

WATERCO LIMITED

Half Yearly Report for the Period Ended 31st December 2020

For announcement to the market

			\$A'000
Revenues	up	16.6%	to 64,259
Profit (loss) after tax attributable to members	up	328.3%	to 10,484
Dividends	Amount per security	Franked amount per security	
Interim dividend	3¢	3¢	
Previous corresponding period	2¢	2¢	
Date for determining entitlements to the dividend		5th May 2021	

This half yearly report is to be read in conjunction with the 30th June 2020 annual financial report and any announcements made to the market during the period.

**WATERCO LIMITED**

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www.waterco.com**WATERCO LIMITED****Half Yearly Report for the Period Ended 31st December 2020****For announcement to the market**

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Current period - \$A'000	Previous corresponding period - \$A'000
Revenues	64,259	55,127
Expenses		
Borrowing costs	(227)	(524)
Other expenses	(56,957)	(50,511)
Profit (loss) before tax	7,075	4,092
Income tax benefit/(expense)	3,381	(939)
Profit (loss) after tax	10,456	3,153
Net profit (loss) attributable to non controlling interests	(28)	(40)
Net profit (loss) for the period attributable to members	10,484	3,193
Other Comprehensive income		
Net exchange differences recognised in equity	(2,541)	356
Property Revaluation increment/(decrement)	(565)	289
Other comprehensive income for the period	(3,106)	645
Total comprehensive income/(loss) attributable to members of the parent entity	7,378	3,838

Earnings per security (EPS)

Basic EPS	29.2c	8.7c
Diluted EPS	29.2c	8.7c

Calculation of Earnings per security (EPS)

	Current Period \$A'000	Previous corresponding Period \$A'000
Net Profit/(Loss)	10,456	3,153
Net Profit/(Loss) attributable to non-controlling interests	(28)	(40)
Earnings used in calculation of basic EPS	10,484	3,193
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	35,943	36,664

Notes to the Consolidated Statement of Profit or Loss and Other Comprehensive Income

Profit (loss) attributable to members

	Current period - \$A'000	Previous corresponding period - \$A'000
Profit (loss) after tax	10,456	3,153
Less (plus) non-controlling interests	(28)	(40)
Profit (loss) after tax, attributable to members	10,484	3,193

Revenue and expenses - See Annexure A

Capitalised outlays		
Interest costs capitalised in asset values	--	--
Outlays capitalised in intangibles (unless arising from an acquisition of a business)	--	--

Movement in Retained Profits

	Current period - \$A'000	Previous corresponding period - \$A'000
Retained profits at the beginning of the financial period	35,234	14,191
Adjustment for change in accounting policy AASB16(Ly:AASB15)	-	(36)
Retained profits at the beginning of the financial period- restated	35,234	14,155
Net profit (loss) attributable to members	10,484	3,193
Dividends and other equity distributions paid or payable	(1,074)	(1,094)
Retained profits (accumulated losses) at end of financial period	44,644	16,254

Intangibles-Impairment/Amortisation

	Consolidated - current period			
	Before tax \$A'000	Related tax \$A'000	Related outside equity interests \$A'000	Amount (after tax) attributable to members \$A'000
Impairment of goodwill	36	--	--	36
Amortisation of other intangibles	--	--	--	--
Total Impairment/ amortisation of intangibles	36	--	--	36

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	12,631	9,697	8,920
Receivables	19,117	36,848	20,340
Inventories	36,500	33,060	36,882
Other	1,383	792	1,002
Total current assets	69,631	80,397	67,144
Non-current assets			
Property, plant and equipment (net)	49,929	51,606	61,350
Right of use assets	12,131	13,350	11,897
Intangibles (net)	1,202	292	390
Deferred Tax assets	578	560	749
Total non-current assets	63,840	65,808	74,386
Total assets	133,471	146,205	141,530
Current liabilities			
Payables	20,407	14,056	19,493
Interest bearing liabilities	263	12,470	13,159
Right of use liabilities	4,348	4,291	4,715
Current tax liabilities	911	810	567
Provisions exc. tax liabilities	3,156	1,956	1,945
Total current liabilities	29,085	33,583	39,879
Non-current liabilities			
Interest bearing liabilities	1,106	9,816	10,295
Right of use liabilities	8,041	9,361	7,292
Deferred tax liabilities	1,637	5,974	5,890
Provisions exc. tax liabilities	225	210	209
Total non-current liabilities	11,009	25,361	23,686
Total liabilities	40,094	58,944	63,565
Net assets	93,377	87,261	77,965
Equity			
Issued capital	35,821	35,982	37,144
Reserves	12,306	15,413	23,868
Retained profits	44,644	35,233	16,254
Parent entity interest	92,771	86,628	77,266
Non-controlling interest	606	633	699
Total equity	93,377	87,261	77,965

