WATERCO
Water, the liquid of life

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30 November 2009

Company Announcements Office
Australian Securities Exchange
Exchange Centre
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sirs

WATERCO LIMITED (WAT) – SHAREHOLDER REVIEW

Please find attached Shareholder Review booklet and accompanying letter which will be sent to shareholders with final dividend payable on 18 December 2009.

The booklet provides shareholders with key information that underlines Waterco's performance for the financial year ended 30 June 2009.

Yours faithfully
Waterco Limited

LeoHong

Bee Hong Leo
Company Secretary

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Dear Shareholder

SHAREHOLDER REVIEW

We published our Company's latest annual report on 24 September, 2009. Mindful of the fact that many shareholders have elected not to receive an annual report, we take this opportunity to update you on our financial performance and give you a glimpse of what lies ahead.

In this respect, we enclose a booklet entitled Shareholder Review. This booklet provides you with key information that underlines our performance for the financial year ended 30 June 2009. You may already be aware that this was the year when the Global Financial Crisis hit. However, we are pleased to report that, despite the challenges in that year, we remained profitable.

We hope that you will find the information useful and thank you for your support.

Yours sincerely
Waterco Limited

Soon Sinn Goh
Chief Executive Officer

Enc

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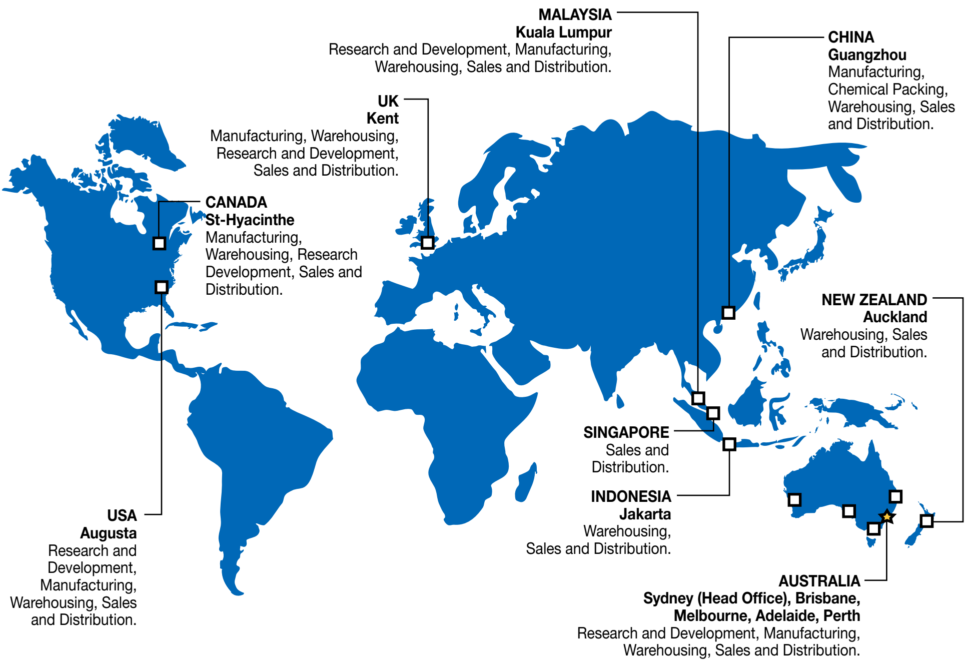
shareholder review 2009

Highlights

- Net Profit After Tax of $2.28 million (FY08 Loss of $0.59 million).
- EBIT, before unrealized foreign exchange adjustments and goodwill impairment, for the year of $5.11 million (FY 08 $4.69 million).The core business this year has achieved an increase on PCP of 4%, after allowing for the sale of the Chemical Division.
- Full year revenues of the Swimart retail stores were ahead of the previous year by 8 percent.
- Continued consolidation of manufacturing activities into Waterco Far East will result in further improvements in efficiency.
- The company continues to put resources into research and development, expanding into high pressure filters suitable for water treatment.
- Final dividend payment of 3 cents per share, payable to shareholders on 18 December 2009. This brings total dividends for the year to 5 cents per share, compared with 3 cents per share in the previous year.



Company Profile

Waterco is an Australian public listed company involved in the manufacture and distribution of:

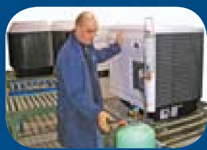
- Pool and spa equipment
- Pool and spa chemicals
- Domestic water filters, softeners and purifiers
- Commercial water treatment equipment

Distributor to Manufacturer

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 the manufacture and distribution of a comprehensive range of swimming pool and spa products and water treatment equipment.

