

WATERCO LIMITED
A.B.N. 62 002 070 733
INTERIM FINANCIAL REPORT
FOR THE HALF YEAR
ENDED 31 DECEMBER, 2019

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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, 2019

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

Soon Sinn Goh

Bryan Goh

Ben Hunt

Richard Ling

Garry Norman- retired on 25 October 2019

REVIEW OF OPERATIONS

REVENUE AND PROFITABILITY

For the six months ended 31 December 2019 (Half-year), the Group reported a Net Profit After Tax of \$3.154 million (Previous Corresponding Period, or PCP \$2.37 million) and Earnings Before Interest & Tax (EBIT) of \$4.586 million (PCP \$4.05 million).

Total Revenue was \$55.13 million (PCP \$49.62 million).

DIVISIONAL EBIT PERFORMANCE

The breakdown of EBIT contribution by division is as follows:

	Dec 2019	Dec 2018	
	(\$000)	(\$000)	% Change
Australia and New Zealand	2,873	3,052	(6%)
Asia	1,817	1,489	22%
North America and Europe	(104)	(491)	79%
Consolidated Reported EBIT	4,586	4,050	13%

AUSTRALIA AND NEW ZEALAND (ANZ)

In Australia and New Zealand (ANZ), Sales were steady throughout the Half-year. The weakening of the Australian Dollar against the US Dollar has increased costs and reduced EBIT.

ASIA

In Asia, sales registered a significant reduction from PCP, arising mainly from an easing in building rates in China. This has partly been as a result of the difficult trade negotiations that China is having with the United States of America. The reduction in sales was offset by a reduction in overheads through management initiatives put into place.

The level of manufacturing operations in Asia showed modest growth and continue to provide excellent support for the Group.

NORTH AMERICA AND EUROPE

In Northern America and Europe – namely Canada, the USA and Europe – sales encouragingly registered significant growth, compared with PCP. The main business season for this Division is in the second half of the financial year. The ground-work we have done in the USA in the past eighteen months are beginning to bear fruit, though we do not underestimate the effort needed to build on this.

PRODUCT DEVELOPMENT AND WATER TREATMENT

In this Half-year, Waterco invested approximately \$0.68 million on research and development, which was fully expensed. The Group continues to respond to market demands for innovative, durable and energy-efficient products, with vigorous efforts in this area.

The Group continues to develop water filtration products in Australia and overseas. This is an area which Waterco has specialised in over the years

AASB 16 'Leases' had a significant impact on the current period. The current profit before income tax expense was reduced by \$740,853. This resulted from depreciation on ROU Assets of \$2,373,370, offset by an increase in rental income of \$1,645,262. As at 31 December 2019, net assets were reduced by \$110,624 resulting from recognition of ROU Assets (wdv) of \$11,896,985 and ROU Liabilities of \$12,007,609 .

Notwithstanding the impact of AASB 16, the financial position of the consolidated entity remains strong with excellent liquidity and a large asset base, which is being fully utilised

WORKING CAPITAL

	Dec 2019 (\$000)	Dec 2018 (\$000)
Inventory	36,882	39,633
Debtors	20,340	17,043
Creditors	(19,493)	(18,172)
TOTAL	37,729	38,504

The group's working capital as at December 2019 saw a decrease of \$0.775 million, with decrease in inventory and increase in debtors and creditors.

DIVIDEND AND OUTLOOK

Based on this Half-year result, the Board declares a fully-franked interim dividend of 2 cents per share payable on 15 June 2020.

This Half-year has been a challenging one, with the business sentiments in China still uncertain, in view of their ongoing trade negotiations with the USA and the coronavirus that struck at the end of the half year. The Australian Dollar has also fluctuated significantly against the US Dollar.

The Board expects the second half-year to be more settled.

AUDITOR'S DECLARATION

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page16.

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



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Soon Sinn Goh
Chairman
Waterco Limited
21 February 2020

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2019
WATERCO LIMITED AND CONTROLLED ENTITIES**

