

WATERCO LIMITED
A.B.N. 62 002 070 733
INTERIM FINANCIAL REPORT
FOR THE HALF YEAR
ENDED 31 DECEMBER, 2011

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WATERCO LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

The Directors of Waterco Limited have pleasure in submitting herewith the Interim Financial Report of the consolidated group for the half-year ended 31st December, 2011

The directors of the company who held office during or since the end of the half year are:

Soon Sinn Goh
Bryan Goh
Garry Norman
Ben Hunt
Richard Ling

REVIEW OF OPERATIONS

For the six months ended 31 December 2011 (this half-year) Waterco Limited reported a Net Profit After Tax of \$1.63 million. This compares with a reported after tax profit of \$2.65 million for the previous corresponding period (PCP), the six months ended 31 December 2010.

Earnings Before Interest & Tax for this half-year were \$3.28 million (PCP \$4.53 million).

Total revenue was \$36.49 million (PCP \$37.35 million).

Detailed below is a breakdown of the sales revenue contribution for this half-year compared with the PCP:

	Dec 2011 (\$000)	Dec 2010 (\$000)	% Change
Australia and New Zealand	\$ 27,599	\$ 27,852	- 0.9%
Asia	\$ 3,674	\$ 3,599	+ 2.1%
North America and Europe	\$ 5,002	\$ 5,862	- 14.7%
Sales revenue	\$ 36,275	\$ 37,313	- 2.8%
Other revenue	\$ 215	\$ 40	NA
Total	\$ 36,490	\$ 37,353	- 2.3%

In the face of wet weather and uncertainty in the non-mining sector, the team in Australia and New Zealand worked hard to limit the decline in sales in Australia and New Zealand to 0.9%. There was a continuous trend of wet weather, with 2011 reported to be the third wettest year since records began in 1900, a weather pattern which continued into January 2012. Consumer confidence during the period was also low, resulting in successive interest-rate cuts by the Reserve Bank of Australia in November and December. Chemical sales to the Swimart stores accounted for most of the decline.

Sales in Asia registered an improvement of 2.1%. China performed well, with the expansion of Waterco's product range and new customers taking up Waterco products as a premium line.

In the United States, sales were encouraging, particularly in the water treatment sector, although they showed a decline compared with the PCP. However, this trend may be reversed in the second half-year, as there has been an increase in the size of the quote register, predominantly for filters, for the commercial pool and water treatment sector. Canada sales have similarly declined, compared with PCP, with a lower level of forward orders. This was as a result of Waterco customers clearing inventory held over from the previous season. However, this trend may also be reversed, as the company has noted an increased level of interest from customers for the coming season. European sales have held up compared with PCP

DIVISIONAL PERFORMANCE

Detailed below is a breakdown of EBIT contributions (after consolidation adjustments for unrealised forex gains/losses on intercompany loans and intercompany dividends) by division for the half year ended 31 Dec 2011:

	Dec 2011 (\$000)	Dec 2010 (\$000)	% Change
Australia and New Zealand	\$ 3,158	\$ 4,346	- 27.3%
Asia	\$ 1,355	\$ 770	+ 76.0%
North America and Europe	(\$ 1,229)	(\$ 585)	- 110.1%
Consolidated Reported EBIT	\$ 3,284	\$ 4,531	- 27.5%

AUSTRALIA and NEW ZEALAND

Profitability this year was lower, with weaker consumer confidence, thus creating a competitive business environment. While there were gains in the pool-builder segment of the business, the keener competition restrained profit margins. Expenses were higher, as a result of a major sales campaign conducted early in the financial year.

ASIA

Waterco Far East (WFE) consolidated its position as the Group's principal manufacturing facility for pumps and filters for both, the commercial and the residential sectors, supplying all major overseas divisions, including Australia. In addition to being in a more central geographical location, WFE also offers the Group benefits from economies of scale and favourable labour cost. Local sales remained steady compared with PCP.

NORTH AMERICA and EUROPE

Waterco North America and Europe, incorporating the Group's operations in the United States, Canada and Europe, reported an EBIT loss for the six months of \$1.229 million which is an increase on the loss of \$0.59 million from the PCP. The main business season for this division is in the second half of the financial year. Trading conditions in the US were tough. However, the division has been busy increasing its quote register and is, therefore, looking forward to improved sales and EBIT performance.

