becoming of unsound mind; or

(iv) the member becoming a person who is, or the member's estate becoming liable to be dealt with in any way under the law relating to mental health; and

(b) in respect of a member of the Company who is a body corporate, the dissolution of the member or the succession by another body corporate to the assets and liabilities of the member;

"Uncertificated Holding" means a share or shares for which a certificate has not been issued by the Company, or in respect of which any certificate which was issued by the Company has been cancelled without the issue of a replacement certificate, in accordance with rule 2.14; and

(b) A reference in a rule to a partly paid share is a reference to a share on which there is an amount unpaid.

(c) A reference in a rule to a call or an amount called in respect of a partly paid share includes a reference to a sum that, by the terms of issue of a share, becomes payable on allotment or at a fixed date.

(d) A member is to be taken to be present at a general meeting if the member is present in person or by proxy, attorney or Representative.

(e) A director is to be taken to be present at a meeting of directors if the director is present in person or by alternate director.

(f) A reference in a rule in general terms to a person holding or occupying a particular office or position includes a reference to any person who occupies or performs the duties of that office or position for the time being.

(g) In this Constitution, headings are for convenience only and do not affect the interpretation of this Constitution and:

(i) words importing the singular include the plural and vice versa;

(ii) words importing a gender include every other gender;

(iii) a reference to a person includes a natural person, company, corporation, body corporate, body politic, partnership, joint venture, association, board, group or other body (whether or not the body is incorporated);

(iv) a reference to a person includes that person's successors and legal personal representatives;

(v) a reference to any statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations, ordinances or by laws varying, consolidating or replacing them and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;

(vi) a reference to the Listing Rules or the ASTC Settlement Rules and/ or ACH Clearing Rules includes any variation, consolidation or replacement of those rules and is to be taken to be subject to any waiver or exemption granted to the Company from compliance with those rules; and

(vii) where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings.

1.2 Application of the Corporations Act 2001, Listing Rules, ASTC Settlement Rules and ACH Clearing Rules

(a) This Constitution is to be interpreted subject to the Corporations Act 2001 and (while the Company is a Listed Company) the Listing Rules and the ASTC Settlement Rules and/ or ACH Clearing Rules.

(b) While the Company is a Listed Company, the Company and the directors must comply with the obligations respectively imposed on them under the Listing Rules and the ASTC Settlement Rules and/ or ACH Clearing Rules.

(c) Unless the contrary intention appears, an expression in a rule that deals with a matter dealt with by a provision of the Corporations Act 2001, the Listing Rules or the ASTC Settlement Rules and/ or ACH Clearing Rules has the same meaning as in that provision.

1.3 Effect of the Listing Rules

While the Company is a Listed Company, the following provisions apply:

(a) despite anything contained in this Constitution, if the Listing Rules prohibit an act being done that act must not be done;

(b) nothing contained in this Constitution prevents an act being done that the Listing Rules requires to be done;

(c) if the Listing Rules require any act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be);

(d) if the Listing Rules require this Constitution to contain a provision and it does not contain such a provision, this Constitution is deemed to contain that provision;

(e) if the Listing Rules require this Constitution not to contain a provision and they contain such a provision, this Constitution is deemed not to contain that provision;

(f) if any provision of this Constitution is or becomes inconsistent with the Listing Rules, this Constitution is deemed not to contain that provision to the extent of the inconsistency.

1.4 Exercise of powers

(a) The Company may exercise in any manner permitted by the Corporations Act 2001 any power which a company limited by shares may exercise under the Corporations Act 2001 if authorised by its Constitution.

(b) Where this Constitution provides that a person or body may do a particular act or thing and the word "may" is used, the act or thing may be done at the discretion of the person or body.

(c) Where this Constitution confers a power to do a particular act or thing, the power is, unless the contrary intention appears, to be taken to include a power to repeal, rescind, revoke, amend or vary that act or thing.

(d) Where this Constitution confers a power to do a particular act or thing with respect to particular matters, the power is, unless the contrary intention appears, to be taken to include a power to do that act or thing with respect to some only of those matters or with respect to a particular class or particular classes of those matters and to make different provision with respect to different matters or different classes of matters.

(e) Where this Constitution confers a power to make appointments to any office or position, the power is, unless the contrary intention appears, to be taken to include a power:

 (i) to appoint a person to act in the office or position until a person is appointed to the office or position;

 (ii) subject to any contract between the Company and the relevant person, to remove or suspend any person appointed, with or without cause; and

 (iii) to appoint another person temporarily in the place of any person so removed or suspended or in place of any sick or absent holder of such office or position.

(f) Where this Constitution confers a power or impose a duty then, unless the contrary intention appears, the power may be exercised and the duty must be performed from time to time as the occasion requires.

(g) Where this Constitution confers a power or impose a duty on the holder of an office, unless the contrary intention appears, the power may be exercised and the duty must be performed by the holder for the time being of the office.

(h) Where this Constitution confers power on a person or body to delegate a function or power:

 (i) the delegation may be concurrent with, or to the exclusion of, the performance or exercise of that function or power by the person or body;

 (ii) the delegation may be either general or limited in any manner set out in the terms of delegation;

 (iii) the delegation need not be to a specified person but may be to any person from time to time holding, occupying or performing the duties of a specified office or position;

 (iv) the delegation may include the power to delegate;

 (v) where the performance or exercise of that function or power is dependent upon the opinion, belief or state of mind of that person or body in relation to a matter, that function or power may be performed or exercised by the delegate upon the opinion, belief or state of mind of the delegate in relation to that matter; and

 (vi) the function or power so delegated, when performed or exercised by the delegate, is to be taken to have been performed or exercised by the person or body.

1.5 Replaceable Rules not to apply

The replaceable rules contained in the Corporations Act 2001 do not apply to the Company except to the extent that they are repeated in this Constitution.

2 SHARE CAPITAL

2.1 Shares

(a) Without prejudice to any special rights conferred on the holders of any shares or class of shares but subject to this Constitution and (while the Company is a Listed Company) to the Listing Rules and the ASTC Settlement Rules and/ or ACH Clearing Rules, the directors may issue, allot or grant options in respect of, or otherwise Dispose of, shares to such persons, for such price, on such conditions, at such times and with such preferred, deferred or other special rights or special restrictions, whether with regard to dividend, voting, return of capital, participation in the property of the Company on a winding up or otherwise, as the directors think fit.

(b) In particular, the directors may differentiate between the holders of partly paid shares as to the amount of calls to be paid and the time for payment.

2.2 Preference Shares

(a) Subject to the Corporations Act 2001, the Company may issue any form of preference shares including preference shares that are, at the option of the Company or the holder, liable to be redeemed out of profits or out of the proceeds of a fresh issue of shares made for the purpose of the redemption.

(b) Holders of Preference Shares will have the same rights as other shareholders as regards receiving notices, reports and audited accounts, and attending general meetings.

(c) Without limiting the generality of **rule 2.2(a)**, the directors may issue:

(i) redeemable or non-redeemable preference shares;

(ii) redeemable convertible preference shares; or

(iii) non-redeemable convertible preference shares,

which are expressed to be issued on and subject to the terms and conditions of this **rule 2.2 ("Preference Shares")**.

(d) The Preference Shares will confer upon the holders of Preference Shares such rights and will otherwise be issued upon such terms and conditions as are set out in this Constitution but subject as follows:

(i) the rate of dividend and the date of redemption and/or conversion (as the case may be), will be as determined by resolution of the directors and specified in or determined in accordance with, the certificate or terms of issue (as applicable), issued pursuant to rule 2.2(g); and

(ii) no Preference Shares will in respect of either dividends, redemption or conversion carry any right to participate in a distribution beyond the amount specified in such certificate or terms of issue.

(e) The Preference Shares will confer on the holders of Preference Shares:

(i) the right on redemption (if appropriate) and in a winding up to payment in cash in priority to any other class of shares of:

A. the paid up amount of the Preference Shares; and

B. the amount (if any) equal to the aggregate of any dividend accrued at that date (whether determined to be payable or not) but unpaid and of any arrears of dividends; and

(ii) the right in priority to any payment of dividend on any other class of shares (subject to the rights attaching to any other class of shares on issue as at the date of first issue of any Preference Shares) to a fixed or a cumulative preferential dividend at the rate of dividend determined by the directors and specified in the certificate or terms of issue issued pursuant to **rule 2.2(g)** payable in respect of each Preference Share, on the applicable dates,

but the Preference Shares will not confer upon the holders of Preference Shares any further right to participate in assets or profits of the Company.

(f) The Company must, subject to the provisions of all relevant legislation, redeem (if appropriate) each of the Preference Shares on issue on the date specified in or determined in accordance with the relevant certificate or terms of issue issued pursuant to **rule 2.2(g)** in respect of such Preference Shares.

(g) The certificate issued by the Company for each of the Preference Shares (or if the Company does not issue a certificate in respect of the Preference Share, the terms of issue of the Preference Share) or an attachment thereto will specify or provide for the determination of, in respect of that Preference Share:

(i) the amount payable on issue of the Preference Shares;

(ii) the redemption price payable on redemption (if appropriate);

(iii) the redemption date (if appropriate);

(iv) the time, method and place of such redemption (if appropriate);

(v) the rate of dividend or manner of calculation;

(vi) the date of conversion (if appropriate); and

(vii) such other matters as the directors may require.

(h) On the date and at the time and place for redemption (if appropriate) as specified in the relevant certificate or terms of issue the Company must pay to the relevant holder of Preference Shares or at his or her direction the amount payable on redemption, and that holder of Preference Shares will be bound to surrender any certificate issued in relation to the Preference Share to the Company.

(i) A holder of Preference Shares must be entitled to a right to vote in each of the following circumstances and in no others:

(i) during that period during which a dividend (or part of a dividend) in respect of the Preference Share is in arrears;

(ii) on a proposal to reduce the Company's share capital from time to time;

(iii) on a proposal to approve the terms of a buy-back agreement;

(iv) on a proposal that affects rights attached to the Preference Share;

(v) on a proposal to wind up the Company;

(vi) on a proposal for the disposal of the whole of the Company's property, business and undertaking; and

(vii) during the winding up of the Company.

In the event that the holder of a Preference Share is entitled to vote then the provisions in this Constitution with respect to the voting rights of members will apply to the holder of a Preference Share (the necessary changes being made).

(j) Notwithstanding the redemption dates specified in the certificates or terms of issue referred to in **rule 2.2(g)**, the Company may redeem all Preference Shares on issue upon the occurrence of any of the following events:

(i) the Company by any act or omission is a party to a material breach of any of the provisions of relevant legislation or of this Constitution which might or would adversely affect or materially endanger the rights or entitlements of the holders of Preference Shares; and

(ii) the appointment of a liquidator, receiver, official manager or controller to the Company.

(k) The rights attaching to the Preference Shares may not be varied or abrogated without:

(i) the previous consent in writing of not less than 75% of the holders of Preference Shares holding not less than 75% of the Preference Shares for the time being on issue; or

(ii) the sanction of a resolution passed by not less than 75% of the holders of Preference Shares holding not less than 75% of the Preference Shares for the time being on issue, passed at a meeting of the holders of those Preference Shares.

(l) For the purposes of **rule 2.2(k)**:

(i) the issue of any shares which rank in priority to the Preference Shares in any respect will be deemed to be a variation or abrogation of the rights attaching to the Preference Shares; but

(ii) the issue of any shares **("Additional Shares")** ranking pari passu with the Preference Shares shall be deemed not to be a variation or abrogation of any of the rights attaching to the Preference Shares if the Additional Shares may not be redeemed until all the Preference Shares have been redeemed or converted.

(m) The provisions of this **rule 2.2** relating to the issue or surrender of Preference Share certificates will not apply to Uncertificated Holdings.

2.3 Variation of class rights

Unless otherwise provided by the terms of issue of a class of shares:

(a) all or any of the rights or privileges attached to the class may be varied, whether or not the Company is being wound up, only with the consent in writing of the holders of three quarters of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class;

(b) the provisions of this Constitution relating to general meetings apply, so far as they can and with such changes as are necessary, to each separate meeting of the holders of the issued shares of that class; and

(c) the rights conferred upon the holders of the shares of that class are to be taken as not having been varied by the creation or issue of further shares ranking equally with them.

2.4 Power to buy back ordinary shares

The Company may buy back ordinary shares in itself in any manner permitted by the *Corporations Act 2001*.

