

WATERCO LIMITED

APPENDIX 4E
Preliminary Final Report for the
Financial Year Ended 30 June 2021

FOR ANNOUNCEMENT TO THE MARKET

WATERCO LTD

Summary of results FY ended 30 June 2021

Sales Revenue	\$113.35 million, up 21%
Net Profit After Tax – Continuing Operations	\$12.696 million, up 321%
EBIT – Continuing Operations	\$9.40 million, up 95%
Total dividends paid during the year	6c per share (full year)

Chief Executive Officer's Review of Operations

REVENUE AND PROFITABILITY

The Group reports an increase in Net Profit After Tax (NPAT) and Earnings Before Interest and Tax (EBIT) from continuing operations. NPAT from continuing operations increased by 321% to \$12.7 million, while EBIT from continuing operations increased by 95% to \$9.40 million.

The major reasons for the improvement in sales was the contribution of the new Autopool Division (from July 2020), industry consolidation and retail consumers using the funds set aside for travel (restricted because of Covid-19) to make home improvements including renovating their existing pools or using the money to build a new pool instead. The Australian and New Zealand Division, which accounts for a major portion of the Group's profitability and sales, registered an increase in EBIT of 58%.

Swimart Division met expectations after the franchising of several company operated stores in the first quarter resulting in lower operating expenses (which adversely impacted its contributions in the previous year) together with stronger retail sales flowing from the increased home improvement expenditure.

The North America and Europe Division recorded large increases in EBIT and sales resulting from restructuring of the last few years and greater demand for product due to the boom in home improvement expenditure. The division (excluding discontinued operations) achieved an increase of \$2.876m from EBIT of \$0.959m to an EBIT of \$3.857m. The large increases in EBIT and sales occurred in both USA and UK.

DIVISIONAL EBIT PERFORMANCE

The breakdown of EBIT contribution by division is as follows:

	FY21	FY20	
Continuing Operations	(\$000)	(\$000)	%
Australia and New Zealand	3,987	2,517	+58%
North America and Europe	3,855	959	+302%
Asia	1,558	1,356	+15%
Consolidated Reported EBIT From Continuing Operations	9,400	4,832	+95%
Consolidated Reported EBIT From Discontinued Operations	-	17,915	-
Consolidated Reported EBIT	9,400	22,747	(59%)

AUSTRALIA AND NEW ZEALAND (ANZ)

The Australia and New Zealand Division derives its revenue predominantly from the domestic swimming pool industry. In this market, Waterco offers a wide range of products, including chemicals for swimming pool water treatment. Waterco also owns the Swimart franchise, which features 72 pool stores and 5 mobiles in Australia and New Zealand. The success of these stores is built on more than three decades of experience, during which Waterco has developed an extremely good understanding of the factors that drive consumer demand in the after-market. Franchise partners benefit from a programme that has been developed and improved on in-house since 1983, when the first company-owned pool shop was opened in Sydney. This has since grown into a successful Swimart franchising retail system.

Steady market share in the domestic pool sector has underpinned the Division's performance.

Despite a challenging year in the ANZ Market, Waterco was able to achieve a 19% increase in sales on the previous year.

NORTH AMERICA AND EUROPE

Waterco North America and Europe comprises the Group's operations in the USA, Canada, UK and France. This division recorded an increase in sales of 33.45% on the same period last year.

Waterco USA (WUSA): The US market is the largest in the world. Waterco has invested significantly in this market, through start-up operations, as well as a substantial acquisition of Baker Hydro in March 2005. Our operations in Augusta, Georgia, now distribute a wide range of filters and assemble commercial pumps. In June 2020, Waterco USA opened a small branch in Canada (Distribution Waterco Canada or DWC) to service its local customer base- its numbers for FY21 are not material to Waterco USA.

This entity has experienced another double-digit sales growth during the year under review and is expected a further improvement in revenue in the year ahead.