Waterco's larger fibreglass filters, with a higher pressure rating, have been accepted by the water treatment industry in the US. Expenses were higher, compared with PCP, with the appointment of a sales executive specialising in the water-treatment sector. The entity treats this as an investment to spearhead the move into this specialised sector and expects positive results from it in the second half of the financial year.

Commercial filters are currently being made in Augusta, Georgia, with the largest filter made being 88 inches in diameter. The availability of a range of large filters made in Waterco's factory in the United States has been received positively and should improve Waterco's position as a supplier to the local market.

Of the three entities in this division, the seasonality of the business in Canada is the most pronounced, with profits skewed markedly into the second half of the financial year. Waterco has made further improvements in productivity and sales margins and expects results to be in the black for the full year, consolidating the turnaround achieved in the previous year.

While trading conditions in Europe continued to be tough, a return in confidence in some of the distributors aligned to Waterco products, together with new distributors appointed, improved the outlook for the division in Europe. However, as the business environment in the Euro-Zone was still weak, margins in this division continued to come under pressure. The Group, through this entity, set up a warehousing facility and a sales team in France, sustaining an increase in the operating expenses of this division. The Group expects that this strategic move will result in improved sales for the division later in the year.

PRODUCT DEVELOPMENT AND WATER TREATMENT

In this half-year, Waterco spent approximately \$0.43 million on research and development, which was fully expensed. The Group continues to believe that a strong company culture of delivering to its customers innovative, durable and energy efficient products is an important strategic measure. Several new products introduced in recent times have had satisfactory success.

WORKING CAPITAL

	Dec 2011 (\$000)	Dec 2010 (\$000)
Inventory	\$ 27,994	\$ 28,732
Debtors	\$ 12,717	\$ 13,791
Creditors	(\$ 12,309)	(\$ 11,915)
TOTAL	\$ 28,402	\$ 30,608

The Group's working capital position as at December 2011 has decreased by \$2.21m, mainly attributable to reduced inventory and other debtors, compared with the PCP. The reduction in inventory in the Australian and New Zealand division would have been better, had sales not been dampened by an unusually wet summer and low consumer confidence.

DIVIDEND

Based on the half-year result, Waterco's directors are pleased to declare a fully-franked interim dividend of 3 cents per share (last year 4 cents), payable on 15 June 2012 to shareholders on our register at 4 May 2012.

OUTLOOK

The Board of Waterco considers this half-year's results as disappointing but, in the light of poor weather and consumer confidence, are optimistic that the continued, albeit lower, profitability will provide the Group with a firm foundation for growth in the future.

The next half-year will be more dependent on the business of Waterco's Northern Hemisphere entities, namely North America and Europe. The availability of large filters made in the United States will help to improve Waterco's position as a supplier there. In Canada, research and development activity has continued to improve the quality and performance of the current range of heat pumps and is expected to contribute towards future earnings. In Europe, successes in marketing activities have enabled us to export pool and water-treatment equipment into new markets like Russia.

Trading conditions in Australia and New Zealand remain difficult. The forecast Net Profit After Tax for the full year's is expected to decline to \$2.3 Million from the earlier forecast of \$3.0 million.

AUDITOR'S DECLARATION

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 14.

This report is signed in accordance with a resolution of the Board of Directors.



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Soon Sinn Goh
Chairman
Waterco Limited
27 February 2012

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2011
WATERCO LIMITED AND CONTROLLED ENTITIES**