2.5 Power to alter share capital

(a) The Company may, by resolution, alter its share capital in any one or more of the following ways:

(i) by increasing its share capital by the creation of new shares of such amount as is specified in the resolution;

(ii) by converting all or any of its Shares into a larger or smaller number of shares than its existing shares provided that in a conversion of partly paid shares the proportion between the amount paid and the amount unpaid on each share converted is the same as it was for the share from which it was converted;

(iii) by cancelling shares that, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person or have been forfeited and reduce its authorised share capital by the amount of the shares so cancelled.

(b) Where fractions of shares are or would otherwise be created by a conversion of shares under **rule 2.5(a)(ii)**, the directors may:

(i) issue fractional certificates for those shares;

(ii) determine that fractions of shares are to be disregarded or rounded down to the nearest whole share; or

(iii) determine that fractions of shares are to be rounded up to the nearest whole share by capitalising any amount available for capitalisation under **rule 9.2** even though some only of the members may participate in that capitalisation.

(c) Whenever any share is converted under **rule 2.5(a)(ii)**, the Company may, by special resolution, determine that as between the shares resulting from the conversion one or more of the shares are to have some preference or advantage as regards dividend, voting, return of capital, participation in the property of the Company on a winding up or otherwise, as compared with the others or other.

2.6 Power to reclassify share capital

The Company may, by resolution, reclassify or convert shares from one class to another.

2.7 Power to reduce share capital

The Company may with members' approval as required by the *Corporations Act 2001* reduce its share capital.

2.8 Power to pay brokerage, commission and interest on share capital

(a) The Company may make payments by way of brokerage or commission in the manner provided by the *Corporations Act 2001*.

(b) Payments by way of brokerage or commission may be satisfied by the payment of cash, by the allotment of fully paid shares, by the allotment of partly paid shares or by any combination of the above.

(c) The Company may pay interest on its share capital in the manner provided by the *Corporations Act 2001*.

2.9 Joint holders of shares

Where 2 or more persons are registered as the holders of a share they hold it as joint tenants with rights of survivorship subject to the following provisions:

(a) they and their respective legal personal representatives are liable severally as well as jointly for all payments, including calls, which ought to be made in respect of the share;

(b) subject to **rule 2.9(a)**, on the death of any one of them the survivor or survivors are the only person or persons the Company will recognise as having any title to the share;

(c) any one of them may give effectual receipts for any dividend, interest or other distribution or payment in respect of the share;

(d) except where otherwise required under the ASTC Settlement Rules and/ or ACH Clearing Rules, the Company is not bound to register more than 3 persons as joint holders of the share;

(e) the Company is not bound to issue more than one certificate in respect of the share; and

(f) delivery of a certificate for the share to any one of them is sufficient delivery to all of them.

2.10 Equitable and other claims

(a) Except as otherwise required by law or provided by this Constitution, the Company is entitled to treat the registered holder of a share as the absolute owner of that share and is not:

  (i) compelled in any way to recognise a person as holding a share upon any trust, even if the Company has notice of that trust; or

  (ii) compelled in any way to recognise, or be bound by, any equitable, contingent, future or partial claim to or interest in a share on the part of any other person except an absolute right of ownership in the registered holder, even if the Company has notice of that claim or interest.

(b) With the consent of the directors, shares held by a trustee may be marked in the register in such a way as to identify them as being held subject to the relevant trust.

(c) Nothing in **rule 2.10(b)** limits the operation of **rule 2.10(a).**

2.11 Currency

An amount payable to the holder of a share, whether by way of or on account of dividend, return of capital, participation in the property of the Company on a winding up or otherwise, may be paid, with the agreement of the holder or pursuant to the terms of issue of the share, in the currency of a country other than Australia and the directors may fix a date up to 30 days before the payment date as the date on which any applicable exchange rate will be determined for that purpose.

2.12 Employee share schemes

The directors may:

(a) implement an employee share scheme in the manner permitted by the Listing Rules and otherwise on such terms as they think fit under which securities of the Company or of a Related Body Corporate may be issued or otherwise provided to or for the benefit of any officer (including any director) and employee of the Company or of a Related Body Corporate or to a relative of that officer or employee or to an entity in which that officer or a relative of that officer or employee or relative of that employee has an interest;

(b) amend, suspend or terminate any employee share scheme implemented by them; and

(c) give financial assistance in connection with the acquisition of securities of the Company or of a Related Body Corporate under any employee share scheme in any manner permitted by the *Corporations Act 2001*.

2.13 Restricted Securities

Notwithstanding any other provisions of this Constitution:

(a) the holder of Restricted Securities cannot Dispose of those Restricted Securities during the escrow period relating to those Restricted Securities except as permitted by the Listing Rules or the ASX;

(b) the Company must refuse to acknowledge, deal with or accept a Disposal (including registering a transfer of Restricted Securities) which is or might be in breach of the Listing Rules or any restriction agreement entered into by the Company under the Listing Rules relating to the escrow of Restricted Securities; and

(c) during a breach of the Listing Rules relating to Restricted Securities, or a breach of a restriction agreement entered into by the Company under the Listing Rules relating to the escrow of Restricted Securities, the member holding the Restricted Securities in question ceases to be entitled to any dividend or distribution, or any voting rights in respect of those Restricted Securities.

2.14 Certificates

If it is not contrary to the *Corporations Act 2001*, the Listing Rules or the ASTC Settlement Rules and/ or ACH Clearing Rules, the directors may resolve:

(a) not to issue a certificate for a share; and

(b) to cancel a certificate for a share and not to issue a replacement certificate.

3 CALLS, FORFEITURE, INDEMNITIES, LIEN AND SURRENDER

3.1 Calls

(a) Subject to this Constitution and to the terms upon which any shares may be issued, the directors may make calls upon the members in respect of any money unpaid on their shares which is not by the terms of issue of those shares made payable at fixed times.

(b) A call may be required by the directors to be paid by instalments.

(c) Upon receiving at least 11 Business Days' notice specifying the time and place of payment, each member must pay to the Company by the time and at the place so specified the amount called on the member's shares.

(d) A call is to be taken as having been made when the resolution of the directors authorising the call was passed.

(e) The directors may revoke a call.

(f) The non receipt of a notice of a call by, or the accidental omission to give notice of a call to, any member does not invalidate the call.

(g) If a sum called in respect of a share is not paid in full by the day appointed for payment of the sum, the person from whom the sum is due must pay:

i) interest on so much of the sum as is unpaid from time to time, from the date appointed for payment of the sum to the date of actual payment, at a rate determined under rule 3.9; and

ii) any costs, expenses or damages incurred by the Company in relation to the non payment or late payment of the sum.

(h) Any sum unpaid on a share that, by the terms of issue of the share, becomes payable on allotment or at a fixed date:

(i) is to be treated for the purposes of this Constitution as if that sum was payable pursuant to a call duly made and notified; and

(ii) must be paid on the date on which it is payable under the terms of issue of the share.

(i) The directors may, to the extent permitted by law, waive or compromise all or any part of any payment due to the Company under the terms of issue of a share or under this **rule 3.1.**

3.2 Proceedings for recovery of calls

(a) In an action or other proceedings for the recovery of a call, or interest or costs or expenses incurred in relation to the non payment or late payment of a call, proof that:

(i) the name of the defendant is entered in the register as the holder or one of the holders of the share in respect of which the call is claimed;

(ii) the resolution making the call is recorded in the minute book; and

(iii) notice of the call was given to the defendant in accordance with this Constitution,

is conclusive evidence of the debt and it is not necessary to prove the appointment of the directors who made the call or any other matter.

(b) In rule 3.2(a), "defendant" includes a person against whom a set off or counter claim is alleged by the Company and "action or other proceedings for the recovery of a call" is to be construed accordingly.

3.3 Payments in advance of calls

(a) The directors may accept from a member the whole or a part of the amount unpaid on a share although no part of that amount has been called.

(b) The directors may authorise payment by the Company of interest upon the whole or any part of an amount accepted under **rule 3.3(a),** until the amount becomes payable, at a rate agreed between the directors and the member paying the amount.

(c) The directors may repay to a member all or any of the amount accepted under **rule 3.3(a).**

3.4 Forfeiture of partly paid shares

(a) If a member fails to pay the whole of a call or instalment of a call by the time appointed for payment of the call or instalment, the directors may serve a notice on that member:

(i) requiring payment of so much of the call or instalment as is unpaid, together with any interest that has accrued and all costs, expenses or damages that may have been incurred by the Company by reason of the non payment or late payment of the call or instalment;

(ii) naming a further day (at least 14 days after the date of service of the notice) by which, and a place at which, the amount payable under **rule 3.4(a)(i)** is to be paid; and

(iii) stating that, in the event of non payment of the whole of the amount payable under rule **3.4(a)(i)** by the time and at the place named, the shares in respect of which the call was made will be liable to be forfeited.

(b) If the requirements of a notice served under rule 3.4(a) are not complied with, the directors may by resolution forfeit any share in respect of which the notice was given at any time after the day named in the notice and before the payment required by the notice is made.

(c) A forfeiture under **rule 3.4(b)** will include all dividends, interest and other money payable by the Company in respect of the forfeited share and not actually paid before the forfeiture.

(d) Where a share has been forfeited:

(i) notice of the resolution must be given to the member in whose name the share stood immediately before the forfeiture; and

(ii) an entry of the forfeiture, with the date, must be made in the register of members.

(e) Failure to give the notice or to make the entry required under **rule 3.4(d)** does not invalidate the forfeiture.

(f) A forfeited share becomes the property of the Company and the directors may sell, reissue or otherwise Dispose of the share in such manner as they think fit and, in the case of reissue or other disposal, with or without any money paid on the share by any former holder being credited as paid up.

(g) A person whose shares have been forfeited ceases to be a member in respect of the forfeited shares, but remains liable to pay, and must immediately pay, to the Company:

(i) all calls, instalments, interest, costs, expenses and damages owing in respect of the shares at the time of the forfeiture; and

(ii) interest on so much of the amount payable under **rule 3.4(g)(i)** as is unpaid from time to time, from the date of the forfeiture to the date of actual payment, at a rate determined under **rule 3.9.**

(h) Except as otherwise provided by this Constitution or (while the Company is a Listed Company) the Listing Rules, the forfeiture of a share extinguishes all interest in, and all claims and demands against the Company in respect of, the forfeited share and all other rights incident to the share.

(i) The directors may:

(i) exempt a share from all or any part of this **rule 3.4;**

(ii) waive or compromise all or any part of any payment due to the Company under this **rule 3.4**; and

(iii) before a forfeited share has been sold, reissued or otherwise Disposed of, annul the forfeiture upon such conditions as they think fit.

3.5 Indemnity for payments by the Company

If the Company becomes liable under any law to make any payment:

(a) in respect of shares held solely or jointly by a member;

(b) in respect of a transfer or transmission of shares by a member;

(c) in respect of dividends, bonuses or other money due or payable or which may become due and payable to a member; or

(d) otherwise for or on account of or in respect of a member,

whether as a consequence of:

(e) the death of that member;

(f) the non payment of any income tax, capital gains tax, wealth tax or other tax by that member or the legal personal representative of that member;

(g) the non payment of any estate, probate, succession, death, stamp or other duty by that member or the legal personal representative of that member; or

(h) any other act or thing,

then, in addition to any right or remedy that law may confer on the Company:

(i) the member or, if the member is dead, the member's legal personal representative must:

(i) fully indemnify the Company against that liability;

(ii) reimburse the Company for any payment made under or as a consequence of that law immediately on demand by the Company; and

(iii) pay interest on so much of the amount payable to the Company under **rule 3.5(i)(ii)** as is unpaid from time to time, from the date the Company makes a payment under that law until the date the Company is reimbursed in full for that payment under **rule 3.5(i)(ii)**, at a rate determined under **rule 3.9**; and

(j) the directors may:

(i) exempt a share from all or any part of this **rule 3.5**; and

(ii) waive or compromise all or any part of any payment due to the Company under this **rule 3.5.**

3.6 Lien on shares

(a) The Company has a first and paramount lien on:

(i) each partly paid share for all unpaid calls and instalments due in respect of that share; and

(ii) each share for such amounts (if any) as the Company may be called upon by law to pay (and has paid) in respect of that share.

(b) The Company's lien on a share extends to all dividends payable in respect of the share and to the proceeds of sale of the share.