Manufacturing Power House

Waterco's research & development team has created an innovative range of award winning products. The company's advanced fibreglass winding and pioneering plastic moulding techniques have delivered premium quality products to over 40 countries.



SWIMART
POOL AND SPA SERVICES

Swimart Pool and Spa Services is Australia & New Zealand's largest chain of Pool and Spa stores with 62 retail stores (58 in Australia and 4 in New Zealand) and over 150 Swimart mobile service vans. Swimart stores are owned and operated by individual franchisees.

ZANE
Solar Pool Heating

Zane Solar Systems consists of a 34-strong dealer network throughout Australia.

Trained dealers install solar pool heating systems for both domestic and commercial applications using Zane's award winning solar absorber.

Watershoppe

In certain regions of Malaysia, residents experience water discolouration caused by rust from unlined galvanised pipes.

To capture this market Waterco has set up a dealer network of 11 Watershoppes selling Waterco's range of water filters and drinking water purifiers.

Revenue and Profitability

The Company reported a Net Profit After Tax of $2.28 million.

Following a year of consolidation throughout the group, Waterco reported Earnings Before Interest and Tax (EBIT), before unrealized foreign exchange adjustments and goodwill impairment, for the year of $5.11 million (FY 08 $4.69 million). The underlying EBIT (before adjustments) showed a small improvement over previous corresponding period (PCP), a good result in a difficult trading year. Expectations early this financial year were for a more significant improvement. Unfortunately, this was hampered by events following the global financial crisis.

Soon Sinn Goh
Chief Executive Officer

The low Australian Dollar following the stock market collapse after October 2008 resulted in some realized foreign exchange losses, on payment to our suppliers.

Sales Revenue for the period was $71.6 million (FY 08 $76.5 million), with the reduction resulting mainly from the sale of the Chemical Division business at Bankstown, in Australia. This Division supplied to supermarkets, hardware stores and mass merchants in Australia, and was considered as outside the core business of the Waterco group. Waterco retain our Chemical business supplying independent pool stores and our Swimart Franchise network.

The core business this year has achieved an increase on PCP of 4%, after allowing for the sale of the Chemical Division.

Divisional Performance

Detailed below is the divisional EBIT contribution summary for the FY09 period.

EBIT (net of interest received) by Division (before unrealized FX difference), goodwill impairment and intercompany dividends	FY09	FY08	% Change
Australia and New Zealand	4,548	6,372	-29%
South East Asia	1,619	264	+513%
North America	(1,742)	(2,192)	+21%
Others	688	244	+182%
EBIT	5,113	4,688	+9%

Australian and New Zealand Operations

In terms of our 62-store Swimart franchise group in Australia and New Zealand, the full year revenues of the Swimart retail stores were ahead of the previous year by 8 percent. Double digit growth was recorded in all states and NZ except for NSW where retail sales remain sluggish.

Swimart Oxenford, Australia

This improvement in the revenues of the Swimart retail stores was pleasing considering the uncertainties following the global financial crisis commencing in October 2008. Swimart Franchisees took a cautious view and kept a low level of inventory. A new Swimart store was opened in Oxenford, Brisbane in July 2009 and the remaining two company stores in New Zealand and one in Australia were franchised during the year. Deposits for several new stores have been received and these stores will open during 2009/10. It was encouraging to see an existing Swimart store sold to a new franchisee during the year for a Swimart record of $1.2m, reflecting the high value placed on a Swimart franchise.

For the 2009/10 summer season Swimart have retained Susie O'Neill, "Madame Butterfly", a successful Olympic Gold Medalist Swimmer as our Swimart Ambassador. Swimart are proud to be associated with Susie who brings real creditability to Swimart. Swimart are a facilitator of crystal clear pools enabling pool owners to have an enjoyable lifestyle at home.

Susie O'Neil, Swimart Ambassador

New Pool Builds continued to decline in 2008/09 as the global financial crisis made consumers wary of further expenditure. The emerging business of commercial water treatment equipment continued strongly in both Australia and New Zealand. This negated the decline in the residential sector.

Trading margins were under pressure with cost of imported products having escalated rapidly when the Australian Dollar dipped significantly. Foreign Exchange losses were increased when payment for goods imported at the beginning of the season became due. The period of the low Australian Dollar coincided with the peak period for Australia and New Zealand. Consequently, Earnings Before Interest and Tax (EBIT) declined when compared to PCP, with lower trading margins, combined with realized foreign exchange losses, impacting on the results. The completion of the sale of our remaining retail stores in New Zealand, and the restructuring of the business to one of wholesale, has significantly strengthened the business with stronger profitability, than previously recorded, for last year.

The Australian Dollar recovered towards the end of the financial year and presently does not seem to adversely affect profitability, looking forward.