Consolidated cash flow statement

	Current period \$A'000	Previous corresponding period \$A'000
Cash flows related to operating activities		
Receipts from customers	56,566	48,016
Payments to suppliers and employees	(53,980)	(40,853)
Other Income	2,843	624
Interest received	16	29
Interest and other costs of finance paid	(227)	(524)
Income taxes refund/paid	(874)	(205)
Net operating cash flows	4,344	7,087
Cash flows related to investing activities		
Payment for purchases of property, plant and equipment	(376)	(767)
Proceeds from sale of property, plant and equipment	72	82
Proceeds from sale of business	27,402	-
Payment for business	(1,426)	-
Payment for intangibles	-	-
Dividends received	1	1
Net investing cash flows	25,673	(684)
Cash flows related to financing activities		
Proceeds from issues of shares		
Share buyback	(160)	(533)
Proceeds from borrowings	-	1,397
Repayment of borrowings	(19,598)	(2,214)
Payment of ROU Liabilities	(2,394)	-
Dividends paid	(1,074)	(1,094)
Net financing cash flows	(23,226)	(2,444)
Net increase (decrease) in cash held	6,791	3,959
Cash at beginning of period (see Reconciliation of cash)	8,312	4,166
Exchange rate adjustments	(2,472)	(582)
Cash at end of period (see Reconciliation of cash)	12,631	7,543

Non-cash financing and investing activities: During the period, the economic entity acquired
a) plant and equipment amounting to \$64,351 (2019 \$91,332) by means of finance leases.
b) ROU Property Assets amounting to \$65,492 by means of operating leases
These financing activities are not reflected in the Cash flow statement.

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the cash flow statement) 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	12,631	8,920
Bank overdraft	-	(1,377)
Other (commercial bills)		
Total cash at end of period	12,631	7,543

Other notes to the financial statements

Ratios

	Current period	Previous corresponding Period
Profit before tax / revenue Profit (loss) before tax as a percentage of revenue	11.0%	7.42%
Profit after tax / equity interests Profit (loss) after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	11.3%	4.13%

NTA Per Share

	Current period	Previous corresponding Period
Net tangible asset backing per ordinary security	\$2.58	\$2.13

Dividends

Date shares trade ex-dividend

4th May 2021

Record date to determine entitlements to the dividend

5th May 2021

Date the dividend is payable

15th June 2021

Amount per security

		Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
	Interim dividend: Current year	3¢	3¢	¢
	Previous year	2¢	2¢	¢

The ⁺dividend or distribution plans shown below are in operation.

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

Issued and quoted securities at end of current period

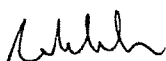
Category of securities	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
Ordinary securities	35,795,675	35,795,675		
Changes during current period				
(a) Increases through issues Waterco DRP				
(b) Decreases through returns of capital, buybacks	59,546	59,546	\$2.6892	\$2.6892

Segment reporting - See Annexure B

Review Of Operations - See Annexure C

Compliance statement

- 1 This report has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting.
- 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 have been subject to review.
- 5 The entity has a formally constituted audit committee.