Waterco Europe (WEL): Waterco started operations in the UK in 1999 and subsequently acquired the business of Lacron Ltd in 2003. This Entity, therefore, enjoys a continuous and successful history of almost 40 years in the manufacture of fibreglass filters. The renowned "Lacron" name is synonymous with quality filters and, coupled with Waterco's established progressive manufacturing techniques, this has enabled WEL to bring to the market filters of quality at acceptable prices. Today, both the Lacron and the Waterco brands are well-recognised as quality products in Europe. This recognition continues, even after the manufacturing operations had been transferred to Malaysia and China, because the same high standards have been maintained.

Waterco Europe achieved a double-digit Increase in sales during the year despite the challenges in the European Market (including Brexit and Covid-19 pandemic). The business experienced a huge turnaround from the corresponding drop in the previous year with filters sales responsible for most of the growth. This Entity continues to reinforce its interest in commercial filters of high pressure ratings developed for water treatment, in particular, as pre-filtration for seawater desalination. The Group's ability to manufacture filters of such pressure ratings from composites provides an opportunity to enhance our presence into a market that has traditionally used steel to cope with such pressures.

ASIA

Waterco Far East in Malaysia (WFE): This Entity was borne out of Waterco's familiarity with the Southeast Asian market. WFE was initially a sales operation designed to service Waterco Australia's Southeast Asian customer base. In 1991 WFE added manufacturing operations to its undertakings in Kuala Lumpur, Malaysia. As well as bringing the Group closer to Southeast Asia markets, this also gave cost-efficiency in our manufacturing operations. Since then, WFE has become the principal manufacturing facility for the Waterco Group. WFE continues to deliver robust new products to give the Group a strong reputation and competitive edge .

WFE has achieved ISO9001:2008 certification, the internationally recognised standard for the quality management of businesses, and demonstrates the existence of an effective and well-designed quality management system, which stands up to the rigours of an independent external audit. A key criterion of this standard is that the management system can provide confidence in creating products that meet expectations and requirements.

Local sales in Malaysia recorded double-digit growth making up part of the decline in the previous year. The Covid-19 pandemic lockdown and continuing political uncertainty are still significant challenges faced by the business and are also expected to carry through to the new financial year. Increased volume, particularly in labour-intensive large commercial filters, has resulted in an increase in wages, with more overtime worked on top of the extra wages incurred to catch up with manufacturing after several periods of lockdown during the year. The introduction of robots (on a small scale) to the manufacturing process has kept these wage increases to a moderate level. The Entity's capacity has been increased during the year and this has led to greater efficiencies in the business and an improvement in financial performance.

Waterco Guangzhou (WGZ): Commenced operations in 2000, delivering advantages of low operational costs and a foothold into the huge China market. The manufacturing of filters primarily for the European and the Australian markets has been relocated to Malaysia, leaving this entity to focus on the development of commercial heat pumps and to improve marketing of pool equipment to the commercial pool market in China. External sales fell by a small percentage during the year (compared to the large decline in the previous year) due to the impact of the ongoing pandemic and construction industry slowdown in addition to the continued trade issues and softer economic conditions that existed prior to the pandemic.

Waterco International in Singapore (WI) This Entity focuses on sales in Asian countries, other than Malaysia and China, where we have our own trading entities. WI also provides technical assistance to our Indonesian entity and has been able to contribute to the growth of the latter. Performance during the year was steady with a small increase in external sales.

PRODUCT DEVELOPMENT AND WATER TREATMENT

The Group continues to invest in Research and Development to ensure it is an industry pioneer.

Product innovation and research and development in the water- treatment subsector is critical to Waterco staying at the forefront of the industry. Waterco considers water- treatment products and systems to be a key revenue driver for the Group. As such, ensuring our intellectual property is protected is of immense value and importance.

The array of technology advances and patents will improve Waterco's position in the servicing of swimming pool markets globally and are expected to improve the appeal of the Swimart franchise network.

DIVIDEND AND OUTLOOK

The results (Net Profit After Tax of \$12.70m from continuing operations), is 321% above last year and after taking into account a positive tax adjustment of \$5.083m related to an overprovision in the previous year. While all sectors reported an improvement in EBIT (from continuing operations), there was a substantial improvement in North America and Europe. This is especially pleasing, as losses in the US (in the North America and Europe Division) are not tax-effected, accentuating their impact.

The Board will provide a profit guidance at a later stage for the financial year ending 30 June 2022, as more information becomes available (especially around the uncertainty caused by the global covid-19 pandemic.)