	Consolidated Group	
	31/12/2011	31/12/2010
	\$	\$
Revenues	36,489,798	37,352,635
Changes in inventories of finished goods and work in progress	(2,926,068)	(4,363,550)
Raw Materials and consumables used	(15,853,503)	(13,956,416)
Employee benefits expense	(6,826,990)	(6,518,690)
Depreciation and amortisation expense	(732,178)	(713,811)
Finance costs	(865,540)	(792,964)
Advertising expense	(862,078)	(728,544)
Discounts allowed	(152,065)	(146,670)
Outward freight expense	(844,565)	(857,419)
Rent expense	(1,039,929)	(1,117,132)
Contracted staff expense	(128,254)	(222,675)
Warranty expense	(211,692)	(222,508)
Commission expense	(128,811)	(124,294)
Other expenses	(3,472,823)	(3,849,407)
Profit before income tax	2,445,302	3,738,555
Income tax expense	(809,017)	(1,086,005)
Profit for the period	1,636,285	2,652,550
Other comprehensive income		
Gain/ (loss) on revaluation of land & buildings	403,241	(338,725)
Share option reserve increment	13,817	-
Exchange differences on translation of foreign controlled entities	670,500	(5,654,483)
Other comprehensive income/(loss) for the period	1,087,558	(5,993,208)
Total comprehensive income/(loss) for the period	2,723,843	(3,340,658)
Profit attributable to:		
Members of the parent entity	1,594,506	2,634,218
Non-controlling interest	41,779	18,332
	1,636,285	2,652,550
Total comprehensive income/(loss) for the period attributable to:		
Members of the parent entity	2,682,064	(3,358,990)
Non-controlling interest	41,779	18,332
Total comprehensive income/(loss) for the period	2,723,843	(3,340,658)
Earnings per share		
From continuing and discontinued operations		
Basic earnings per share (cents per share)	4.8	8.4
Diluted earnings per share (cents per share)	4.8	8.4
From continuing operations		
Basic earnings per share (cents per share)	4.8	8.4
Diluted earnings per share (cents per share)	4.8	8.4

The accompanying notes form part of this financial report.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011
WATERCO LIMITED AND CONTROLLED ENTITIES**

	Consolidated Group	
	31/12/2011	30/6/2011
	\$	\$
Current Assets		
Cash and cash equivalents	2,456,968	2,794,522
Trade and other receivables	12,717,248	8,259,945
Inventories	27,993,687	25,837,291
Other current assets	685,695	570,334
Total Current Assets	43,853,598	37,462,092
Non-Current Assets		
Property, plant & equipment	36,352,951	34,691,511
Intangible assets	29,058	30,528
Deferred tax assets	134,297	(37,009)
Other non-current assets	344,559	354,622
Total Non-Current Assets	36,860,865	35,039,652
Total Assets	80,714,463	72,501,744
Current Liabilities		
Trade and other payables	12,308,667	6,954,991
Borrowings	3,033,243	3,410,206
Current tax liabilities	489,669	377,817
Short-term provisions	1,693,532	1,505,842
Total Current Liabilities	17,525,111	12,248,856
Non-Current Liabilities		
Borrowings	21,111,965	19,802,478
Deferred tax liabilities	347,115	234,724
Long-term provisions	102,930	110,048
Total Non-Current Liabilities	21,562,010	20,147,250
Total Liabilities	39,087,121	32,396,106
Net Assets	41,627,342	40,105,638
Equity		
Issued capital	35,197,323	34,737,298
Reserves	(4,931,139)	(6,018,697)
Retained earnings	11,099,539	11,167,197
Parent interest	41,365,723	39,885,798
Non-controlling interest	261,619	219,840
Total Equity	41,627,342	40,105,638

The accompanying notes form part of this financial report.

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2011
WATERCO LIMITED AND CONTROLLED ENTITIES**

Consolidated Group	Note No.	Issued Capital Ordinary	Retained Earnings	Capital Profits Reserve	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Share Option Reserve	Non-controlling Interest	Total
Balance at 30/6/10		33,750,036	10,898,583	210,562	6,674,760	(5,354,337)	-	256,291	46,435,895
Comprehensive income									
Profit for the period			2,634,218					18,332	2,652,550
Exchange differences on translation of foreign controlled entities						(5,654,483)			(5,654,483)
Loss on revaluation of land and buildings					(338,725)				(338,725)
Total comprehensive income/(loss) for the period		-	2,634,218	-	(338,725)	(5,654,483)	-	18,332	(3,340,658)
Transactions with owners in their capacity as owners and other transfers									
17 December 2010									
Issue of 449,758 shares at \$1.19 each under Waterco Dividend									
Reinvestment Plan		535,212							535,212
Employee share loan repayments		6,925							6,925
Dividends paid			(1,620,964)						(1,620,964)
Total transactions with owners and other transfers		542,137	(1,620,964)	-	-	-	-	-	(1,078,827)
Balance at 31/12/10		34,292,173	11,911,837	210,562	6,336,035	(11,008,820)	-	274,623	42,016,410
Balance at 30/6/11		34,737,298	11,167,197	210,562	6,259,040	(12,488,299)	-	219,840	40,105,638
Profit for the period			1,594,506					41,779	1,636,285
Exchange differences on translation of foreign controlled entities						670,500			670,500
Share option increment							13,817		13,817
Gain on revaluation of land and buildings					403,241				403,241
Total comprehensive income/(loss) for the period		-	1,594,506	-	403,241	670,500	13,817	41,779	2,723,843
Transactions with owners in their capacity as owners and other transfers									
9 December 2011									
Issue of 373,089 shares at \$1.21 each under Waterco Dividend									
Reinvestment Plan		451,438							451,438
Employee share loan repayments		8,587							8,587
Dividends paid			(1,662,164)						(1,662,164)
Total transactions with owners and other transfers		460,025	(1,662,164)	-	-	-	-	-	(1,202,139)
Balance at 31/12/11		35,197,323	11,099,539	210,562	6,662,281	(11,817,799)	13,817	261,619	41,627,342