	Consolidated Group	
	31/12/2019	31/12/2018
	\$000	\$000
Sales revenue	52,828	49,054
Other revenue	2,299	570
Changes in inventories of finished goods and work in progress	3,497	(1,724)
Raw Materials and consumables used	(30,060)	(23,249)
Employee benefits expense	(11,149)	(9,934)
Depreciation and amortisation expense	(3,336)	(858)
Finance costs	(524)	(582)
Advertising expense	(1,169)	(1,146)
Discounts allowed	(148)	(180)
Outward freight expense	(1,108)	(1,024)
Rent expense	(693)	(1,358)
Research and development	(681)	(837)
Insurance general	(525)	(434)
Contracted staff expense	(151)	(103)
Warranty expense	(405)	(472)
Commission expense	(205)	(127)
Other expenses	(4,378)	(4,113)
Profit before income tax	4,092	3,483
Income tax expense	(939)	(1,110)
Profit for the period	3,153	2,373
Other comprehensive income		
Items that will not be classified subsequently to profit or loss		
Property revaluation increment (net of tax and reversals)	289	539
Items that maybe reclassified to profit or loss		
Exchange differences on translation of foreign controlled entities	356	1,283
Other comprehensive income for the period	645	1,822
Total comprehensive income for the period	3,798	4,195
Profit attributable to:		
Members of the parent entity	3,193	2,320
Non-controlling interest	(40)	53
	3,153	2,373
Total comprehensive income for the period attributable to:		
Members of the parent entity	3,838	4,142
Non-controlling interest	(40)	53
Total comprehensive income for the period	3,798	4,195
Earnings per share		
Basic earnings per share (cents per share)	8.7	6.3
Diluted earnings per share (cents per share)	8.7	6.3

The accompanying notes form part of this financial report.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
WATERCO LIMITED AND CONTROLLED ENTITIES**

	Consolidated Group	
	31/12/2019	30/6/2019
	\$000	\$000
Current Assets		
Cash and cash equivalents	8,920	5,310
Trade and other receivables	20,340	12,120
Inventories	36,882	36,189
Other current assets	1,002	829
Total Current Assets	67,144	54,448
Non-Current Assets		
Property, plant & equipment	61,350	61,459
Right of use assets	11,897	-
Intangible assets	390	432
Deferred tax assets	749	487
Total Non-Current Assets	74,386	62,378
Total Assets	141,530	116,826
Current Liabilities		
Trade and other payables	19,493	11,159
Borrowings	13,159	11,268
Right of use liabilities	4,715	-
Current tax liabilities	567	(407)
Short-term provisions	1,945	1,811
Total Current Liabilities	39,879	23,831
Non-Current Liabilities		
Borrowings	10,295	11,094
Right of use liabilities	7,292	-
Deferred tax liabilities	5,890	5,869
Long-term provisions	209	202
Total Non-Current Liabilities	23,686	17,165
Total Liabilities	63,565	40,996
Net Assets	77,965	75,830
Equity		
Issued capital	37,144	37,676
Reserves	23,868	23,224
Retained earnings	16,254	14,191
Parent interest	77,266	75,091
Non-controlling interest	699	739
Total Equity	77,965	75,830

The accompanying notes form part of this financial report.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2019
WATERCO LIMITED AND CONTROLLED ENTITIES**

Consolidated Group	Issued Capital Ordinary	Retained Earnings	Capital Profits Reserve	Asset Revaluation Reserve	Foreign Currency Translatio n Reserve	Non- controlling Interest	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 30/6/18	38,590	13,944	211	24,643	(3,918)	699	74,169
Adjustment for change in accounting policy (note 1)	-	(154)	-	-	-	-	(154)
Balance at 30/6/18- restated	38,590	13,790	211	24,643	(3,918)	699	74,015
Comprehensive income							
Profit for the period		2,320				53	2,373
Exchange differences on translation of foreign controlled entities					1,282		1,282
Other comprehensive income				539			539
Total comprehensive income/(loss) for the period		2,320		539	1,282	53	4,194
Transactions with owners in their capacity as owners and other transfers							
Cancellation of shares under Waterco Share Buy Back	(408)						(408)
Dividends paid		(1,108)					(1,108)
Total transactions with owners and other transfers	(408)	(1,108)					(1,516)
Balance at 31/12/18	38,182	15,002	211	25,182	(2,636)	752	76,693
Balance at 30/6/19	37,676	14,191	211	25,234	(2,221)	739	75,830
Adjustment for change in accounting policy (note 1)		(36)	-				(36)
Balance at 30/6/19- restated	37,676	14,155	211	25,234	(2,221)	739	75,794
Comprehensive income							
Profit for the period		3,193				(40)	3,153
Exchange differences on translation of foreign controlled entities					355		355
Other comprehensive income				289			289
Total comprehensive income/(loss) for the period		3,193		289	355	(40)	3,797
Transactions with owners in their capacity as owners and other transfers							
Cancellation of shares under Waterco Share Buy Back	(532)						(532)
Dividends paid		(1,094)					(1,094)
Total transactions with owners and other transfers	(532)	(1,094)					(1,626)
Balance at 31/12/19	37,144	16,254	211	25,523	(1,866)	699	77,965

The accompanying notes form part of this financial report.