Waterco declares a final dividend payment of 4 cents per share, payable to shareholders on 15 December 2021. With an interim dividend of 3 cents per share, declared after the announcement of the Half-Year results, this brings the total dividend for the year at 7 cents per share compared to the 5 cents in the previous financial year.

WATERCO LIMITED

Preliminary Final Report for the Financial Year Ended 30 June 2021

SUMMARY OF RESULTS

				<u>\$A'000</u>
Revenues	Up	20.2%	to	118,382
Profit (loss) after tax attributable to members	Up	321.1%	to	12,696
Dividends	Amount per security		Franked amount per security	
Final dividend	4¢		4¢	
Previous corresponding period	3¢		3¢	
Date for determining entitlements to the dividend	10 th November 2021			

Statement of Profit and Loss and Other Comprehensive Income

	Current period \$A'000	Previous corresponding period \$A'000
Revenues	118,382	98,466
Expenses		
Goodwill (on acquisition) Impairment Losses	(50)	(25)
Finance costs	(367)	(959)
Other Expenses	(108,904)	(93,578)
Profit (loss) before tax - Continuing Operations	9,061	3,904
Income tax (see Annexure A)	3,635	(890)
Profit (loss) after tax –Continuing Operations	12,696	3,014
Profit (loss) after tax –Discontinued Operations	-	14,542
Profit (loss) after tax	12,696	17,556
Net profit (loss) attributable to non-controlling interests	(59)	(106)
Net profit (loss) for the period attributable to members	12,755	17,662
Non-owner transaction changes in equity		
Net exchange differences recognised in equity		
Other revenue, expense and initial adjustments recognised directly in equity	3,030	(2,297)
Total transactions and adjustments recognised directly in equity	3,030	(2,297)
Total changes in equity not resulting from transactions with owners as owners	15,785	15,365

Earnings per security (EPS)

	Current period	Previous corresponding Period
Basic EPS from continuing and discontinued Operations	35.6	48.8c
Basic EPS from continuing operations	35.6	8.6c
Basic EPS from discontinued operations	-	40.2c
Diluted EPS from continuing and discontinued Operations	35.6	48.8c
Diluted EPS from continuing operations	35.6	8.6c
Diluted EPS from discontinued operations	-	40.2c

Calculation of Earnings per security (EPS)

	Current period	Previous corresponding Period
Net Profit (\$000)	12,696	17,556
Net Profit/(Loss) attributable to non-controlling interests (\$000)	(59)	(106)
Earnings used in calculation of basic EPS (\$000)	12,755	17,662
Earnings from continuing operations	12,755	3,120
Earnings from discontinued operations	-	14,542
	12,755	17,662
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	35,822,207	36,319,974

Notes to the statement of profit and loss and other comprehensive income

Profit (loss) attributable to members

	Current period \$A'000	Previous corresponding period \$A'000
Profit (loss) after tax	12,696	17,556
Less (plus) non controlling interests	(59)	(106)
Profit (loss) after tax, attributable to members	12,755	17,662

Revenue and Expenses - SEE ANNEXURE A

	Current period \$A'000	Previous corresponding period \$A'000
Capitalised outlays		
Interest costs capitalised in asset values	-	-
Outlays capitalised in intangibles (excluding those arising from acquisition of a business)	-	-

Operating Segments – SEE ANNEXURE A

Movement in Retained Profits

	Current period \$A'000	Previous corresponding period \$A'000
Retained profits at the beginning of the financial period	35,233	14,191
Net profit attributable to members	12,755	17,662
Transfer from Asset Revaluation Reserve on disposal of controlled entities	-	5,227
Adjustment relating to AASB 15	-	(36)
Dividends paid	(2,146)	(1,811)
Retained profits at end of financial period	45,842	35,233

Intangibles – Impairment/Amortisation

	<i>Consolidated - current period</i>			
	Before tax \$A'000	Related tax \$A'000	Related non- controlling interests \$A'000	Amount (after tax) attributable to members \$A'000
	(a)	(b)	(c)	(d)
Impairment of goodwill	75	-	-	75
Amortisation of other intangibles	-	-	-	-
Total Impairment/ amortisation of intangibles	75	-	-	75