(c) The directors may sell any share on which the Company has a lien in such manner as they think fit where:

(i) an amount in respect of which a lien exists under this rule 3.6 is presently payable; and

(ii) the Company has, not less than 14 days before the date of the sale, given to the registered holder of the share a notice in writing setting out, and demanding payment of, such amount in respect of which the lien exists as is presently payable.

(d) The directors may do all things necessary or desirable under the ASTC Settlement Rules and/ or ACH Clearing Rules to protect any lien, charge or other right to which the Company may be entitled under any law or under this Constitution.

(e) Registration by the Company of a transfer of shares on which the Company has a lien without giving to the transferee notice of its claim releases the Company's lien in so far as it relates to sums owing by the transferor or any predecessor in title.

(f) The directors may:

(i) exempt a share from all or any part of this **rule 3.6;** and

(ii) waive or compromise all or any part of any payment due to the Company under this **rule 3.6**.

3.7 Surrender of shares

(a) The directors may accept a surrender of a share by way of compromise of any claim as to whether or not that share has been validly issued or in any other case where the surrender is within the powers of the Company.

(b) Any share so surrendered may be sold, reissued or otherwise Disposed in the same manner as a forfeited share.

3.8 General provisions applicable to a disposal of shares under this Constitution

(a) A reference in this **rule 3.8** to a "disposal of shares under this Constitution" is a reference to:

(i) any sale, reissue or other disposal of a forfeited share under **rule 3.4(f)** or a surrendered share under **rule 3.7**; and

(ii) any sale of a share on which the Company has a lien under **rule 3.6(c)**.

(b) Where any shares are "disposed of under this Constitution", the directors may:

(i) receive the purchase money or consideration given for the shares on the disposal;

(ii) effect a transfer of the shares and execute, or appoint a person to execute, on behalf of the former holder an instrument of transfer of the shares or any other instrument for the purpose of giving effect to the disposal; and

(iii) register as the holder of the shares the person to whom the shares have been "disposed of under this Constitution".

(c) A person to whom shares are "disposed of under this Constitution" is not bound to see to the regularity or validity of, or to the application of the purchase money or consideration on, the disposal and the title of that person to the shares is not affected by any irregularity or invalidity in the forfeiture or surrender of the shares or the exercise of the Company's lien on the shares (as the case may be).

(d) The remedy of any person aggrieved by a "disposal of shares under this Constitution" is limited to damages only and is against the Company exclusively.

(e) The proceeds of a "disposal of shares under this Constitution" must be applied in the payment of:

(i) the expenses of the disposal; and then

(ii) all money presently payable by the former holder whose shares have been "disposed of under this Constitution"; and then

(iii) the balance (if any) must be paid (subject to any lien that exists under **rule 3.6** in respect of money not presently payable) to the former holder:

A. in the case of an Uncertificated Holding, as soon as practicable after the disposal; and

B. in the case of a Certificated Holding, on the former holder delivering to the Company the certificate for the shares that have been "disposed of under this Constitution" or such other proof of title as the directors may accept.

(f) A statement in writing signed by a director or secretary of the Company to the effect that a share in the Company has been:

(i) duly forfeited under **rule 3.4(b)**;

(ii) duly sold, reissued or otherwise "disposed of under **rule 3.4(f)** or **rule 3.7** of this Constitution"; or

(iii) duly sold under **rule 3.6(c)**,

on a date stated in the statement is conclusive evidence of the facts stated in the statement as against all persons claiming to be entitled to the share and of the right of the Company to forfeit, sell, reissue or otherwise "dispose of the share under this Constitution".

3.9 Interest payable by member

(a) For the purposes of rules **3.1(g)(i), 3.4(g)(ii)** and **3.5(i)(iii)**, the rate of interest payable to the Company is:

(i) if the directors have fixed a rate, the rate so fixed; or

(ii) in any other case, 15% per annum.

(b) Interest payable under rules **3.1(g)(i), 3.4(g)(ii)** and **3.5(i)(iii)** accrues daily and may be capitalised monthly or at such other intervals as the directors think fit.

4 TRANSFER AND TRANSMISSION OF SHARES

4.1 Transfer of shares

(a) Subject to this Constitution and to the rights or restrictions attached to any shares or class of shares, a member may transfer all or any of the member's shares by:

(i) a Proper ASTC Transfer; or

(ii) an instrument in writing in any usual form or in any other form that the directors approve.

(b) A transferor of shares remains the holder of the shares transferred until the transfer is:

(i) effected in accordance with the ASTC Settlement Rules and/ or ACH Clearing Rules; or

(ii) registered and the name of the transferee is entered in the register of members in respect of the shares.

(c) The Company must not charge a fee for the registration of a transfer of shares.

(d) An instrument of transfer referred to in **rule 4.1(a)(ii)** must:

(i) be signed by or on behalf of both the transferor and the transferee unless:

A. the instrument of transfer relates only to fully paid shares and signature by the transferee has been dispensed with by the directors; or

B. the transfer of the shares is effected by a document which is, or documents which together are, a sufficient transfer of those shares under the *Corporations Act 2001*;

(ii) if required by law to be stamped, be duly stamped;

(iii) be left for registration at the registered office of the Company, or at such other place as the directors determine, accompanied by such evidence as the directors may require to prove the title of the transferor or the transferor's right to the shares (including, in the case of a Certificated Holding, the certificate for the shares) and to prove the right of the transferee to be registered as the owner of the shares.

(e) Subject to the powers vested in the directors under **rules 4.2 and 4.3,** where the Company receives an instrument of transfer under **rule 4.1(d)**, the Company must register the transferee named in the instrument as the holder of the shares to which it relates.

(f) The Company may retain any registered instrument of transfer received by the Company under **rule 4.1(d)** for such period as the directors think fit.

(g) Except in the case of fraud, the Company must return any instrument of transfer received under **rule 4.1(d)** which the directors decline to register to the person who deposited it with the Company.

(h) The directors may do anything that is necessary or desirable for the Company to participate in any computerised, electronic or other system for facilitating the transfer of shares that may be owned, operated or sponsored by the ASX or a Related Body Corporate of the ASX.

(i) The directors may, to the extent permitted by law, waive all or any of the requirements of this **rule 4.1**, whether for the purpose of giving effect to **rule 4.1(h)** or otherwise.

4.2 Power to decline registration of transfers

(a) The directors may ask ACH and/or ASTC to apply a holding lock to prevent a Proper ASTC Transfer or decline to register an instrument of transfer received under **rule 4.1(d)** where the transfer is not in registrable form or the refusal to register the transfer is permitted under the Listing Rules (whether or not the Company is then a Listed Company).

(b) If the directors ask ACH and/or ASTC to apply a holding lock or decline to register a transfer under **rule 4.2(a)**, the Company must give:

(i) in the case of a Proper ASTC Transfer, the holder of the shares;

(ii) in the case of any other instrument of transfer, the party lodging the transfer,

written notice of the refusal and the precise reasons for it within 5 Business Days after:

(iii) in the case of a Proper ASTC Transfer, the date on which the Company asked for the holding lock; and

(iv) in the case of any other instrument of transfer, the date on which the transfer was lodged with the Company,

but failure to do so will not invalidate the decision of the directors to decline to register the transfer or apply for the holding lock.

4.3 Power to suspend registration of transfers

The directors may suspend the registration of instruments of transfer received under **rule 4.1(d)** at such times and for such periods, not exceeding in total 30 days in any year, as they think fit.

4.4 Transmission of shares

(a) In the case of the death of a member, the only persons the Company will recognise as having any title to the member's shares or any benefits accruing in respect of those shares are:

(i) the legal personal representative of the deceased where the deceased was a sole holder; and

(ii) the survivor or survivors where the deceased was a joint holder.

(b) Nothing contained in **rule 4.4(a)** releases the estate of a deceased member from any liability in respect of a share, whether that share was held by the deceased member solely or jointly with other persons.

(c) A person who becomes entitled to a share as a result of a Transmission Event may, upon producing such evidence as the directors may require to prove that person's entitlement to the share (including, in the case of a Certificated Holding, the certificate for the share), elect:

(i) to be registered as the holder of the share by signing and serving on the Company a notice in writing stating that election; or

(ii) to have some other person nominated by that person registered as the transferee of the share by executing or otherwise effecting a transfer of the share to that other person.

(d) The provisions of this Constitution relating to the right to transfer shares, and the registration of transfers of shares, apply, so far as they can and with such changes as are necessary, to any transfer under **rule 4.4(c)(ii)** as if the relevant Transmission Event had not occurred and the transfers were executed or effected by the registered holder of the share.

(e) For the purpose of this Constitution, where 2 or more persons are jointly entitled to any share as a result of a Transmission Event they will, upon being registered as the holders of the share, be taken to hold the share as joint tenants and **rule 2.9** will apply to them.

(f) Notwithstanding rule 4.4(a), the directors may register a transfer of shares signed by a member prior to a Transmission Event even though the Company has notice of the Transmission Event.

5 GENERAL MEETINGS

5.1 Convening of general meetings

(a) The directors may, whenever they think fit, convene a general meeting. While the Company is a Listed Company any director may convene a general meeting.

(b) A general meeting may be convened only as provided by this **rule 5.1(a)** or as provided by the *Corporations Act 2001*.

(c) The directors may, by notice to the ASX, postpone, cancel or change the venue for a general meeting, but a general meeting convened under section 249D of the *Corporations Act 2001* may not be postponed beyond the date by which section 249D of the *Corporations Act 2001* requires it to be held and may not be cancelled without the consent of the requisitioning member or members.

5.2 Notice of general meetings

(a) Subject to this Constitution and to the rights or restrictions attached to any shares or class of shares at least 28 days' notice of a general meeting must be given in the manner authorised by **rule 13.1** to each person who is at the date of the notice:

(i) a member;

(ii) a director; or

(iii) an auditor of the Company,

and, while the Company is a Listed Company, notice must be given to the ASX within the time limits prescribed by the Listing Rules.

(b) A notice of a general meeting must:

(i) specify the place, date and time of the meeting and except as provided in **Rule 5.2(c)** state the general nature of the business to be transacted at the meeting;

(ii) contain any statement or information required by the Law;

(iii) be accompanied by a proxy form which will:

A. enable the member to vote for or against, or abstain from, each resolution to be put to the meeting; and

B. allow for the insertion by the member of the name of the person or persons to be appointed as proxy and may also provide that, in such circumstances and on such conditions specified in the form as are not inconsistent with this Constitution, the chairperson of the relevant meeting (or another person specified in the proxy form) is appointed as proxy; and

(iv) specify a place and a fax number, and may specify an electronic address, for the purposes of receipt of proxy appointments.

(c) It is not necessary for a notice of an annual general meeting to state that the business to be transacted at the meeting includes the consideration of accounts and the reports of the directors and auditor, the election of directors in place of those retiring, the appointment and fixing of the remuneration of the auditor of the Company or any other business which under the *Corporations Act 2001* ought to be transacted at the annual general meeting.

(d) A person may waive notice of any general meeting by notice in writing to the Company.

(e) The non receipt of notice of a general meeting or proxy form by, or a failure to give notice of a general meeting or a proxy form to, any person entitled to receive notice of a general meeting under this **rule 5.2** does not invalidate any act, matter or thing done or resolution passed at the general meeting if:

(i) the non receipt or failure occurred by accident or error; or

(ii) before or after the meeting, the person:

A. has waived or waives notice of that meeting under **rule 5.2(d)**; or

B. has notified or notifies the Company of the person's agreement to that act, matter, thing or resolution by notice in writing to the Company.

(f) A person's attendance at a general meeting:

(i) waives any objection that person may have to a failure to give notice, or the giving of a defective notice, of the meeting unless the person at the beginning of the meeting objects to the holding of the meeting; and

(ii) waives any objection that person may have to the consideration of a particular matter at the meeting which is not within the business referred to in the notice of the meeting or in **rule 5.2(c)**, unless the person objects to considering the matter when it is presented.

(g) A general meeting may be held at two or more venues simultaneously using any technology which gives the members as a whole a reasonable opportunity to participate.

(h) Where notice of a general meeting has been given, the directors may by notice given to all persons entitled to be given notice of the general meeting, postpone or cancel the general meeting.