**CONSOLIDATED CASHFLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2019
WATERCO LIMITED AND CONTROLLED ENTITIES**

	Consolidated Group	
	31/12/2019	31/12/2018
	\$000	\$000
<u>Cash Flows from Operating Activities</u>		
Receipts from customers	48,016	47,701
Payments to suppliers and employees	(40,853)	(41,612)
Interest received	29	16
Other income	624	553
Finance costs	(524)	(582)
Income tax	(205)	(1,059)
Net cash (used in)/provided by operating activities	7,087	5,017
<u>Cash Flows from Investing Activities</u>		
Dividends received	1	1
Payment for property, plant & equipment	(767)	(1,897)
Proceeds from sale of property, plant & equipment	82	4
Net cash (used in) investing activities	(684)	(1,892)
<u>Cash Flows from Financing Activities</u>		
Proceeds from borrowings	1,397	-
(Repayment) of borrowings	(2,214)	(3,517)
Share buyback	(533)	(408)
Dividends paid	(1,094)	(1,108)
Net cash provided by/(used in) financing activities	(2,444)	(5,033)
Net (decrease)/increase in cash held	3,959	(1,908)
Cash and cash equivalents at the beginning of period	4,166	3,419
Effects of exchange rate changes on balance of cash and cash equivalents held in foreign currencies	(582)	(1,103)
Cash and cash equivalents at the end of period	7,543	2,614

The accompanying notes form part of this financial report.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019
WATERCO LIMITED AND CONTROLLED ENTITIES**

Note 1: Summary of Significant Accounting Policies

a) Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The condensed 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 2019 together with any public announcements made during the following half-year.

b) Accounting Policies

The same accounting policies and methods of computation have been followed in the interim financial report as were applied in the 30 June 2019 financial statements except for the policies stated below.

c) New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period

For the half-year reporting period to 31 December 2019, a number of new and revised Accounting Standard requirements became mandatory for the first time, some of which are relevant to the Group.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

	1 July 2019 \$'000
Operating lease commitments as at 1 July 2019 (AASB 117)	26,592
Operating lease commitments discount based on the weighted average incremental borrowing rate of 4% (AASB 16)	(624)
Short-term leases not recognised as a right-of-use asset (AASB 16)	
Low-value assets leases not recognised as a right-of-use asset (AASB 16)	
Accumulated depreciation as at 1 July 2019 (AASB 16)	<u>(12,950)</u>
Right-of-use assets (AASB 16)	<u>13,018</u>
Lease liabilities - current (AASB 16)	(5,134)
Lease liabilities - non-current (AASB 16)	(7,941)
Tax effect on the above adjustments	<u>21</u>
Reduction in opening retained profits as at 1 July 2019	<u><u>(36)</u></u>

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019
WATERCO LIMITED AND CONTROLLED ENTITIES**

**c) New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period
(continued)**

AASB 16 Leases (continued)

Right-of-use assets (continued)

leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 2: Dividends

	Consolidated Group	
	31/12/2019	31/12/2018
	\$000	\$000
Dividends paid		
Final fully franked dividend declared on 26th August 2019 of 3c (2018:3c) per share franked at the tax rate of 30% (2018 30%)	1,094	1,108
	<u>1,094</u>	<u>1,108</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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019
WATERCO LIMITED AND CONTROLLED ENTITIES**

Note 3: Operating Segments (continued)

Segment Information

Inter-segment transactions

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 value 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 there is a direct nexus between the incurrence of the liability and the operations of the segment.