Soon Sinn Goh
Chief Executive Officer

23rd February 2021

Notes

1. **Income tax** Reconciliation of income tax *prima facie* payable on the profit before tax to income tax expense
2. **Rounding of figures** This report anticipates that the information required is given 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 AND CONTROLLED ENTITIES

Half Yearly Report for the Period Ended 31 December 2020

ANNEXURE A

REVENUE AND EXPENSES

	Consolidated Group	
	31/12/2020	31/12/2019
	\$000	\$000
Sales revenue	61,400	52,828
Other revenue	2,859	2,299
Changes in inventories of finished goods and work in progress	(3,075)	3,497
Raw Materials and consumables used	(28,229)	(30,060)
Employee benefits expense	(12,629)	(11,149)
Depreciation and amortisation expense	(3,594)	(3,336)
Finance costs	(227)	(524)
Advertising expense	(1,007)	(1,169)
Discounts allowed	(212)	(148)
Outward freight expense	(1,183)	(1,108)
Rent expense	(592)	(693)
Research and development	(817)	(681)
Insurance General	(578)	(525)
Contracted staff expense	(126)	(151)
Warranty expense	(300)	(405)
Commission expense	(248)	(205)
Other expenses	(4,367)	(4,378)
Profit before income tax	7,075	4,092
Income tax benefit/(expense)	3,381	(939)
Profit for the period	10,456	3,153
Other comprehensive income		
Items that will not be classified subsequently to profit or loss		
Property revaluation increment/(decrement) (net of tax and reversals)	(565)	289
Items that maybe reclassified to profit or loss		
Exchange differences on translation of foreign controlled entities	(2,541)	356
Other comprehensive income for the period	(3,106)	645
Total comprehensive income for the period	7,350	3,798
Profit attributable to:		
Members of the parent entity	10,484	3,193
Non-controlling interest	(28)	(40)
	10,456	3,153

WATERCO LIMITED AND CONTROLLED ENTITIES

Half Yearly Report for the Period Ended 31st December 2020

ANNEXURE B

OPERATING SEGMENTS

Industry Segments

The economic entity operates predominantly in one industry, being the manufacture and wholesale of swimming pool chemicals, accessories and equipment, manufacture and sale of solar pool heating systems and as a franchisor of swimming pool outlets retailing swimming pool accessories and equipment.

Geographical Segments

2020

	AUSTRALIA & NEW ZEALAND 31/12/2020 \$000	ASIA 31/12/2020 \$000	NORTH AMERICA &EUROPE 31/12/2020 \$000	ELIMINATION 31/12/2020 \$000	CONSOLIDATED GROUP 31/12/2020 \$000
Revenue					
Sales to customers outside the economic entity	43,960	6,546	10,894		61,400
Intersegment sales	596	16,981	248	(17,825)	
Unallocated revenue					
Total revenue	44,556	23,527	11,142	(17,825)	61,400
Segment result	4,836	2,683	2,415		9,934
Unallocated expenses net of unallocated revenue					(2,859)
Profit before income tax					7,075
Income tax benefit/(expense)					3,381
Profit after income tax					10,456
Segment assets	105,962	50,170	16,943	(39,604)	133,471
Segment liabilities	34,728	22,648	24,693	(41,975)	40,094

2019

	AUSTRALIA & NEW ZEALAND 31/12/2019 \$000	ASIA 31/12/2019 \$000	NORTH AMERICA &EUROPE 31/12/2019 \$000	ELIMINATION 31/12/2019 \$000	CONSOLIDATED GROUP 31/12/2019 \$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	37,818	24,058	9,223	(18,271)	52,828
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					3,153
Segment assets	109,814	69,428	18,038	(55,750)	141,530
Segment liabilities	55,024	35,751	38,659	(65,869)	63,565

WATERCO LIMITED AND CONTROLLED ENTITIES

Half Yearly Report for the Period Ended 31st December 2020

ANNEXURE C

REVIEW OF OPERATIONS

REVIEW OF OPERATIONS

REVENUE AND PROFITABILITY

For the six months ended 31 December 2020 (Half-year), the Group reported a Net Profit After Tax of \$10.456 million (Previous Corresponding Period, or PCP \$3.153 million) and Earnings Before Interest & Tax (EBIT) of \$7.286 million (PCP \$4.586 million).

Total Revenue was \$64.26 million (PCP \$55.13 million).