(i) No person shall as regards to any business of which notice has been duly given or otherwise be at liberty to move at any meeting any resolution or any amendment of a resolution not previously approved of by the directors unless he has given not less than 5 business days notice of his intention to move such resolution or amendment at such meeting by leaving a copy of the resolution or amendment at the registered office of the Company.

5.3 Admission to general meetings

The chairperson of a general meeting may refuse admission to, or require to leave and remain out of, the meeting any person:

(a) in possession of a pictorial recording or sound recording device;

(b) in possession of a placard or banner;

(c) in possession of an article considered by the chairperson to be dangerous, offensive or liable to cause disruption;

(d) who refuses to produce or to permit examination of any article, or the contents of any article, in the person's possession;

(e) who behaves or threatens to behave in a dangerous, offensive or disruptive manner; or

(f) who is not:

(i) a member or a proxy, attorney or Representative of a member;

(ii) a director; or

(iii) an auditor of the Company.

5.4 Quorum at general meetings

(a) No business may be transacted at any general meeting, except the election of a chairperson and the adjournment of the meeting, unless a quorum of members is present when the meeting proceeds to business.

(b) Three or more members present personally or separately represented by proxy representative or attorney shall be a quorum for a general meeting.

(c) If a quorum is not present within 30 minutes after the time appointed for a general meeting:

(i) where the meeting was convened upon the requisition of members, the meeting must be dissolved; or

(ii) in any other case:

A. the meeting stands adjourned to such day, and at such time and place, as the directors determine or, if no determination is made by the directors, to the same day in the next week at the same time and place; and

B. if, at the adjourned meeting, a quorum is not present within 30 minutes after the time appointed for the meeting, the meeting must be dissolved.

5.5 Chairperson of general meetings

(a) The chairperson of directors must (if present within 15 minutes after the time appointed for the meeting and willing to act) preside as chairperson at each general meeting.

(b) If at a general meeting:

(i) there is no chairperson of directors;

(ii) the chairperson of directors is not present within 15 minutes after the time appointed for the meeting; or

(iii) the chairperson of directors is present within that time but is not willing to act as chairperson of the meeting,

then if the directors have elected a deputy chairperson of directors, the deputy chairperson of directors must (if present within 15 minutes after the time appointed for the meeting and willing to act) preside as chairperson at the meeting.

(c) Subject to **rule 5.5(a),** if at a general meeting:

(i) there is no deputy chairperson of directors;

(ii) the deputy chairperson of directors is not present within 15 minutes after the time appointed for the meeting; or

(iii) the deputy chairperson of directors is present within that time but is not willing to act as chairperson of the meeting;

the members present must elect as chairperson of the meeting:

(iv) another director who is present and willing to act; or

(v) if no other director willing to act is present at the meeting, a member who is present and willing to act.

5.6 Conduct of general meetings

(a) The chairperson of a general meeting is responsible for the general conduct of the meeting and for the procedures to be adopted at the meeting and may require the adoption of any procedures which are in his or her opinion necessary or desirable for:

(i) proper and orderly debate or discussion, including limiting the time that a person present may speak on a motion or other item of business before the meeting; and

(ii) the proper and orderly casting or recording of votes at the general meeting, whether on a show of hands or on a poll, including the appointment of scrutineers.

(b) The chairperson of a general meeting may at any time he or she considers it necessary or desirable for the proper and orderly conduct of the meeting:

(i) terminate debate or discussion on any business, question, motion or resolution being considered by the meeting and require the business, question, motion or resolution to be put to a vote of the members present; or

(ii) allow debate or discussion on any business, question, motion or resolution being considered by the meeting to continue.

(c) The chairperson of a general meeting may:

(i) subject to paragraphs (iii) and (iv) refuse to allow debate or discussion on any business, question, motion or resolution which is not within the business referred to in the notice of meeting or **rule 5.2(c)**; and

(ii) refuse to allow any amendment to be moved to a resolution of which notice has been given under **rule 5.2(c).**

(iii) the chairperson of an annual general meeting must allow a reasonable opportunity for the Members as a whole at the meeting to ask questions about or make comments on the management of the Company.

(iv) If the Company's Auditor or their representative is at the meeting, the chairperson of an annual general meeting must allow a reasonable opportunity for the Members as a whole at the meeting to ask the Auditor or their representative questions relevant to the conduct of the audit and the preparation and content of the Auditor's report.

(d) A decision by a chairperson under **rule 5.6(a), (b) or (c)** is final.

(e) The chairperson of a general meeting may at any time during the course of the meeting adjourn the meeting or any business, motion, question or resolution being considered or remaining to be considered by the meeting either to a later time at the same meeting or to an adjourned meeting.

(f) If the chairperson exercises his or her right under **rule 5.6(e)**, it is in the chairperson's sole discretion whether to seek the approval of the members present to the adjournment.

(g) The chairperson's rights under **rule 5.6(e)** are exclusive and, unless otherwise required by the chairperson, no vote may be taken or demanded by the members present in respect of any adjournment.

(h) No business may be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

(i) Where a meeting is adjourned, notice of the adjourned meeting must be given to the ASX, but need not to be given to any other person.

(j) Where a meeting is adjourned, the directors may, by notice to the ASX, postpone, cancel or change the venue of the adjourned meeting.

5.7 Decisions at general meetings

(a) Except in the case of any resolution which as a matter of law or the Listing Rules requires a special majority, questions arising at a general meeting will be decided by a majority of votes cast by the members present at the meeting and any such decision is a decision of the members for all purposes.

(b) If there is an equality of votes upon any proposed resolution, the chairperson of the meeting, has a casting vote in addition to his or her deliberative vote.

(c) A resolution put to the vote of a general meeting must be decided on a show of hands, unless a poll is demanded before or immediately after the declaration of the result of the show of hands:

(i) by the chairperson of the meeting;

(ii) by at least 5 members entitled to vote on the resolution; or

(iii) by a member or members representing not less than 5% of the votes that may be cast on the resolution on a poll.

(d) A demand for a poll does not prevent the continuance of a general meeting for the transaction of any business other than the question on which the poll has been demanded.

(e) Unless a poll is duly demanded, a declaration by the chairperson of a general meeting that a resolution has on a show of hands been carried or carried unanimously, or carried by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company, is conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

(f) If a poll is duly demanded at a general meeting, it will be taken in such manner and either at once or after an interval or adjournment or otherwise as the chairperson of the meeting directs, and the result of the poll will be the resolution of the meeting at which the poll was demanded.

(g) A poll cannot be demanded at a general meeting on the election of a chairperson of the meeting.

(h) The demand for a poll may be withdrawn.

5.8 Voting rights

(a) Subject to this Constitution and to any rights or restrictions attached to any shares or class of shares, at a general meeting:

(i) on a show of hands, every member present has one vote; and

(ii) on a poll, every member present has:

A. one vote for each fully paid share held by the member and in respect of which the member is entitled to vote; and

B. a fraction of a vote for each partly paid share held by the member and in respect of which the member is entitled to vote, equivalent to the proportion which the amount paid up (not credited) on the share bears to the total amounts paid and payable (excluding amounts credited) on the share.

(iii) for the purposes of **rule 5.8(a)(ii)B**, an amount paid on a share in advance of a call is to be taken as not having been paid on the share.

(b) Where a person present at a general meeting represents personally or by proxy, attorney or Representative more than one member:

(i) on a show of hands the person is entitled to one vote only despite the number of members the person represents;

(ii) that vote will be taken as having been cast for all the members the person represents;

(iii) the person must not exercise that vote in a way which would contravene any directions given to the person in accordance with **rule 5.9(g)** in any instrument appointing the person as a proxy or attorney; and

(iv) if the person has been appointed as a proxy under two or more instruments that specify different ways to vote on a resolution, the person may not vote as a proxy on a show of hands; however, if the person is a Member, the person may vote on a show of hands without regard to the proxies the person holds.

(c) A joint holder may vote at any meeting in person or by proxy, attorney or Representative as if that person was the sole holder. If more than one joint holder tenders a vote, the vote of the holder named first in the register must be accepted to the exclusion of the other or others.

(d) The parent or guardian of an infant member may vote at any general meeting upon such evidence being produced of the relationship or of the appointment of the guardian as the directors may require and any vote so tendered by a parent or guardian of an infant member must be accepted to the exclusion of the vote of the infant member.

(e) A person entitled to a share as a result of a Transmission Event may vote at any general meeting in respect of that share in the same manner as if that person were the registered holder of the share if, not less than 48 hours before the meeting, the directors have:

(i) admitted that person's right to vote at that meeting in respect of the share; or

(ii) been satisfied of that person's right to be registered as the holder of, or to transfer, the share under **rule 4.4(c),**

and any vote so tendered by such a person must be accepted to the exclusion of the vote of the registered holder of the share.

(f) Where a member holds any share upon which any call or other sum of money payable to the Company has not been duly paid:

(i) that member is only entitled to be present at a general meeting and vote if other shares are held by that member upon which no money is then due and payable; and

(ii) upon a poll, that member is not entitled to vote in respect of that share but may vote in respect of any other shares held upon which no money is then due and payable.

(g) A member is not entitled to vote on any resolution for the purposes of the Listing Rules if the Listing Rules provide:

(i) the member must not vote or must abstain from voting on the resolution; or

(ii) a vote on the resolution by the member must be disregarded for the purposes of the Listing Rules,

and if the member does vote on such a resolution, his or her vote must not be counted.

(h) An objection to the qualification of a person to vote at a general meeting:

(i) must be raised before or at the meeting at which the vote objected to is given or tendered; and

(ii) must be referred to the chairperson of the meeting, whose decision is final.

(i) A vote not disallowed by the chairperson of a meeting under rule 5.8(h) is valid for all purposes.

5.9 Representation at general meetings

(a) Subject to this Constitution, each member entitled to vote at a meeting of members may vote:

(i) in person or, where a member is a body corporate, by its Representative;

(ii) by not more than 2 proxies; or

(iii) by not more than 2 attorneys.

(b) A proxy, attorney or Representative may, but need not, be a member of the Company.

(c) A proxy, attorney or Representative may be appointed for all general meetings, or for any number of general meetings, or for a particular general meeting.

(d) Unless otherwise provided in the instrument, an instrument appointing a proxy, attorney or Representative will be taken to confer authority:

(i) to agree to a meeting being convened by shorter notice than is required by the *Corporations Act 2001* or by this Constitution;

(ii) to agree to a resolution being proposed and passed at a meeting of which less than 28 days' notice has been given;

(iii) to speak to any proposed resolution on which the proxy, attorney or Representative may vote;

(iv) to demand or join in demanding a poll on any resolution on which the proxy, attorney or Representative may vote;

(v) even though the instrument may refer to specific resolutions and may direct the proxy, attorney or Representative how to vote on those resolutions:

A. to vote on any amendment moved to the proposed resolutions and on any motion that the proposed resolutions not be put or any similar motion;

B. to vote on any procedural motion, including any motion to elect the chairperson, to vacate the chair or to adjourn the meeting; and

C. to act generally at the meeting; and

(vi) even though the instrument may refer to a specific meeting to be held at a specified time or venue, where the meeting is rescheduled or adjourned to another time or changed to another venue, to attend and vote at the re scheduled or adjourned meeting or at the new venue.

(e) The chairperson of a meeting may require any person purporting to act as a proxy, attorney or Representative to establish to the satisfaction of the chairperson that the person has been validly appointed as a proxy, attorney or Representative and is the person named in the relevant instrument of appointment, failing which the person may be excluded from attending or voting at the meeting.

(f) Where a member appoints 2 proxies or attorneys to vote at the same general meeting and the authority of one is not conditional on the other failing to attend or vote, the following rules apply:

(i) the appointment is of no effect and a proxy or attorney may not vote unless each proxy or attorney, as the case may be, is appointed to represent a specified proportion of the member's voting rights;

(ii) on a show of hands, only the first person named in the instrument appointing the proxies, or if they are named in separate instruments, the person whose name is earlier in alphabetical sequence, may vote; and

(iii) on a poll, each proxy or attorney may only exercise the voting rights the proxy or attorney represents.

(g) An instrument appointing a proxy or attorney may direct the manner in which the proxy or attorney is to vote in respect of a particular resolution and, where an instrument so provides, the proxy or attorney is not entitled to vote on the proposed resolution except as directed in the instrument.

(h) An instrument appointing a proxy or attorney need not be in any particular form provided it is in writing, legally valid and:

(i) in the case of a natural person, signed by the appointor;

(ii) in the case of a body corporate, executed by the appointor; or

(iii) in either case, signed by the appointor's attorney.