The accompanying notes form part of this financial report.

CASHFLOW STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2011
WATERCO LIMITED AND CONTROLLED ENTITIES

	Consolidated Group	
	31/12/2011	31/12/2010
	\$	\$
<u>Cash Flows from Operating Activities</u>		
Receipts from customers	34,736,549	35,319,619
Payments to suppliers and employees	(31,569,667)	(31,047,677)
Interest received	26,394	14,542
Other income	188,129	25,673
Finance costs	(865,540)	(792,964)
Income tax paid	(756,080)	(652,335)
Net cash provided by operating activities	1,759,785	2,866,858
<u>Cash Flows from Investing Activities</u>		
Dividends received	369	259
Payment for property, plant & equipment	(2,651,453)	3,737,602
Proceeds from sale of property, plant & equipment	12,562	37,734
Net cash (used in) /provided by investing activities	(2,638,522)	3,775,595
<u>Cash Flows from Financing Activities</u>		
Proceeds from borrowings	1,460,657	155,603
Proceeds from issue of shares	451,438	535,212
Payment of lease liabilities	(132,262)	(79,240)
Payment of Hire Purchase Liabilities	(41,149)	(39,165)
Dividends paid	(1,662,164)	(1,620,964)
Employee share plan repayments	8,587	6,925
Net cash provided by/(used in) financing activities	85,107	(1,041,629)
Net (decrease)/increase in cash held	(793,630)	5,600,824
Cash and cash equivalents at the beginning of period	2,381,000	3,505,426
Effects of exchange rate changes on balances of assets and liabilities held in foreign currencies	869,598	(7,155,475)
Cash and cash equivalents at the end of period	2,456,968	1,950,775

The accompanying notes form part of this financial report.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011
WATERCO LIMITED AND CONTROLLED ENTITIES**

Note 1: Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2011 have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Waterco Ltd and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2011 together with any public announcements made during the following half-year.

The same accounting policies and methods of computation have been followed in the interim financial report as were applied in the 30 June 2011 financial statements.

Note 2: Dividends

	Consolidated Group	
	31/12/2011	31/12/2010
	\$	\$
Dividends paid		
Final fully franked dividend declared on 30th August 2011 of 5c (2010:5c) per share franked at the tax rate of 30% (2010 30%)	1,662,164	1,620,964
	<u>1,662,164</u>	<u>1,620,964</u>

Note 3: Operating Segments

Segment Information

Identification of reportable segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The group is managed primarily on the basis of location since the group's operations have similar different risk profiles and performance criteria. Operating segments are therefore determined on the same basis.

The Group 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.

Basis of accounting for the purposes of reporting by operating segments

Accounting Policies Adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group. The Board has decided to combine all entities in the Asian Region under one segment to reflect the nature of the business and similar customer base of all these entities. The Board has also decided to combine North America and Europe into one segment to reflect the similar nature of the business and customer base in these entities.

Inter-segment transactions

An internally determined transfer price is set for all inter-entity sales. The price is reviewed annually (unless special circumstances arise) and is based on what would be realised in the event the sale was made to an external party at arm's length under the same terms and conditions. All such transactions are eliminated on consolidation for the Group's financial statements.