Waterco Far East

Waterco Far East is now the Group's principal manufacturing facility for pumps and filters for both the commercial and the residential sectors. Waterco Far East supplies all major overseas divisions, including Australia.

Waterco Far East Fibreglass Filter Manufacturing

With the completion of restored premises since the fire and manufacturing activity returning to normal, Water Far East recorded a healthy return to profitability. Insurance claims have now been fully resolved, largely to our satisfaction.

Manufacturing activities in Australia have almost been entirely relocated to Waterco Far East towards the end of the financial year. Supervising staff in Australia were transferred to After Sales Service division, while most of the manufacturing staff were retrenched. With more manufacturing activities consolidated into Waterco Far East, it will result in some further improvements in efficiency.

Waterco North America

Waterco North America represents the group's operations in USA and Canada. The US market is the largest in the world and Waterco has made a substantial investment through its acquisition of Baker Hydro in March 2005. Our operations in Augusta, Georgia, manufacture larger filters and assemble commercial pumps.

NSF Approved Commercial Fibreglass Filters

The EBIT loss for the year reflects the difficult trading conditions in the USA largely due to continuing downturn in the housing industry.

Accreditation for our commercial filters was successfully obtained from the National Sanitation Foundation (NSF). NSF is an organization that demands high standards of the products it endorses. Customers for our commercial filters require NSF approval. With the approval, we anticipate strong growth in the sales of our commercial filters, bringing to fruition the efforts we have invested in marketing the products. We installed a new filament-winding machine late in the financial year ended 30 June 2009, so that production of commercial filters in the USA would be enhanced in the new financial year.

In Canada, EBIT was virtually at breakeven, which is a considerable improvement. Sales revenue was encouraging with an improvement in sales despite the global financial crisis.

Waterco's Swimming Pool Heat Pumps

The global demand for heat pumps that are manufactured by our Canadian operations is growing and our improvement of the manufacturing operations and product quality has seen the return of confidence of our customers in Europe, USA and Australia.

Waterco Europe

Waterco Europe's sales revenue improved significantly over PCP despite the global financial crisis, turning in a vastly improved profit. New key distribution relationships were formed reflecting growing product acceptance and increased ranging with wholesalers. The global financial crisis had affected Europe considerably with distributors cancelling some orders or delaying delivery until they were certain of being able to meet their commitments. Despite some set backs, results for the year were excellent.

Product Development & Water Treatment

The company continued to put resources into research and development, expanding into high pressure filters suitable for water treatment. During the year, the company completed sales of large commercial filters meant for prefiltration of seawater for a desalination plant in the Middle East.

The Multicyclone was well accepted in the water treatment sector as well as the swimming pool industry, as a unique and effective device for removal of sediments in water. Variations of the Multicyclone will be seen in products to be launched, building on the original product marketed some two years ago.

For the year, Waterco spent $686,000 on research and development.

Multicyclone Centrifugal Filter

Working Capital

Total	JUNE 09 $000	JUNE 08 $000
Inventory	25,571	22,477
Debtors	11,122	14,344
Creditors	7,666	8,053
Working Capital	29,027	28,768

The group's working capital position as at June 2009 showed no material variance over the PCP.

Dividend & Outlook

Results for the year are satisfactory in view of the global financial crisis, but the board acknowledges that profitability is not back to normal. Losses in the USA need significant improvements and expectations are that it will improve to an acceptable level for the new financial year.

Profit Before Tax for the year was short of expectation, a result of the global financial crisis, but ahead of a revised downgrade announced after the commencement of the global financial crises in October 2008. The board will not provide a profit guidance at this stage for the financial year ended 30 June 2010.

We are positive that there will be more improvements ahead, and will declare a final dividend payment of 3 cents, payable to shareholders on 18 December 2009.

SOON SINN GOH

BRUCE LEITCH

BRYAN GOH

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.

Mr Goh was seconded to Waterco International Private Limited, Singapore and to Waterco (Far East) Sdn Bhd, Malaysia in June 2009. He is required to head the Asian Division of the Group and oversee the North American and European entities. The position will be based in Malaysia and Singapore.

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 nine years' experience in the pool industry, twenty two of them with Waterco. Mr Leitch has overall responsibility for group sales throughout Australia, New Zealand and North America.

Mr Leitch has been on leave of absence from 6 April 2009 with the approval of the Board.

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

BRYAN GOH - B ECON

Alternate Director for Bruce Leitch

Mr Goh was appointed Alternate Director for Bruce Leitch on 8 May 2009.

He is the Business Development and Marketing Manager of Waterco. Mr Goh has overall responsibility for business development in Australia and overseeing the marketing activities of Waterco's overseas subsidiaries. He has ten years' experience in the pool and water treatment industry.