(i) An instrument of proxy is not invalid or ineffective merely if any or all of the following applies:-

(i) it does not contain the address of the Member giving it;

(ii) it does not contain the address of the person appointed by it;

(iii) it is not dated; and

(iv) it does not contain a direction to the appointee as to how to vote on any or all items of business.

(j) A proxy or attorney may not vote at a general meeting or adjourned meeting or on a poll unless the instrument appointing the proxy or attorney, and the original or an attested copy of the power of attorney or other authority (if any) under which the instrument is signed, are deposited at the registered office of the Company or at such other place specified for that purpose in the notice convening the meeting not less than 48 hours before the time for holding the meeting or adjourned meeting or taking the poll (as the case may be).

(k) A vote given in accordance with the terms of an instrument appointing a proxy or attorney is valid despite:

(i) a Transmission Event occurring in relation to the appointor; or

(ii) the revocation of the instrument or of the authority under which the instrument was executed,

if no notice in writing of the Transmission Event or revocation has been received by the Company by the time and at one of the places at which the instrument appointing the proxy or attorney is required to be deposited under **rule 5.9(j).**

(l) A vote given in accordance with the terms of an instrument appointing a proxy or attorney is valid despite the transfer of the share in respect of which the instrument was given if the transfer is not registered by the time established by the Company for determining a person's entitlement to vote at the relevant meeting.

(m) The appointment of a proxy or attorney is not revoked by the appointor attending and taking part in the general meeting but, if the appointor votes on any resolution, the proxy or attorney is not entitled to vote, and must not vote, as the appointor's proxy or attorney on the resolution.

(n) A proxy form issued by the Company must allow for the insertion of the name of the person to be primarily appointed as proxy and may provide that, in such circumstances and on such conditions specified in the form as are not inconsistent with this Constitution, the chairperson of the relevant meeting (or another person specified in the proxy form) is appointed as proxy.

6 DIRECTORS

6.1 Appointment and removal of directors

(a) The minimum number of directors is 3. The maximum number of directors is to be fixed by the directors, but must not be more than 15 unless the Company in general meeting determines otherwise. The directors must not determine a maximum which is less than the number of directors in office at the time the determination takes effect.

(b) The directors in office on the date that this Constitution was adopted by the Company continue in office but on the terms and conditions set out in this Constitution.

(c) Subject to **rules 6.1(a) and (m)**, the Company may by resolution elect any natural person to be a director, either as an addition to the existing directors or as otherwise provided in this Constitution.

(d) Subject to **rules 6.1(a) and (e)**, the directors may appoint any natural person to be a director, either as an addition to the existing directors or to fill a casual vacancy (including any casual vacancy arising where a director is removed from office under **rule 6.1(k)** and no person is appointed in place of that director under **rule 6.1.(k)(ii)**).

(e) A director, other than the managing director (or if there is more than one managing director, the managing director appointed first in time), appointed under **rule 6.1(d)** must retire from office at the next general meeting following his or her appointment.

(f) An election of directors must take place each year and at that meeting:

(i) excluding any director who is required to retire at that meeting under **rule 6.1(e)** and the managing director (or if there is more than one managing director, the managing director appointed first in time):

A. one-third of the remaining directors (rounded down, if necessary, to the nearest whole number); and

B. any other director who, if he or she does not retire, will at the conclusion of the meeting have been in office for 3 or more years and for 3 or more annual general meetings since he or she was last elected to office,

must retire from office as directors; and

(ii) if no director is required to retire from office under **rule 6.1(f)(i)**, at least one director, excluding a managing director (or if there is more than one managing director, the managing director appointed first in time) but including a director appointed under **rule 6.1(d)** who is required to retire at that meeting under **rule 6.1(e)**, must retire from office as a director.

(g) The director or directors who must retire at an annual general meeting in accordance with **rule 6.1(f)(i)A or (f)(ii)** (as the case may be) is the director who has, or are the directors who have, been longest in office since their last election but, as between persons who were last elected as directors on the same day, the director or directors to retire must be determined by agreement among themselves or, in the absence of agreement, by lot.

(h) Subject to **rule 6.1(m)**, the Company may by resolution fill the office vacated by a director under **rule 6.1(e) or (f)** by electing a person to that office.

(i) A director retiring from office under rule **6.1(e) or (f)** is eligible for re-election and that director may by resolution of the Company be re-elected to that office.

(j) The retirement of a director from office under **rule 6.1(e) or (f)** and the re-election of the director or the election of another person to that office (as the case may be) takes effect at the conclusion of the meeting at which the retirement and re-election or election occur.

(k) The Company may:

(i) by resolution in accordance with section 203D of the *Corporations Act 2001* remove a director from office; and

(ii) subject to **rule 6.1(m)**, by resolution fill the office vacated by a director who is removed under **rule 6.1(k)(i)** by electing another person to that office.

(l) A person elected as a director under **rule 6.1(k)(ii)** must retire under rule **6.1(e) or (f)** (as the case may be) on the same day that the director in whose place he or she was appointed would have had to retire under **rule 6.1(e) or (f)** if that director had not been removed from office under **rule 6.1(k)(i).**

(m) A person may only be elected to the office of a director at a general meeting if:

(i) he or she is a director retiring from office under **rule 6.1(e) or (f)** and standing for re-election at that meeting;

(ii) he or she has been nominated by the directors for election at that meeting;

(iii) if the person is a member, he or she has at least 30 Business Days before the meeting served on the Company a notice signed by him or her signifying his or her desire to be a candidate for election at that meeting; or

(iv) whether or not the person is a member, some member intending to nominate him or her for election at that meeting has at least 30 Business Days before the meeting served on the Company a notice signed by the member and signifying the member's intention to nominate the person for election, which is accompanied by a notice signed by the person and signifying his or her consent to the nomination.

(n) If there is more than one managing director at any time:

(i) a managing director will be regarded as being appointed first in time if that managing director was appointed as managing director prior to the appointment of any other person as managing director who is also a managing director at the relevant time; and

(ii) if it is not possible to determine which managing director was appointed first in time because more than one was appointed as managing director at the same time, the managing director whose name first appears in the minutes noting the appointment of those persons as managing directors will be deemed to have been appointed first in time.

6.2 Vacation of office

In addition to the circumstances prescribed by the *Corporations Act 2001*, the office of a director becomes vacant if the director:

(a) becomes of unsound mind or a person who is, or whose estate is, liable to be dealt with in any way under the law relating to mental health;

(b) becomes bankrupt or insolvent or makes any arrangement or composition with his or her creditors generally;

(c) is convicted of a felony and the directors do not within one month of that conviction resolve to confirm the director's appointment or election (as the case may be) to the office of director;

(d) fails to attend meetings of the directors for more than 3 consecutive months without leave of absence from the directors; or

(e) resigns by notice in writing to the Company.

6.3 Remuneration of directors

(a) Each director is entitled to such remuneration out of the funds of the Company as the directors determine, but the remuneration of non-executive directors may not exceed in aggregate in any year the amount fixed by the Company in general meeting for that purpose.

(b) The remuneration of directors:

(i) may be a stated salary or a fixed sum for attendance at each meeting of directors or both; or

(ii) may be a share of a fixed sum determined by the Company in general meeting to be the remuneration payable to all directors which is to be divided between the directors in the proportions agreed between them or, failing agreement, equally,

and if it is a stated salary under **rule 6.3(b)(i)** or a share of a fixed sum under **rule 6.3(b)(ii)**, will be taken to accrue from day to day.

(c) The remuneration payable by the Company to a director must not include a commission on, or percentage of operating revenue.

(d) In addition to their remuneration under **rule 6.3(a)**, the directors are entitled to be paid all travelling and other expenses properly incurred by them in connection with the affairs of the Company, including attending and returning from general meetings of the Company or meetings of the directors or of committees of the directors.

(e) If a director renders or is called upon to perform extra services or to make any special exertions in connection with the affairs of the Company, the directors may arrange for a special remuneration to be paid to that director, either in addition to or in substitution for that director's remuneration under **rule 6.3(a).**

(f) Nothing in **rule 6.3(a)** restricts the remuneration to which a director may be entitled as an officer of the Company or of a Related Body Corporate in a capacity other than director, which may be either in addition to or in substitution for that director's remuneration under **rule 6.3(a).**

(g) The directors may:

(i) at any time after a director dies or otherwise ceases to hold office as a director, pay to the director or a legal personal representative, spouse, relative or dependant of the director, in addition to the remuneration of that director under **rule 6.3(a)**, a pension or lump sum payment in respect of past services rendered by that director; and

(ii) cause the Company to enter into a contract with the director for the purpose of providing for or giving effect to such a payment.

(h) The directors may establish or support, or assist in the establishment or support of, funds and trusts to provide pension, retirement, superannuation or similar payments or benefits to or in respect of the directors or former directors.

6.4 Share qualification

(a) A director is not required to hold any shares in the Company to qualify for appointment.

(b) A director who is not a member of the Company is nevertheless entitled to attend and speak at general meetings.

6.5 Interested directors

(a) A director may hold any other office or place of profit (other than auditor) in the Company or any Related Body Corporate in conjunction with his or her directorship and may be appointed to that office or place upon such terms as to remuneration, tenure of office and otherwise as the directors think fit.

(b) A director of the Company may be or become a director or other officer of, or otherwise interested in, any Related Body Corporate or any other body corporate promoted by the Company or in which the Company may be interested as a shareholder or otherwise and is not accountable to the Company for any remuneration or other benefits received by the director as a director or officer of, or from having an interest in, that body corporate.

(c) The directors may exercise the voting rights conferred by shares in any body corporate held or owned by the Company in such manner in all respects as the directors think fit (including voting in favour of any resolution appointing a director as a director or other officer of that body corporate or voting for the payment of remuneration to the directors or other officers of that body corporate) and a director may, if permitted by law, vote in favour of the exercise of those voting rights notwithstanding that he or she is, or may be about to be appointed, a director or other officer of that other body orporate and, as such, interested in the exercise of those voting rights.

(d) A director is not disqualified merely because of being a director from contracting with the Company in any respect including, without limitation:

(i) selling any property to, or purchasing any property from, the Company;

(ii) lending any money to, or borrowing any money from, the Company with or without interest and with or without security;

(iii) guaranteeing the repayment of any money borrowed by the Company for a commission or profit;

(iv) underwriting or guaranteeing the subscription for securities in the Company or in any Related Body Corporate or any other body corporate promoted by the Company or in which the Company may be interested as a shareholder or otherwise, for a commission or profit; or

(v) being employed by the Company or acting in any professional capacity (other than auditor) on behalf of the Company.

(e) No contract made by a director with the Company and no contract or arrangement entered into by or on behalf of the Company in which any director may be in any way interested is avoided or rendered voidable merely because of the director holding office as a director or because of the fiduciary obligations arising out of that office.

(f) No director contracting with or being interested in any arrangement involving the Company is liable to account to the Company for any profit realised by or under any such contract or arrangement merely because of the director holding office as a director or because of the fiduciary obligations arising out of that office.

(g) Subject to **rule 6.5(h)**, a director who is in any way interested in any contract or arrangement or proposed contract or arrangement may, despite that interest:

(i) be counted in determining whether or not a quorum is present at any meeting of directors considering that contract or arrangement or proposed contract or arrangement;

(ii) sign or countersign any document relating to that contract or arrangement or proposed contract or arrangement to which the Seal is affixed or which is executed for and on behalf of the Company; and

(iii) vote in respect of, or in respect of any matter arising out of, the contract or arrangement or proposed contract or arrangement.

(h) The provisions of **rule 6.5** do not apply if, and to the extent that, they would be contrary to the *Corporations Act 2001* or the Listing Rules.

(i) The directors may make regulations requiring the disclosure of interests that a director, and any person deemed by the directors to be related to or associated with the director, may have in any matter concerning the Company or a Related Body Corporate and any regulations made under this rule will bind all directors.

6.6 Powers and duties of directors

(a) The directors are responsible for managing the business of the Company and may exercise to the exclusion of the Company in general meeting all the powers of the Company which are not required, by the *Corporations Act 2001*, this Constitution or (while the Company is a Listed Company) the Listing Rules, to be exercised by the Company in general meeting.