Corporate charges are allocated to reporting segments based on the services provided to those reporting segments.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair valued based on market interest rates.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of the economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where is a direct nexus between the incurrence of the liability and the operations of the segment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011
WATERCO LIMITED AND CONTROLLED ENTITIES**

Note 3: Operating Segments (continued)

Geographical Segments

	2011				
	AUSTRALIA & NEW ZEALAND 31/12/2011 \$	ASIA 31/12/2011 \$	NORTH AMERICA &EUROPE 31/12/2011 \$	ELIMINATION 31/12/2011 \$	CONSOLIDATED GROUP 31/12/2011 \$
Revenue					
Sales to customers outside the economic entity	27,598,827	3,673,981	5,002,098		36,274,906
Intersegment sales	942,936	10,097,361	833,297	(11,873,594)	
Unallocated revenue					214,892
Total revenue	<u>28,541,763</u>	<u>13,771,342</u>	<u>5,835,395</u>	<u>(11,873,594)</u>	<u>36,489,798</u>
Segment result	3,171,385	1,219,826	(1,213,584)	(517,433)	2,660,194
Unallocated expenses net of unallocated revenue					(214,892)
Profit before income tax					2,445,302
Income tax expense					(809,017)
Profit after income tax					<u>1,636,285</u>
Segment assets	<u>79,793,077</u>	<u>37,877,923</u>	<u>11,967,079</u>	<u>(48,923,616)</u>	<u>80,714,463</u>
Segment liabilities	<u>37,596,797</u>	<u>24,910,680</u>	<u>20,086,628</u>	<u>(43,506,984)</u>	<u>39,087,121</u>

	2010				
	AUSTRALIA & NEW ZEALAND 31/12/2010 \$	ASIA 31/12/2010 \$	NORTH AMERICA &EUROPE 31/12/2010 \$	ELIMINATION 31/12/2010 \$	CONSOLIDATED GROUP 31/12/2010 \$
Revenue					
Sales to customers outside the economic entity	27,851,657	3,599,131	5,861,373		37,312,161
Intersegment sales	1,342,062	11,390,065	591,262	(13,323,389)	
Unallocated revenue					40,474
Total revenue	<u>29,193,719</u>	<u>14,989,196</u>	<u>6,452,635</u>	<u>(13,323,389)</u>	<u>37,352,635</u>
Segment result	(1,427,439)	497,767	(583,637)	5,292,338	3,779,029
Unallocated expenses net of unallocated revenue					(40,474)
Profit before income tax					3,738,555
Income tax expense					(1,086,005)
Profit after income tax					<u>2,652,550</u>
Segment assets	<u>83,803,615</u>	<u>39,860,560</u>	<u>10,182,966</u>	<u>(53,872,817)</u>	<u>79,974,324</u>
Segment liabilities	<u>40,812,628</u>	<u>27,904,107</u>	<u>17,909,540</u>	<u>(48,668,361)</u>	<u>37,957,914</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011
WATERCO LIMITED AND CONTROLLED ENTITIES**

Note 4: Contingent Liabilities

	Consolidated Group	
	31/12/2011	31/12/2010
	\$	\$
Estimate of the maximum amount of contingent liabilities that may become payable:		
Guarantee of leases of premises subleased to franchisees	4,080,885	5,027,500
	<u>4,080,885</u>	<u>5,027,500</u>

Note 5 Events Subsequent to Reporting Date

There are no material subsequent events since the half year ended 31 December 2011.

**WATERCO LIMITED ABN 62 002 070 733
AND CONTROLLED ENTITIES**

DIRECTORS' DECLARATION

The directors of Waterco Limited hereby declare that:

- 1) the financial statements and notes, as set out on pages 4 to 10 are in accordance with the Corporations Act 2001, including:
 - a) complying with the Accounting Standard AASB 134 :Interim Financial Reporting and
 - b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half- year ended on that date.
- 2) 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 is made in accordance with a resolution of the Board of Directors.



Soon Sinn Goh
Chief Executive Officer

Dated at SYDNEY this 27th day of February 2012

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
WATERCO LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Waterco Limited ("the consolidated entity") which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Waterco Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Waterco Limited, would be in the same terms if given to the directors as at the time of this review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Waterco Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

Chartered Accountants



G N SHERWOOD

Partner

Sydney, NSW

Dated: 27 February 2012

RSM Bird Cameron Partners
Level 12, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001
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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Waterco Limited for the half year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants


G N SHERWOOD
Partner

Sydney, NSW
Dated: 27 February 2012