Geographical Segments

	2019				
	AUSTRALIA & NEW ZEALAND	ASIA	NORTH AMERICA &EUROPE	ELIMINATION	CONSOLIDATED GROUP
	31/12/2019	31/12/2019	31/12/2019	31/12/2019	31/12/2019
	\$000	\$000	\$000	\$000	\$000
Revenue					
Sales to customers outside the economic entity	37,176	6,865	8,787		52,828
Intersegment sales	642	17,193	436	(18,271)	
Unallocated revenue					
Total revenue	<u>37,818</u>	<u>24,058</u>	<u>9,223</u>	<u>(18,271)</u>	<u>52,828</u>
Segment result	4,671	1,745	(26)		6,390
Unallocated expenses net of unallocated revenue					(2,298)
Profit before income tax					4,092
Income tax expense					(939)
Profit after income tax					<u>3,153</u>
Segment assets	<u>109,814</u>	<u>69,428</u>	<u>18,038</u>	<u>(55,750)</u>	<u>141,530</u>
Segment liabilities	<u>55,024</u>	<u>35,751</u>	<u>38,659</u>	<u>(65,869)</u>	<u>63,565</u>
	2018				
	AUSTRALIA & NEW ZEALAND	ASIA	NORTH AMERICA &EUROPE	ELIMINATION	CONSOLIDATED GROUP
	31/12/2018	31/12/2018	31/12/2018	31/12/2018	31/12/2018
	\$000	\$000	\$000	\$000	\$000
Revenue					
Sales to customers outside the economic entity	34,306	7,664	7,084		49,054
Intersegment sales	432	15,208	248	(15,888)	
Unallocated revenue					694
Total revenue	<u>34,738</u>	<u>22,872</u>	<u>7,332</u>	<u>(15,888)</u>	<u>49,748</u>
Segment result	4,731	1,366	(437)	(1,607)	4,053
Unallocated expenses net of unallocated revenue					(570)
Profit before income tax					3,483
Income tax expense					(1,110)
Profit after income tax					<u>2,373</u>
Segment assets	<u>100,843</u>	<u>66,774</u>	<u>15,717</u>	<u>(58,879)</u>	<u>124,455</u>
Segment liabilities	<u>44,875</u>	<u>33,843</u>	<u>36,393</u>	<u>(67,350)</u>	<u>47,761</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019
WATERCO LIMITED AND CONTROLLED ENTITIES**

Note 4: Contingent Liabilities

	Consolidated Group	
	31/12/2019	31/12/2018
	\$000	\$000
Estimate of the maximum amount of contingent liabilities that may become payable:		
Guarantee of leases of premises subleased to franchisees	-	8,909
	-	8,909

The contingent liabilities of the premises subleased to franchisees now forms part of the ROU Liability

Note 5: Fair Value Measurements

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

-freehold land and buildings;

The Group subsequently measures some items of freehold land and buildings at fair value on a non recurring basis.

The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

a) Fair Value Hierarchy

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The evaluation techniques selected by the Group are consistent with one or more of the following valuation approaches:

-Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

-Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

-Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019
WATERCO LIMITED AND CONTROLLED ENTITIES**

Note 5: Fair Value Measurements (continued)

The following tables provide the fair values of the Group's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

		31 December 2019			
	Note	Level 1	Level 2	Level 3	Total
		\$000	\$000	\$000	\$000

Recurring fair value measurements

Non-financial assets					
		-	-	17,905	17,905
		-	-	31,140	31,140
Total non-financial assets recognised		-	-	49,045	49,045
Total non-financial assets recognised		-	-	49,045	49,045

		30 June 2019			
	Note	Level 1	Level 2	Level 3	Total
		\$000	\$000	\$000	\$000

Recurring fair value measurements

Non-financial assets					
		-	-	17,763	17,763
		-	-	30,762	30,762
Total non-financial assets recognised		-	-	48,525	48,525
Total non-financial assets recognised		-	-	48,525	48,525

b. Valuation Techniques and Inputs Used to Measure Level 3 Fair Values

Description	Fair Value at 31 December 2019	Valuation Technique(s)	Inputs Used
	\$000		

Non-financial assets

Freehold land ⁽ⁱ⁾	17,905	Market approach using recent observable market data for similar properties; income approach using discounted cash flow methodology	Price per hectare; market borrowing rate
Freehold buildings ⁽ⁱ⁾	31,140	Market approach using recent observable market data for similar properties; income approach using discounted cash flow methodology	Price per square metre; market borrowing rate

49,045

(i) The fair value of freehold land and buildings is determined at least every three years based on valuations from independent valuers. At the end of each intervening period, the directors review the independent valuation and, when appropriate, update the fair value measurement to reflect current market conditions using a range of valuation techniques, including recent observable market data and/or discounted cash flow methodologies.

There were no changes during the period in the valuation techniques used by the Group to determine Level 3 fair values.

Note 6 Events Subsequent to Reporting Date

There are no material subsequent events since the half year ended 31 December 2019.

**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 12 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 2019 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 21st day of February 2020

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 which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 company's financial position as at 31 December 2019 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 auditor's 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 2019 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 AUSTRALIA PARTNERS



C J Hume
Partner

Sydney, NSW

Dated: 21 February 2020

RSM Australia Partners

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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 2019, 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.

A handwritten signature in blue ink that reads "RSM".

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink that reads "C J Hume".

C J Hume
Partner

Sydney, NSW

Dated: 21 February 2020