Comparison of half year profits

	Current year - \$A'000	Previous year - \$A'000
Consolidated profit (loss) after tax attributable to members reported for the 1st half year –Continuing Operations	10,484	3,193
Consolidated profit (loss) after tax attributable to members for the 2nd half year		
- Continuing Operations	2,271	(73)
- Discontinued Operations	-	14,542

Consolidated Statement of Financial Position	At end of current period \$A'000	As shown in last annual report \$A'000	As in last half yearly report \$A'000
Current assets			
Cash and cash equivalents	11,694	9,697	12,631
Trade and other receivables	13,719	36,848	19,117
Inventories	34,716	33,060	36,500
Other	1,022	792	1,383
Total current assets	61,151	80,397	69,631
Non-current assets			
Other property, plant and equipment	58,822	51,606	49,929
Right of use assets	12,883	13,350	12,131
Intangibles (net)	1,200	292	1,202
Deferred tax assets	1,364	560	578
Total non-current assets	74,269	65,808	63,840
Total assets	135,420	146,205	133,471
Current liabilities			
Trade and other payables	11,487	14,056	20,407
Interest bearing liabilities	257	12,470	263
Lease liabilities	4,797	4,291	4,348
Current tax liabilities	982	810	911
Provisions exc. tax liabilities	3,868	1,956	3,156
Total current liabilities	21,391	33,583	29,085
Non-current liabilities			
Interest bearing liabilities	914	9,816	1,106
Lease liabilities	8,108	9,361	8,041
Deferred tax liabilities	4,347	5,974	1,637
Provisions exc. tax liabilities	212	210	225
Total non-current liabilities	13,581	25,361	11,009
Total liabilities	34,972	58,944	40,094
Net assets	100,448	87,261	93,377

Equity			
Issued Capital	35,590	35,982	35,821
Reserves	18,442	15,413	12,306
Retained Earnings	45,842	35,233	44,644
Parent entity Interest	99,874	86,628	92,771
Non controlling interests in controlled entities	574	633	606
Total equity	100,448	87,261	93,377

Consolidated Statement of Cashflows	Current period \$A'000	Previous corresponding period \$A'000
Cash flows related to operating activities		
Receipts from customers	116,754	102,176
Payments to suppliers and employees	(111,516)	(87,193)
Interest and other items of similar nature received	29	39
Interest and other costs of finance paid	(367)	(959)
Income taxes paid	(1,311)	(3,022)
Other	1,644	945
Net operating cash flows	5,233	11,986
Cash flows related to investing activities		
Dividend received	1	1
Payment for purchases of property, plant and equipment	(2,795)	(1,919)
Proceeds from sale of property, plant and equipment	105	-
Proceeds from sale of business	27,402	-
Investments	-	-
Payment for business	(1,426)	-
Net investing cash flows	23,287	(1,918)
Cash flows related to financing activities		
Proceeds from issues of shares (to outside interests)	-	-
Share Buyback	(391)	(1,695)
Proceeds from borrowings	-	1,016
Repayment of borrowings	(21,533)	(1,566)
Dividends Paid – outside Interests	-	-
Dividends paid	(2,146)	(1,811)
Net financing cash flows	(24,070)	(4,056)
Net increase (decrease) in cash held	4,450	6,012
Cash at beginning of period (see <i>Reconciliation of cash</i>)	8,312	4,166
Exchange rate adjustments.	(1,068)	(1,866)
Cash at end of period (see <i>Reconciliation of cash</i>)	11,694	8,312

Non-cash financing and investing activities

During the year, the economic entity acquired plant and equipment with an aggregate fair value of \$64,351 (2020-\$233,615) by means of finance leases. These financing activities are not reflected in the statement of cash flows.