Mr Goh was on the board of directors of The Swimming Pool & Spa Association of New South Wales Ltd (from February 2005 to February 2009), a non-profit organisation dedicated to maintaining and improving standards within the industry for the betterment of consumers, pool builders and suppliers.

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

GARRY NORMAN

BEN HUNT

RICHARD LING

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 & 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.

BEN HUNT - PHD (ANU)

Non-Executive Director

Dr Hunt was appointed to the Board as a Non-Executive director in June 1998. His most recent academic appointment was as the Head of the Graduate School of Business and Associate Dean of the Faculty of Business and an Associate Professor of Finance at the University of Technology, Sydney (UTS). He has a doctorate from the Australian National University. Although Dr Hunt has written extensively on Australian financial markets (he is the co-author of the text Australian Institutions and Markets, 5th Ed.), his knowledge extends to the South East Asian region. He is a regular presenter of financial seminars in Hong Kong and Singapore for UK publishing and training company Euromoney. He is the Chairman of the Remuneration Committee and a member of the Audit Committee.

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

RICHARD CHENG FAH LING - B COM, CA

Non-Executive Director

Mr Ling was appointed to the Board as a Non-Executive director on 8 May 2009. He holds a Bachelor of Commerce degree from the University of Newcastle, Australia. He is a member of the Institute of Chartered Accountants in Australia and the Malaysia Institute of Accountants. He worked in companies based in Australia as Financial Controller, Company Secretary and Senior Manager between 1980 to 1989. In 1992, Mr Ling was appointed Group General Manager of Tiong Nam Logistics Holdings Berhad (TNL), a public company listed on the Main Board of Bursa Malaysia (Malaysian Stock Exchange). The company has operations in Malaysia, Singapore and Thailand. In 2001, Mr Ling joined the Board of TNL as Executive Director, and is a member of the Audit Committee. Mr Ling has a good understanding of corporate finance, with experience in raising funds for companies in Australia and has sought funds via the capital markets in Asia, for TNL.

Mr Ling is a member of the Audit Committee and a member of the Remuneration Committee (appointed 8 May 2009).

Condensed Consolidated Income Statement

(Extracted from the 2009 Annual Report)

For The Year Ended 30 June	2009 $M	2008 $M
Profit/(Loss) Before Income Tax	3.555	0.717
Income Tax Expense	1.277	1.303
Profit/(Loss) After Income Tax	2.278	-0.586
Outside Equity Interest	-0.035	0.073
Net Profit/(Loss) Attributable To Members Of The Parent Entity	2.313	-0.659

For The Year Ended 30 June	2009 Cents	2008 Cents
Basic Earnings Per Share	8.0	-2.4
Diluted Earnings Per Share	8.0	-2.4

Condensed Consolidated Balance Sheet

(Extracted from the 2009 Annual Report)

At 30 June	2009 $M	2008 $M
Current Assets	39.408	39.708
Non-Current Assets	34.163	31.489
Total Assets	73.571	71.197
Current Liabilities	11.047	11.414
Non-Current Liabilities	21.893	22.515
Total Liabilities	32.940	33.929
Net Assets	40.631	37.268
Contributed Equity	30.837	30.107
Reserves	0.446	-1.339
Retained Profits	9.008	8.125
Parent Entity Interest	40.291	36.893
Outside Equity Interest	0.340	0.375
Total Equity	40.631	37.268

Five Year Summary

All figures are in $A Million Unless Stated Otherwise

	2009	2008	2007	2006	2005
Operating Revenue	**72.32**	77.63	81.93	88.93	81.50
Sales Revenue	**71.57**	76.52	81.23	88.24	80.96
Earnings Before Interest and Tax (EBIT)	**5.14**	2.97	2.63	6.02	6.61
EBIT / Sales Revenue	**7.2%**	3.9%	3.2%	6.8%	8.2%
Profit/(Loss) Before Income Tax	**3.56**	0.72	-0.28	4.2	5.37
Profit /(Loss) Attributable to Members of the Parent Entity	**2.31**	-0.66	-0.48	2.9	3.34
Total Assets	**73.57**	71.76	81.09	83.39	73.43
Equity	**40.63**	37.27	34.66	37.83	37.70
Basic Earnings Per Share (Cents)	**8.0**	-2.4	-2.1	12.8	15.2
Dividend Per Share (Cents)	**5.0**	3.0	2.0	17.0	16.0
Net Tangible Assets Per Share ($)	**1.36**	1.28	1.40	1.61	1.54

Corporate Directory

DIRECTORS
Soon Sinn Goh
Bruce Leitch
Bryan Goh - Alternate director for Bruce Leitch
Garry Norman
Ben Hunt
Richard Ling

SECRETARIES
Bee Hong Leo
Gerard Doumit

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