(b) Without limiting the generality of **rule 6.6(a)**, the directors may exercise all the powers of the Company to borrow or otherwise raise money, to charge any property or business of the Company or all or any of its uncalled capital and to issue debentures or give any other security for a debt, liability or obligation of the Company or of any other person.

(c) The directors may determine how cheques, promissory notes, bankers drafts, bills of exchange or other negotiable instruments must be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, by or on behalf of the Company.

(d) The directors may pay out of the Company's funds all expenses of the promotion, formation and registration of the Company and the vesting in it of the assets acquired by it.

(e) The directors may:

(i) appoint or employ any person to be an officer, agent or attorney of the Company for such purposes with such powers, discretions and duties (including powers, discretions and duties vested in or exercisable by the directors), for such period and upon such conditions as they think fit;

(ii) authorise an officer, agent or attorney to delegate all or any of the powers, discretions and duties vested in the officer, agent or attorney; and

(iii) subject to any contract between the Company and the relevant officer, agent or attorney, remove or dismiss any officer, agent or attorney of the Company at any time, with or without cause.

(f) A power of attorney may contain such provisions for the protection and convenience of the attorney or persons dealing with the attorney as the directors think fit.

6.7 Proceedings of directors

(a) The directors may meet together for the despatch of business and adjourn and otherwise regulate their meetings as they think fit.

(b) The contemporaneous linking together by telephone or other method of audio or audio visual communication of a number of the directors sufficient to constitute a quorum, constitutes a meeting of the directors and all the provisions in this Constitution relating to meetings of the directors apply, so far as they can and with such changes as are necessary, to meetings of the directors by telephone or audio or audio visual communication.

(c) A director participating in a meeting by telephone or audio or audio visual communication is to be taken to be present in person at the meeting.

(d) A meeting by telephone or audio or audio visual communication is to be taken to be held at the place determined by the chairperson of the meeting provided that at least one of the directors involved was at that place for the duration of the meeting.

6.8 Convening of meetings of directors

(a) A director may, whenever the director thinks fit, convene a meeting of the directors.

(b) A secretary must, on the requisition of a director, convene a meeting of the directors.

(e) If at a meeting of directors:

   (i) there is no chairperson of directors;

   (ii) the chairperson of directors is not present within 15 minutes after the time appointed for the holding of the meeting; or

   (iii) the chairperson of directors is present within that time but is not willing to act as chairperson of the meeting,

   then if the directors have elected a deputy chairperson of directors, the deputy chairperson of directors must (if present within 15 minutes after the time appointed for the holding of the meeting and willing to act) preside as the chairperson of the meeting.

(f) Subject to **rule 6.11(d)**, if at a meeting of directors:

   (i) there is no deputy chairperson of directors;

   (ii) the deputy chairperson of directors is not present within 15 minutes after the time appointed for the holding of the meeting; or

   (iii) the deputy chairperson of directors is present within that time but is not willing to act as chairperson of the meeting,

   the directors present must elect one of themselves to be chairperson of the meeting.

6.12 Decisions of directors

(a) A meeting of directors at which a quorum is present is competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the directors under this Constitution.

(b) Questions arising at a meeting of directors are to be decided by a majority of votes cast by the directors present and any such decision is for all purposes a determination of the directors.

(c) Subject to **rule 6.12(d)**, in the case of an equality of votes upon any proposed resolution the chairperson of the meeting, in addition to his or her deliberative vote, has a casting vote.

(d) Where only two directors are present or qualified to vote at a meeting of directors and there is an equality of votes upon any proposed resolution:

   (i) the chairperson of the meeting will not have a second or casting vote; and

   (ii) the proposed resolution is to be taken as having been lost.

6.13 Written resolutions

(a) If:

   (i) all of the directors, other than:

      A. any director on leave of absence approved by the directors;

      B. any director who disqualifies himself or herself from considering the act, matter, thing or resolution in question on the grounds that he or she is not entitled at law to do so or has a conflict of interest; and

      C. any director who the directors reasonably believe is not entitled at law to do the act, matter or thing or to vote on the resolution in question,

      assent to a document containing a statement to the effect that an act, matter or thing has been done or resolution has been passed; and

   (ii) the directors who assent to the document would have constituted a quorum at a meeting of directors held to consider that act, matter, thing or resolution,

   then that act, matter, thing or resolution is to be taken as having been done at or passed by a meeting of the directors.

(b) For the purposes of **rule 6.13(a)**:

   (i) the meeting is to be taken as having been held:

      A. if the directors assented to the document on the same day, on the day on which the document was assented to and at the time at which the document was last assented to by a director; or

      B. if the directors assented to the document on different days, on the day on which, and at the time at which, the document was last assented to by a director;

   (ii) 2 or more separate documents in identical terms each of which is assented to by one or more directors are to be taken as constituting one document; and

   (iii) a director may signify assent to a document by signing the document or by notifying the Company of the director's assent in person or by post, telex, facsimile transmission, telephone or other method of written, audio or audio visual communication.

(c) Where a director signifies assent to a document otherwise than by signing the document, the director must by way of confirmation sign the document at the next meeting of the directors attended by that director, but failure to do so does not invalidate the act, matter, thing or resolution to which the document relates.

(d) Where a document is assented to in accordance with rule 6.13(a), the document is to be taken as a minute of a meeting of directors.

6.14 Alternate directors

(a) A director may, with the approval of the directors, appoint a person to be the director's alternate director for such period as the director thinks fit.

(b) An alternate director may, but need not, be a member or a director of the Company.

(c) One person may act as alternate director to more than one director.

(d) An alternate director is entitled, if the appointor does not attend a meeting of directors, to attend and vote in place of and on behalf of the appointor.

(e) An alternate director is entitled to a separate vote for each director the alternate director represents in addition to any vote the alternate director may have as a director in his or her own right.

(f) In the absence of the appointor, an alternate director may exercise any powers that the appointor may exercise and the exercise of any such power by the alternate director is to be taken to be the exercise of the power by the appointor.

(g) The office of an alternate director is vacated if and when the appointor vacates office as a director.

(h) The appointment of an alternate director may be terminated at any time by the appointor even though the period of the appointment of the alternate director has not expired.

(i) An appointment, or the termination of an appointment, of an alternate director must be in writing signed by the director who makes or made the appointment and does not take effect unless and until the Company has received notice in writing of the appointment or termination.

(j) An alternate director is not to be taken into account in determining the minimum or maximum number of directors allowed under this Constitution.

(k) In determining whether a quorum is present at a meeting of directors, an alternate director who attends the meeting is to be counted as a director for each director on whose behalf the alternate director is attending the meeting.

(l) An alternate director is entitled to be paid such remuneration as the directors think fit, either in addition to or in reduction of the remuneration payable to the director for whom the alternate director acts as alternate.

(m) An alternate director is not entitled to be remunerated by the Company for his or her services as alternate director except as provided in **rule 6.14(l).**

(n) An alternate director, while acting as a director, is responsible to the Company for his or her own acts and defaults and is not to be taken to be the agent of the director by whom he or she was appointed.

6.15 Committees of directors

(a) The directors may delegate any of their powers to a committee or committees consisting of such number of directors as they think fit.

(b) A committee to which any powers have been so delegated must exercise the powers delegated in accordance with any directions of the directors.

(c) The provisions of this Constitution applying to meetings and resolutions of directors apply, so far as they can and with such changes as are necessary, to meetings and resolutions of a committee of directors.

(d) Membership of a committee of directors may, if the directors so resolve, be treated as an extra service or special exertion performed by the members for the purposes of **rule 6.3(e).**

6.16 Delegation to individual directors

(a) The directors may delegate any of their powers to one director.

(b) A director to whom any powers have been so delegated must exercise the powers delegated in accordance with any directions of the directors.

(c) Acceptance of such a delegation may, if the directors so resolve, be treated as an extra service or special exertion performed by the delegate for the purposes of **rule 6.3(e).**

6.17 Validity of acts

An act done by a person acting as a director or by a meeting of directors or a committee of directors attended by a person acting as a director is not invalidated by reason only of:

(a) a defect in the appointment of the person as a director;

(b) the person being disqualified to be a director or having vacated office; or

(c) the person not being entitled to vote,

if that circumstance was not known by the person or the directors or committee (as the case may be) when the act was done.

7 EXECUTIVE OFFICERS

7.1 Managing directors

(a) The directors may appoint one or more of the directors to the office of managing director.

(b) A managing director's appointment as managing director automatically terminates if the managing director ceases to be a director.

7.2 Deputy managing directors

(a) The directors may appoint one or more of the directors to the office of deputy managing director.

(b) A deputy managing director's appointment as deputy managing director automatically terminates if the deputy managing director ceases to be a director.

7.3 Executive directors

(a) A reference in this rule 7.3 to an executive director is a reference to a director who is also an officer of the Company or of a Related Body Corporate in a capacity other than director, managing director or deputy managing director.

(b) The directors may confer on an executive director such title as they think fit.

(c) An executive director may be appointed on the basis that the executive director's appointment:

(i) as a director automatically terminates if the executive director ceases to be an officer of the Company or of a Related Body Corporate in a capacity other than director; or

(ii) as an officer of the Company or of a Related Body Corporate in a capacity other than director automatically terminates if the executive director ceases to be a director.

7.4 Associate directors

(a) The directors may appoint one or more associate directors.

(b) The directors may confer on an associate director such title as they think fit.

(c) Even though the word "director" may appear in an associate director's title, an associate director is not to be taken to be a director of the Company and is not entitled:

(i) to attend any meeting of directors except by the invitation and with the consent of the directors; or

(ii) to vote at any meeting of directors.

7.5 Secretaries

(a) The directors must appoint at least one secretary and may appoint additional secretaries.

(b) The directors may appoint one or more assistant secretaries.

7.6 Provisions applicable to all executive officers

(a) A reference in this rule 7.6 to an executive officer is a reference to a managing director, deputy managing director, executive director, associate director, secretary or assistant secretary appointed under this part 7.

(b) The appointment of an executive officer may be for such period, at such remuneration and upon such conditions as the directors think fit.

(c) The remuneration payable by the Company to an executive officer who is also a director must not include a commission on, or percentage of, operating revenue.

(d) Subject to any contract between the Company and the relevant executive officer, any executive officer of the Company may be removed or dismissed by the directors at any time, with or without cause.

(e) The directors may:

(i) confer on an executive officer such powers, discretions and duties (including any powers, discretions and duties vested in or exercisable by the directors) as they think fit;

(ii) withdraw, suspend or vary any of the powers, discretions and duties conferred on an executive officer; and

(iii) authorise the executive officer to delegate all or any of the powers, discretions and duties conferred on the executive officer.

(f) An executive officer is not required to hold any shares to qualify for appointment.

(g) An act done by a person acting as an executive officer is not invalidated by reason only of:

(i) a defect in the person's appointment as an executive officer; or

(ii) the person being disqualified to be an executive officer,

if that circumstance was not known by the person when the act was done.

8 SEALS

8.1 Safe custody of Seal

The directors must provide for the safe custody of the Seal.

8.2 Use of Seal

(a) The Seal must be used only by the authority of the directors or of a committee of the directors authorised by the directors to authorise the use of the Seal.

(b) The authority to use the Seal may be given before or after the Seal is used.

(c) Subject to rule 8.6, until the directors otherwise determine, every document to which the Seal is affixed must be signed by a director and countersigned by another director, a secretary or another person appointed by the directors to countersign that document or a class of documents in which that document is included.

8.3 Seal register

(a) The Company must keep a Seal register and, upon the affixing of the Seal to any document (other than a certificate for securities of the Company), must enter in the register particulars of the document, giving in each case the date of the document, the names of the parties to the document, a short description of the document and the names of the persons signing and countersigning the document under **rule 8.2(c).**

(b) The register must be produced at meetings of directors for confirmation of the use of the Seal since confirmation was last given under this **rule 8.3.**

(c) Failure to comply with rule **8.3(a) or (b)** does not invalidate any document to which the Seal is properly affixed.

8.4 Duplicate Seal

The Company may have, for use in any place out of the State or Territory where the Common Seal is kept, a duplicate common seal (known as the Duplicate Seal for that place) whose impression must be identical to that of the Common Seal but with "duplicate seal" and the name of the place where it is to be used added.

8.5 Authority to affix a Duplicate Seal

The Company may by instrument under the Common Seal authorise any person either generally or in specified circumstances to affix the Duplicate Seal for a particular place in that place to any instrument to which the Company is a party and determine any manner required for the affixing by that person of that Duplicate Seal in that place.