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current period \$A'000	Previous corresponding Period \$A'000
Cash on hand and at bank	11,694	9,697
Bank overdraft	-	(1,385)
Total cash at end of period	11,694	8,312

Other notes to the condensed financial statements

Ratios	Current period	Previous corresponding Period
Profit before tax / revenue Consolidated profit (loss) before tax as a percentage of revenue –Continuing Operations	7.65%	3.97%
Profit after tax /equity interests Consolidated net profit (loss) after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	12.70%	20%

NTA PER SHARE	Current period	Previous corresponding Period
Net tangible asset backing per ordinary security	\$2.78	\$2.43

Final Dividend Declared

Date shares trade ex-dividend	9 th November 2021
Record date to determine entitlements to the dividend	10 th November 2021
Date the dividend is payable	15 th December 2021

Dividend per share

	Amount per security	Franked amount per security at % tax	Amount per security of foreign source dividend
Final dividend: Current year	4¢	4¢	¢
Previous year	3¢	3¢	¢

Total dividend per share (interim *plus* final)

	Current year	Previous year
⁺ Ordinary securities	7¢	5¢

Dividend Plans in operation

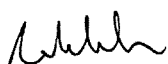
The Waterco Dividend Reinvestment Plan has been suspended until further notice.

Issued and quoted securities at end of current period

Category of securities	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
Ordinary securities	35,715,248	35,715,248		
Changes during current period				
(a) Increases through issues	-	-	-	-
(b) Decreases through returns of capital, buybacks	139,973	139,973	\$2.80	\$2.80
Options			<i>Exercise price</i>	<i>Expiry Date</i>
Directors and Senior Executives option plan	-			
Issued during current period				
Exercised during current period				
Expired during current period				

Compliance statement

1. This report has been prepared in accordance with the Corporations Act 2001 including complying with Australian Accounting Standards, including the Interpretations, and the Corporations Regulations 2001
2. This report and the accounts upon which the report is based use the same accounting policies.
3. This report does give a true and fair view of the matters disclosed.
4. This report is based on accounts which are in the process of being audited.
5. The entity has a formally constituted audit committee.



Soon Sinn Goh
Chief Executive Officer

26th August 2021

Notes:

1. **Reconciliation of income tax *prima facie* payable on the profit before tax to income tax expense where prima facie tax payable differs by more than 15% from income tax expense.**
2. **Rounding of figures:** Some of the information in this report have been rounded to the nearest \$1,000 (where stated).
3. **Comparative figures:** When required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

WATERCO LIMITED ABN 62 002 070 733 AND CONTROLLED ENTITIES

PRELIMINARY FINAL REPORT 30 JUNE 2021

ANNEXURE A

REVENUE AND EXPENSES

	Consolidated Group	
	2021	2020
	\$000	\$000
Revenues	118,382	98,466
Changes in inventories of finished goods and work in progress	(2,226)	6,327
Raw materials and consumables used	(55,494)	(54,663)
Employee benefits expense	(24,263)	(22,043)
Depreciation, impairment and amortisation expense	(6,623)	(6,566)
Finance costs	(367)	(959)
Advertising expense	(1,745)	(2,043)
Discounts allowed	(514)	(306)
Outward freight expense	(2,256)	(2,010)
Rent expense	(1,156)	(1,324)
Research & development	(1,719)	(1,366)
Insurance general	(1,225)	(1,051)
Contracted staff expense	(257)	(269)
Warranty expense	(683)	(281)
Commission expense	(450)	(409)
Other expenses	(10,343)	(7,599)
Profit before income tax – continuing operations	9,061	3,904
Income tax (benefit)/expense	(3,635)	890
Profit after income tax-Continuing operations	12,696	3,014
Profit after income tax-Discontinued operations	-	14,542
Profit for the year	12,696	17,556

**PRELIMINARY FINAL REPORT 30 JUNE 2021
ANNEXURE A**

**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 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.

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.

Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- other revenues

Comparative information

This is the first reporting period in which AASB8: Operating Segments has been adopted. Comparative information has been stated to confirm to the requirements of the Standard.