DIVISIONAL EBIT PERFORMANCE

The breakdown of EBIT contribution by division is as follows:

	Dec 2020	Dec 2019	% Change
	(\$000)	(\$000)	
Australia and New Zealand	2,822	2,873	-1.8%
Asia	2,488	1,817	+36.9%
North America and Europe	1,976	(104)	+2000%
Consolidated Reported EBIT	7,286	4,586	+58.9%

AUSTRALIA AND NEW ZEALAND (ANZ)

In Australia and New Zealand (ANZ), Sales increased by 18% compared to the PCP reflecting the contribution from the Autopool Acquisition to the business, and a general increase in sales resulting from consumers (unable to travel overseas/interstate due to Covid-19) spending their travel money on home improvements including new pools and updating existing pools. During the half year, ANZ Group have booked in a provision for FY21 bonuses of \$709,171 (pcp nil) which is only payable if the staff achieve their performance targets for the full year.

ASIA

In Asia, sales registered a 2% reduction compared to the PCP, arising mainly from political and social issues in the region.

The bulk of the reduction was in Singapore which saw a 39% drop (\$545,000) in sales compared to the PCP.

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. Waterco Europe (based in the UK) recorded a 34% increase in sales (\$A1.8m) and is mainly responsible for the increase in performance in this division. The ground-work we have done in USA in previous years contributed to the turnaround in profit of \$A800k in Waterco USA.

PRODUCT DEVELOPMENT AND WATER TREATMENT

In this Half-year, Waterco invested approximately \$0.82 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.

WORKING CAPITAL

	Dec 2020 (\$000)	Dec 2019 (\$000)
Inventory	36,500	36,882
Debtors	19,117	20,340
Creditors	(20,407)	(19,493)
TOTAL	35,210	37,729

The group's working capital as at December 2020 saw a decrease of \$2.519 million, with decrease in inventory and debtors and increase in creditors.

EARNINGS PER SHARE

The Earnings used in calculating the basic earnings per share of 29.2c in the current period has included a positive tax adjustment of \$4.985m related to the profit on sale of Waterco C in the previous financial year. If we exclude the positive tax adjustment of \$4.985m from Earnings, the Adjusted Earnings would be \$5.499m and adjusted basic earnings per share would be 15.3c

	Dec 2020 (\$000)
Earnings per Share	
Earnings used in calculation of basic EPS	10,484
Weighted average number of ordinary shares	35,943
Basic earnings per share	29.2c
Earnings used in calculation of basic EPS	10,484
Income tax adjustment related to sale of Waterco C in prior year	4,985
Adjusted Earnings used in calculation of basic EPS (before tax adjustment)	5,499
Adjusted basic EPS	15.3c

DIVIDEND AND OUTLOOK

Based on this Half-year result, the Board declares a fully-franked interim dividend of 3 cents per share payable on 15 June 2021.

This Half-year has been a challenging one, with the business sentiments in China still uncertain, ongoing trade issues with Australia and the USA, and the continuing effects of the Covid-19 Pandemic especially on North America, Europe and Asia. The Australian Dollar has also fluctuated significantly against the US Dollar.

The Board expects the second half-year to be more settled as the Covid-19 vaccines are rolled out on a large scale.

WATERCO LIMITED AND CONTROLLED ENTITIES

Half Yearly Report for the Period Ended 31st December 2020

ANNEXURE D Income Tax Expense

Consolidated Group	
31/12/2020	31/12/2019
\$000	\$000

The prima facie tax on profit before income tax is reconciled to the income tax as follows:

Profit before income tax	7,075	4,092
Prima facie tax payable on profit before income tax at 30% (2019: 30%)	2,123	1,228
Add		
Tax effect of:		
• Depreciation of buildings	51	40
• Foreign controlled entities tax losses not tax effected	-	118
• Unrealised foreign exchange losses	322	
• ROU assets	-	21
• Non deductible expenses		-
• Asset Revaluation Reserve of controlled entity sold		
• Other	11	17
Less		
Tax effect of:		
• Research and development		-
• ROU assets	13	
• Effects of lower rates in overseas countries	436	304
• Unrealised foreign exchange gains		80
• Exempt income		
• Overprovision for tax in prior years	4,991	101
• Reinvestment allowance	323	
• Foreign controlled entities tax losses not tax effected	90	-
• Other	35	-
Income tax expense attributable to entity	(3,381)	939
The applicable weighted average effective tax rates are as follows:	(48%)	23%