8.6 Effect of Duplicate Seal

Where a Duplicate Seal is affixed to an instrument in the place to which it relates by a person authorised and in the circumstances authorised for that person under **rule 8.5** in the manner described in **rule 8.5** (if any), that instrument is to be treated for all purposes as having been validly executed under the Common Seal.

8.7 Sealing and signing of certificates

The directors may determine either generally or in a particular case that the Seal and the signature of any director, secretary or other person is to be printed on or affixed to any certificates for securities in the Company by some mechanical or other means.

8.8 Register of Documents Executed in accordance with Section 127

The Company must keep a register of the documents it executes in accordance with section 127 of the *Corporations Act 2001* and, upon execution of a document, must enter in the register particulars of the document, giving in each case the date of the document, the names of the parties to the document, a short description of the document and the names of the persons who signed the document.

9 DISTRIBUTION OF PROFITS

9.1 Dividends

(a) The directors may declare and pay such interim and final dividends as, in their judgment, the financial position of the Company justifies.

(b) The directors may pay any dividend required to be paid under the terms of issue of a share.

(c) The payment of a dividend does not require any confirmation by a general meeting.

(d) Subject to any rights or restrictions attached to any shares or class of shares:

(i) all dividends in respect of shares must be declared and paid in proportion to the amounts paid (not credited) of the total amounts paid and payable (excluding amounts credited) on the shares;

(ii) all dividends must be apportioned and paid proportionately to the amounts so paid during any portion or portions of the period in respect of which the dividend is paid;

(iii) for the purposes of **rules 9.1(d)(i) and (ii)**, an amount paid on a share in advance of a call is to be taken as not having been paid on the share; and

(iv) interest is not payable by the Company in respect of any dividend.

(e) The directors may fix a record date in respect of a dividend, with or without suspending the registration of transfers from that date under **rule 4.3.**

(f) A dividend in respect of a share must be paid to the person who is registered, or entitled under **rule 4.1(e)** to be registered, as the holder of the share:

(i) where the directors have fixed a record date in respect of the dividend, on that date; or

(ii) where the directors have not fixed a record date in respect of that dividend, on the date the dividend is declared,

and a transfer of a share that is not registered, or left with the Company for registration in accordance with **rule 4.1(d)**, on or before that date is not effective, as against the Company, to pass any right to the dividend.

(g) The directors when declaring a dividend may:

(i) direct payment of the dividend wholly or partly by the distribution of specific assets, including paid-up shares or other securities of the Company or of another body corporate, either generally or to specific shareholders; and

(ii) direct that the dividend be paid to particular shareholders wholly or partly out of any particular fund or reserve or out of profits derived from any particular source and to the remaining shareholders wholly or partly out of any other particular fund or reserve or out of profits derived from any other particular source or generally.

(h) The directors may deduct from any dividend payable to a member all sums of money presently payable by the member to the Company and apply the amount deducted in or towards satisfaction of the money owing.

(i) Where a person is entitled to a share as a result of a Transmission Event, the directors may, but are not obliged to, retain any dividends payable in respect of that share until that person becomes registered as the holder of the share or transfers it.

(j) Without prejudice to any other method of payment the directors may adopt, any dividend, interest or other money payable in cash in respect of shares may be paid by cheque and sent by post:

(i) to the address of the holder as shown in the register of members, or in the case of joint holders, to the address shown in the register of members as the address of the joint holder first named in that register; or

(ii) to such other address as the holder or joint holders in writing directs or direct.

(k) A cheque sent under **rule 9.1(j)** may be made payable to bearer or to the order of the member to whom it is sent or such other person as the member may direct and is sent at the member's risk.

9.2 Capitalisation of profits

(a) Subject to any rights or restrictions attached to any shares or class of shares, the directors may capitalise and distribute among such of the members as would be entitled to receive dividends and in the same proportions, any amount:

(i) forming part of the undivided profits of the Company;

(ii) representing profits arising from an ascertained accretion to capital or from a revaluation of the assets of the Company;

(iii) arising from the realisation of any assets of the Company; or

(iv) otherwise available for distribution as a dividend.

(b) The directors may resolve that all or any part of the capitalised amount is to be applied:

(i) in paying up in full at a price determined by the resolution any unissued shares in or other securities of the Company;

(ii) in paying up any amounts unpaid on shares or other securities held by the members; or

(iii) partly as specified in **rule 9.2(b)(i)** and partly as specified in **rule 9.2.(b)(ii),**

and such an application must be accepted by the members entitled to share in the distribution in full satisfaction of their interests in the capitalised amount.

(c) **Rules 9.1(e) and (f)** apply, so far as they can and with such changes as are necessary, to a capitalisation of an amount under this **rule 9.2** as if references in those rules to a dividend and to the date a dividend is declared were references to a capitalisation of an amount and to the date the directors resolve to capitalise the amount under this **rule 9.2** respectively.

9.3 Ancillary powers

For the purpose of giving effect to any resolution for the satisfaction of a dividend in the manner set out in rule **9.1(g)(i)** or by the capitalisation of any amount under **rule 9.2**, the directors may:

(a) settle as they think expedient any difficulty that may arise in making the distribution or capitalisation and, in particular, where shares or other securities in the Company are or would otherwise be issuable in fractions:

(i) issue fractional certificates for those shares or other securities;

(ii) determine that such fractions are to be disregarded or are to be rounded down to the nearest whole number; or

(iii) determine that such fractions are to be rounded up to the nearest whole number;

(b) fix the value for distribution of any specific assets;

(c) pay cash or issue shares or other securities to any members in order to adjust the rights of all parties;

(d) vest any such specific assets, cash, shares or other securities in any trustee upon such trusts for the persons entitled to the dividend or capitalised amount as may seem expedient to the directors; and

(e) authorise any person to make, on behalf of all the members entitled to any further shares or other securities as a result of the distribution or capitalisation, an agreement with the Company or another body corporate providing, as appropriate:

(i) for the issue to them of such further shares or other securities credited as fully paid up; or

(ii) for the payment by the Company on their behalf of the amounts or any part of the amounts remaining unpaid on their existing shares or other securities by the application of their respective proportions of the sum resolved to be capitalised,

and any agreement made under an authority referred to in this **rule 9.3(e)** is effective and binding on all members concerned.

9.4 Reserves

(a) Subject to this Constitution, the directors may set aside out of the profits of the Company such reserves or provisions for such purposes as they think fit.

(b) The directors may appropriate to the profits of the Company any amount previously set aside as a reserve or provision.

(c) The setting aside of any amount as a reserve or provision does not require the directors to keep the amount separate from the other assets of the Company or prevent the amount being used in the business of the Company or being invested in such investments as the directors think fit.

9.5 Carry forward of profits

The directors may carry forward so much of the profits remaining as they consider ought not to be distributed as dividends or capitalised without transferring those profits to a reserve or provision.

9.6 Dividend reinvestment plans

The directors may:

(a) implement a dividend reinvestment plan on such terms as they think fit under which the whole or any part of any dividend due to members who participate in the plan on their shares or any class of shares may be applied in subscribing for securities of the Company or of a Related Body Corporate; and

(b) amend, suspend or terminate any dividend reinvestment plan implemented by them.

9.7 Dividend selection plans

The directors may:

(a) implement a dividend selection plan on such terms as they think fit under which participants may elect:

(i) to receive a dividend from the Company paid wholly or partly out of any particular fund or reserve or out of profits derived from any particular source; or

(ii) to forego a dividend from the Company in place of some other form of distribution from the Company or another body corporate or a trust; and

(b) amend, suspend or terminate any dividend selection plan implemented by them.

10 WINDING UP

10.1 Distribution of surplus

Subject to this Constitution and to the rights or restrictions attached to any shares or class of shares:

(a) if the Company is wound up and the property of the Company available for distribution among the members is more than sufficient:

(i) to pay all of the debts and liabilities of the Company; and

(ii) the costs, charges and expenses of the winding up,

the excess must be divided among the members in proportion to the shares held by them, irrespective of the amounts paid or credited as paid on the shares;

(b) for the purpose of calculating the excess referred to in **rule 10.1(a)**, any amount unpaid on a share is to be treated as property of the Company;

(c) the amount of the excess that would otherwise be distributed to the holder of a partly paid share under rule 10.1(a) must be reduced by the amount unpaid on that share at the date of the distribution; and

(d) if the effect of the reduction under **rule 10.1(c)** would be to reduce the distribution to the holder of a partly paid share to a negative amount, the holder must contribute that amount to the Company.

10.2 Division of property

(a) If the Company is wound up, the liquidator may, with the sanction of a special resolution:

(i) divide among the members the whole or any part of the property of the Company; and

(ii) determine how the division is to be carried out as between the members or different classes of members.

(b) Any division under **rule 10.2(a)** may be otherwise than in accordance with the legal rights of the members and, in particular, any class may be given preferential or special rights or may be excluded altogether or in part.

(c) Where a division under **rule 10.2(a)** is otherwise than in accordance with the legal rights of the members, a member is entitled to dissent and to exercise the same rights as if the special resolution sanctioning that division were a special resolution passed under section 507 of the *Corporations Act 2001*.

(d) If any of the property to be divided under **rule 10.2(a)** includes securities with a liability to calls, any person entitled under the division to any of the securities may within 10 days after the passing of the special resolution referred to in that rule, by notice in writing direct the liquidator to sell the person's proportion of the securities and to account for the net proceeds and the liquidator must, if practicable, act accordingly.

(e) Nothing in this **rule 10.2** derogates from or affects any right to exercise any statutory or other power which would have existed if this rule were omitted.

(f) **Rule 9.3** applies, so far as it can and with such changes as are necessary, to a division by a liquidator under **rule 10.2(a)** as if references in **rule 9.3** to the directors and to a distribution or capitalisation were references to the liquidator and to the division under **rule 10.2(a)** respectively.

11 MINUTES AND RECORDS

11.1 Minutes to be made

The directors must cause minutes to be made of:

(a) the names of the Directors present at each directors meeting;

(b) the names of the committee members present at each meeting of a committee appointed under **rule 6.15**;

(c) the proceedings and resolutions of each general meeting;

(d) the proceedings and resolutions of each directors meeting;

(e) the proceedings and resolutions of each meeting of a committee appointed under **rule 6.15**; and

(f) written resolutions of Directors passed without a meeting.

11.2 Minutes to be entered

The Directors must cause all minutes made under **rule 11.1** to be entered in the relevant minute book of the Company within one month after the relevant meeting is held.

11.3 Signature of Minutes

The minutes of a meeting made under **rule 11.1**, if appearing on their face to be signed by the chairperson of the meeting or the chairperson of the next succeeding meeting of the relevant body, are sufficient but (except where this Constitution otherwise provides) not conclusive evidence without proof of any further facts of the matters stated in them.

11.4 Minutes as evidence

Any minutes of a meeting purporting to be signed by the chairperson of the meeting or of the next succeeding meeting are (in the absence of proof to the contrary) sufficient evidence of:

(a) the matters stated in the minutes of the meeting;

(b) the meeting having been duly convened and held; and

(c) the validity of all proceedings at the meeting.

11.5 Inspection of records

(a) The directors may determine whether and to what extent, and at what time and places and under what conditions, the minute books, accounting records and other documents of the Company or any of them will be open to the inspection of members other than directors.

(b) A member other than a director does not have the right to inspect any books, records or documents of the Company except as provided by law or authorised by the directors.

12 INDEMNITY AND INSURANCE

12.1 Persons to whom rules 12.2 and 12.3 apply

Rules 12.2 and 12.3 apply:

(a) to each person who is or has been a director, alternate director or executive officer (within the meaning of **rule 7.6(a)**) of the Company;

(b) to such other officers or former officers of the Company or of its Related Bodies Corporate as the directors in each case determine; and

(c) if the directors so determine, to any auditor or former auditor of the Company or of its Related Bodies Corporate.

12.2 Indemnity

The Company must indemnify, on a full indemnity basis and to the full extent permitted by law, each person to whom this **rule 12.2** applies for all losses or liabilities incurred by the person as an officer or, if the directors so determine, an auditor of the Company or of a Related Body Corporate including, but not limited to, a liability for negligence or for reasonable costs and expenses incurred:

(a) in defending proceedings, whether civil or criminal, in which judgment is given in favour of the person or in which the person is acquitted; or

(b) in connection with an application, in relation to such proceedings, in which the Court grants relief to the person under the *Corporations Act 2001*.