WATERCO LIMITED ABN 62 002 070 733 AND CONTROLLED ENTITIES

**PRELIMINARY FINAL REPORT 30 JUNE 2021
ANNEXURE A
Operating Segments**

2021	AUSTRALIA & NEW ZEALAND	ASIA	NORTH AMERICA & EUROPE	CONSOLIDATED GROUP
	\$000	\$000	\$000	\$000
REVENUE				
Sales to customers outside the consolidated group	76,081	11,870	25,394	113,345
Intersegment sales	1,009	33,398	589	34,996
Total segment revenue	77,090	45,268	25,983	148,341
Reconciliation of segment revenue to group revenue				
Other revenue				5,037
Intersegment elimination				(34,996)
Total group revenue				118,382
SEGMENT NET PROFIT/ (LOSS) FROM				
CONTINUING OPERATIONS BEFORE TAX	7,998	1,810	4,290	14,098
DISCONTINUED OPERATIONS BEFORE TAX				
Reconciliation of segment result group net profit/(loss) before				
Unallocated items				
- other				(5,037)
Net profit/(loss) before tax				9,061
from continuing operations				9,061
from discontinued operations				-
SEGMENT ASSETS	107,812	52,169	18,112	178,093
Segment asset increases for the period				
Reconciliation of segment assets to group assets				
Intersegment eliminations				(42,673)
Total group assets				135,420
CAPITAL EXPENDITURE	1,106	1,630	122	2,858
SEGMENT LIABILITIES				
Reconciliation of segment to group liabilities	30,101	24,040	24,249	78,390
Intersegment eliminations				(43,418)
Total group liabilities				34,972

WATERCO LIMITED ABN 62 002 070 733 AND CONTROLLED ENTITIES

**PRELIMINARY FINAL REPORT 30 JUNE 2021
ANNEXURE A
Operating Segments**

Geographical Segments

2020	AUSTRALIA & NEW ZEALAND \$000	ASIA \$000	NORTH AMERICA & EUROPE \$000	CONSOLIDATED GROUP \$000
REVENUE				
Sales to customers outside the consolidated group	63,874	11,189	18,520	93,583
Intersegment sales	934	27,993	951	29,878
Total segment revenue	64,808	39,182	19,471	123,461
Reconciliation of segment revenue to group revenue				
Other revenue				4,883
Intersegment elimination				(29,878)
Total group revenue				98,466
SEGMENT NET PROFIT/ (LOSS) FROM				
CONTINUING OPERATIONS BEFORE TAX	6,318	1,352	1,125	8,795
DISCONTINUED OPERATIONS BEFORE TAX	5,757	100	12,059	17,916
				26,711
Reconciliation of segment result group net profit/(loss) before				
Unallocated items				
- other				(4,883)
Net profit/(loss) before tax				21,828
from continuing operations				3,904
from discontinued operations				17,924
				21,828
SEGMENT ASSETS	122,015	59,374	16,892	198,281
Segment asset increases for the period				
Reconciliation of segment assets to group assets				
Intersegment eliminations				(52,076)
Total group assets				146,205
CAPITAL EXPENDITURE	789	1,428	210	2,427
SEGMENT LIABILITIES	53,047	32,907	27,720	113,674
Reconciliation of segment to group liabilities				
Intersegment eliminations				(54,730)
Total group liabilities				58,944

WATERCO LIMITED ABN 62 002 070 733 AND CONTROLLED ENTITIES

**PRELIMINARY FINAL REPORT 30 JUNE 2021
ANNEXURE A**

Income Tax Expense

	Consolidated Group	
	2021	2020
	\$000	\$000
The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Profit before income tax	9,061	21,828
Prima facie tax payable on profit before income tax at at 30% (2020: 30%)	2,718	6,548
Add		
Tax effect of:		
• Depreciation of buildings	235	105
• Impairment of goodwill	9	-
• Entertainment	28	-
• Foreign controlled entities tax losses not tax effected	-	-
• Unrealised foreign exchange losses	200	-
• ROU assets	-	77
• Non deductible expenses	38	9
• Asset Revaluation Reserve of controlled entity sold	-	1,655
• Other		10
Less		
Tax effect of:		
• Research and development	129	114
• Effects of lower rates in overseas countries	651	133
• Unrealised foreign exchange gains	-	115
• ROU assets	183	-
• Exempt income	20	-
• Adjustment recognized for prior period	5,158	66
• Reinvestment allowance	357	-
• Foreign controlled entities tax losses not tax effected	349	3,638
• Other	16	67
Income tax expense attributable to entity	(3,635)	4,271
The applicable weighted average effective tax rates are as follows:	(40%)	20%