12.3 Extent of Indemnity

The indemnity in **rule 12.2**:

(a) is a continuing obligation and enforceable by a person to whom **rule 12.2** applies even though that person may have ceased to be an officer or auditor of the Company or of a Related Body Corporate;

(b) applies to losses and liabilities incurred both before and after the date of adoption of that rule; and

(c) operates only to the extent that the loss or liability is not covered by insurance.

12.4 Insurance

The Company may, to the extent permitted by law:

(a) purchase and maintain insurance; or

(b) pay or agree to pay a premium for insurance,

for any person to whom **rule 12.2** applies against any liability incurred by the person as an officer or auditor of the Company or of a Related Body Corporate including, but not limited to, a liability for negligence or for reasonable costs and expenses incurred in defending proceedings, whether civil or criminal and whatever their outcome.

12.5 Savings

Nothing in **rules 12.2 or 12.4**:

(a) affects any other right or remedy that a person to whom this Constitution apply may have in respect of any loss or liability referred to in those rules; or

(b) limits the capacity of the Company to indemnify or provide insurance for any person to whom those rules do not apply.

13 NOTICES

13.1 Notices by the Company to members

(a) A notice may be given by the Company to a member:

(i) by serving it personally at, or by sending it by post in a prepaid envelope to, the member's address as shown in the register of members or such other address, or by telex, facsimile transmission or electronically to such telex, facsimile number or electronic address, as the member has supplied to the Company for the giving of notices; or

(ii) if the member does not have a registered address and has not supplied another address to the Company for the giving of notices, by exhibiting it at the registered office of the Company.

(b) A notice may be given by the Company to the joint holders of a share by giving the notice in the manner authorised by **rule 13.1(a)** to the joint holder first named in the register of members in respect of the share.

(c) A notice may be given by the Company to a person entitled to a share as a result of a Transmission Event by serving it or sending it in the manner authorised by **rule 13.1(a)(i)** addressed to the name or title of the person, at or to such address or telex or facsimile number supplied to the Company for the giving of notices to that person, or if no address or telex or facsimile number has been supplied, at or to the address or telex or facsimile number to which the notice might have been sent if the relevant Transmission Event had not occurred.

(d) A notice may be given by the Company to a person appointed as a proxy by giving the notice in the manner authorised by **rule 13.1(a)(i)** addressed to the name or title of the person, at such address or telex or facsimile number supplied to the Company for the giving of notices to that person.

(e) The fact that a person has supplied a telex, facsimile number or electronic address for the giving of notices does not require the Company to give any notice to that person by telex, facsimile or electronically.

(f) A notice given to a member in accordance with rules **13.1(a) or (b)** is, despite the occurrence of a Transmission Event and whether or not the Company has notice of that occurrence:

(i) duly given in respect of any shares registered in that person's name, whether solely or jointly with another person; and

(ii) sufficient service on any person entitled to the shares as a result of the Transmission Event.

(g) A notice given to a person who is entitled to a share as a result of a Transmission Event is sufficient service on the member in whose name the share is registered.

(h) Any person who, because of a transfer of shares, becomes entitled to any shares registered in the name of a member is bound by every notice which, before that person's name and address is entered in the register of members in respect of those shares, is given to the member in accordance with this **rule 13.1**.

(i) A signature to any notice given by the Company to a member under this **rule 13.1** may be in writing or a facsimile printed or affixed by some mechanical or other means.

(j) A certificate signed by a director or secretary of the Company to the effect that a notice has been given in accordance with this Constitution is conclusive evidence of that fact.

13.2 Notices by the Company to directors

Subject to this Constitution, a notice may be given by the Company to any director or alternate director either by serving it personally at, or by sending it by post in a prepaid envelope to, the director's or alternate director's usual residential or business address, or such other address, or by telex or facsimile transmission to such telex or facsimile number, as the director or alternate director has supplied to the Company for the giving of notices.

13.3 Notices by members or directors to the Company

Subject to this Constitution, a notice may be given by a member, director or alternate director to the Company by serving it on the Company at, or by sending it by post in a prepaid envelope to, the registered office of the Company or by telex or facsimile transmission to the principal telex or facsimile number at the registered office of the Company.

13.4 Notices posted to addresses outside the Commonwealth

A notice sent by post to an address outside the Commonwealth of Australia and its external territories must be sent by airmail or facsimile transmission.

13.5 Time of service

(a) Where a notice is sent by post, service of the notice is to be taken to be effected if a prepaid envelope containing the notice is properly addressed and placed in the post and to have been effected:

(i) in the case of a notice of a general meeting, on the day after the date of its posting; or

(ii) in any other case, at the time at which the letter would be delivered in the ordinary course of post.

(b) Where a notice is sent by telex, service of the notice is to be taken to be effected if the correct answer back code appears at the commencement and the end of the telex message and to have been effected at the time the telex is sent.

(c) Where a notice is sent by facsimile transmission or other electronic means, that notice is treated as duly given where the notice is addressed in accordance with **rule 13.1** and transmitted by facsimile transmission to the facsimile number supplied or electronically to the electronic address supplied, as the case may be, if the correct facsimile number appears on a complete facsimile transmission report generated by the sender's facsimile machine or, if sent by electronic means if the sender's computer shows the notice as having been sent to the correct electronic address, and to have been effected on the day the report is received or the date the computer indicates the notice was sent, and is treated as duly given and received (whether it is in fact received or not) on the day of transmission of the notice if a Business Day, otherwise on the next Business Day.

(d) Where the Company gives a notice under **rule 13.1(a)(ii)** by exhibiting it at the registered office of the Company, service of the notice is to be taken to be effected when the notice was first so exhibited.

13.6 Other communications and documents

Rules 13.1 to 13.5 (inclusive) apply, so far as they can and with such changes as are necessary, to the service of any communication or document.

13.7 Notices in writing

A reference in this Constitution to a notice in writing includes a notice given by telex or facsimile transmission or any other form of written communication or electronically.

14 SALE OF NON-MARKETABLE PARCELS

14.1 Definitions

In this **rule 14** the following expressions have the following meanings:

"Marketable Parcel" means the number of shares which in aggregate constitutes a marketable parcel of shares in the Company within the meaning of the Listing Rules.

"Minimum Sale Price" means the weighted average sale price of the Company's ordinary shares sold on ASX during a period of five consecutive trading days prior to the relevant Notice Date, being a period chosen by directors as falling as close as practicable to the Notice Date, rounded off to the nearest half cent or, if during the period chosen by directors there are no sales of the Company's ordinary shares on ASX, the sale price which in the opinion of directors is a fair and reasonable sale price for ordinary shares in the Company immediately prior to the relevant Notice Date.

"Minority Member" means any member who from time to time holds less than a Marketable Parcel.

"Notice" means the notice given to Minority Members in accordance with **rule 14.4(a)**.

"Notice Date" means the date of the Notice sent by the Company to a Minority Member advising that the Company intends selling that Minority Member's shares in the Company on his or her behalf under **rule 14.4(a)**.

14.2 Authorisation

The Company may and is hereby authorised to dispose of the shares of Minority Members in the manner prescribed by this **rule 14**. Subject to **rule 14.3**, this **rule 14.2** may be invoked only once in any 12 month period.

14.3 Restriction during Takeover Offer or Announcement

This **rule 14** will cease to have effect following the announcement of a takeover offer or the making of a takeover announcement but, notwithstanding **rule 14.2**, the procedure may be started again after the close of the offers made under the takeover offer or takeover announcement.

14.4 Sale Procedure

(a) The Company will not sell the shares of a Minority Member unless it has, not less than 42 days prior to the sale, given a Notice in writing to the Minority Member of its intention to dispose of the Minority Member's shareholding.

(b) For the purposes of the sale of shares under this clause, each Minority Member:

(i) appoints the Company as the Minority Member's agent, to sell as soon as practicable after the period ending 42 days after the Notice Date all of the Minority Member's shares at a price or for consideration which in the opinion of the directors has a value not less than the Minimum Sale Price and to receive the sale consideration on behalf of the Minority Member; and

(ii) appoints the Company and each of its directors from time to time as the Minority Member's attorney in his or her name and on his or her behalf to effect all transfers and execute all deeds or other documents or instruments necessary to transfer the shares from the Minority Member to the transferee.

(c) The Company shall within 7 days of any Notice Date, publish in a newspaper circulating generally throughout Australia notice of its intention to exercise the power conferred on it by **rule 14.2** to sell the shares of a Minority Member unless within 42 days after the Notice Date the Company receives written notice from the Minority Member pursuant to **rule 14.4(b)** or such Minority Member's shareholding constitutes a Marketable Parcel of shares in the Company or such Minority Member no longer holds shares in the Company.

(d) The transferee of shares sold pursuant to this clause shall not be bound to see to the regularity of proceedings or to the application of the purchase money in respect of the sale of a Minority Member's shares and after the transferee's name has been entered in the Company's register in respect of those shares, the validity of the sale or other disposal shall not be impeached by any person and the remedy of any person aggrieved by the sale or other disposal shall be in damages only and against the Company exclusively. The Company may issue to the transferee such share certificates as may be required in order to vest title in the transferee. The title of the transferee to shares sold pursuant to this clause shall not be affected by any irregularity or invalidity in connection with the sale or disposal of the shares to the transferee.

(e) The Company will cancel any share certificates of all Minority Members whose shares are sold under this clause.

(f) If all the shares of two or more Minority Members to whom this clause applies are sold to one purchaser the transfer may be effected by one transfer.

(g) Payment by the Company of any consideration under **rule 14.4(i)** will be at the risk of the Minority Member to whom it is sent.

(h) Every Minority Member on whom a Notice has been served may by notice in writing addressed to the secretary and delivered to the registered office of the Company within 42 days after the Notice Date, request the Company to exempt their shareholding from this clause, in which event the provisions of **rule 14.2** will not apply to such Minority Member.

(i) The Company will receive the consideration (if any) in respect of the sale or disposal of shares pursuant to this **rule 14**. The proceeds of any sale or other disposal of shares pursuant to this **rule 14** (the **"Sale Consideration"**) will be paid to the Minority Member or as he or she may direct. The Company shall bear all costs as a result of the sale or disposal of shares pursuant to this rule.

(j) The Sale Consideration received by the Company shall be paid into a bank account opened and maintained by the Company for that purpose only.

(k) The Company will hold the Sale Consideration received in trust for a Minority Member whose shares are sold pursuant to this **rule 14** pending distribution of the Sale Consideration. The Company will as soon as practicable after the sale of the shares of a Minority Member, and to the extent that it may reasonably do so, distribute the Sale Consideration and any interest thereon to the relevant Minority Member entitled, provided that the Company has received any certificate relating to the shares (or is satisfied that the certificate is lost or destroyed).

(l) Where the Sale Consideration has been held in trust by the Company for a Minority Member under **rule 14.4(k)** for more than two years, the Company will, before the expiration of ten years after the Sale Consideration was received by the Company, pay the money to the Treasurer, other Minister or Chief Commissioner administering the Unclaimed Money Act 1995 (NSW).

(m) For the purposes of this **rule 14** a certificate in writing signed by any two directors or any one director and secretary of the Company that states:

  (i) any notice required to be served by or on the Company was or was not served, as the case may be;

  (ii) any advertisement required to be published was published; and

  (iii) any resolution of directors required to be made was made,

  will be sufficient evidence of those facts as against all persons claiming to be entitled to the relevant shares and to the right and title of the Company to dispose of those shares.

(n) The provisions of this **rule 14** referring to the issue, cancellation or receipt of share certificates will not apply to Uncertificated Holdings.

15 GENERAL

15.1 Submission to jurisdiction

Each member submits to the non-exclusive jurisdiction of the Supreme Court of the State or Territory in which the registered office of the Company is located, the Federal Court of Australia and the courts which may hear appeals from those courts.

15.2 Prohibition and enforceability

(a) Any provision of, or the application of any provision of, this Constitution which is prohibited in any place is, in that place, ineffective only to the extent of that prohibition.

(b) Any provision of, or the application of any provision of, this Constitution which is void, illegal or unenforceable in any place does not affect the validity, legality or enforceability of that provision in any other place or of the remaining provisions in that or any other place.