Water, the liquid of life

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WATERCO LIMITED

Preliminary Final Report for the Financial Year Ended 30 June 2014

FOR ANNOUNCEMENT TO THE MARKET

Water, the liquid of life

WATERCO LTD

Summary of results FY ended 30 June 2014

Sales Revenue	$77.11 million, up 13%
Net Profit After Tax	$0.97 million, down 43%
EBIT	$3.43 million, down 25%
Total dividend payout	6c per share (full year)

CEO REVIEW OF OPERATIONS

REVENUE AND PROFITABILITY

The Group reported a Net Profit After Tax (NPAT) of $0.97 million, registering a decrease of 43% on the previous corresponding period (PCP) and coming in below the profit guidance provided at the last Annual General Meeting but in line with the profit announcement on 14 August 2014. Losses in North America and Europe entities were not tax-effected, accentuating their impact on the Group's profitability. Earnings Before Interest and Tax (EBIT) for the year fell by 25% to $3.43 million from $4.62 million but Sales Revenue grew by 13% to $77.11 million from $68.21 million.

Activities in the Australian and New Zealand Division account for a major portion of the Group's profitability and sales. Though the EBIT of this Division came in below that of the PCP, we are confident that the operations of this division are fundamentally sound.

The North America and Europe Division has reduced the level of its losses by 20%. However, the losses still exceeded expectation, as a projected marginal profit in Canada turned into a loss of $949,000, largely as a result of pricing commitments made the previous year to the Canadian market when the Canadian Dollar was close to parity with the US Dollar. The subsequent increase in cost to Waterco Canada, as a result of the weaker Canadian dollar against the US dollar amounted, to $417,000.

DIVISIONAL EBIT PERFORMANCE

The breakdown of EBIT contributions by division is as follows:

	FY14 ($000)	FY13 ($000)	% Change
Australia and New Zealand	3,231	4,897	-34%
North America and Europe	(2,007)	(2,520)	+20%
Asia	2,209	2,246	- 2%
Consolidated Reported EBIT	3,433	4,623	-25%

AUSTRALIA AND NEW ZEALAND (ANZ)

The Australia and New Zealand Division derives its revenue predominantly from the domestic swimming pool industry. Apart from selling a wide range of products, including chemicals for swimming pool water treatment, Waterco is also the franchisor of the Swimart chain of pool stores. Through more than three decades of experience, Waterco has acquired an extremely good understanding of the factors that drive consumer demand in the after-market. The franchise programme has been developed and improved on in-house since 1984, with the opening of a company-owned pool shop in Sydney. This shop was subsequently franchised and developed into the Swimart Pool and Spa franchising retail system. This solid foundation has enabled this Division to maintain an acceptable, albeit lower, level of profitability through the challenging times in the last few years, during which the industry underwent consolidation and transformation.

Steady market share in the domestic pool sector has underpinned the Division's performance. The Division's introduction of a range of energy and water saving swimming pool products generated sales growth, affirming Waterco's expectation of the market's appetite for environmentally friendly products, such as Waterco's Hydrostorm ECO pump and Glass Pearls for improved filtration performance and reduced water usage from shorter backwash cycle. This was instrumental in enabling the company to retain market share.

Unfortunately, a weaker Australian Dollar increased costs of imports, resulting in a lower trading margin. Difficult trading conditions prevailed. Nevertheless, Waterco forged ahead with the introduction of a new ERP system and continued with market and product development of the Hydroxypure chlorine-free sanitizing system. With this background, the Division recorded a reduced EBIT of 34%, on increased sales revenue of 3%.

NORTH AMERICA AND EUROPE

Waterco North America and Europe comprises the Group's operations in the USA, Canada, UK and France.

Waterco USA (WUSA) The US market is the largest in the world and Waterco USA had enhanced its presence there through a substantial investment in its acquisition of Baker Hydro in March 2005. Our operations in Augusta, Georgia manufacture larger filters and assemble commercial pumps.

In the United States, sales were up by 6% on PCP. This improved underlying performance was, however, not reflected in the EBIT, as the Entity incurred once-off expenses related to the manufacturing of heat pumps, including inventory write-down of $169,000, production wastages, air freight expenses and overtime amounting to $298,000 in order to meet delivery schedules needed in the narrow Canadian season.

Growth in sales of commercial and industrial filters saw this sector making up more than 45% of total sales in WUSA during the year. WUSA continued to deliver more high-pressure seven-bar rated horizontal filters to the Middle East for installation in a desalination plant.

Waterco Canada (WCI) This Entity was the Group's original centre for the manufacture of heat pumps. Its expertise, developed over more than two decades, with assistance from our Research and Development division in Sydney, had improved performance of our products in both quality and cost. This continues to benefit the Group and enables other manufacturing entities in the Group to produce heat pumps of quality. WCI is now a trading entity with heat pumps as their key product.

Waterco Europe (WEL), combining an entity set up in 2003 and the acquisition of Lacron in 2004, 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 progressive manufacturing techniques – which were introduced after the acquisition – it has enabled WEL to bring to the market filters of quality at acceptable prices. As a result, both the Lacron and the Waterco brands are now well-recognised as quality products in Europe. This recognition continues, even after the manufacturing operations were transferred to Malaysia and China, because the same high standards have been maintained.

The economic conditions in the UK have largely remained unchanged this year. Sales continue to be flat, despite new customers making up for some of the decline in sales to existing customers. Margins continue to come under pressure because of the conditions.

Waterco France (WFR) was set up as the thrust into Europe, with UK as the base. France is one of the largest markets in Europe. However, with the business environment in Europe remaining unchanged during the financial year, this Entity continued to consolidate its operations, in preparation for a higher level of activity, when the business environment improves.

ASIA

Waterco Far East in Malaysia (WFE) 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 our undertakings in Kuala Lumpur, Malaysia. As well as bringing the Group closer to our markets in Southeast Asia, this also gave cost-efficiency in our manufacturing operations. Since then, WFE has become the principal manufacturing facility for pumps and filters for the Waterco Group. WFE continues to deliver new products to give the Group an edge in our marketing activities.

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 improved significantly and were ahead of expectation. However, this Entity's performance was below PCP, mainly as a result of a stronger local currency.

Waterco China This entity commenced operations in 2000, delivering advantages of low operational costs and a foothold into the huge China market. Today, these operations manufacture filters primarily for the European and the Australian markets. High manufacturing standards have been maintained, enabling the acceptance of filters made by Waterco in China, with the Waterco brand, in these markets.

Waterco China has also achieved an internationally recognised quality assurance certificate.

This Entity performed well during the year. Turnover was above expectation. Management changes put in place during the year are expected to improve performance further in the future.

Waterco International in Singapore (WI) 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. WI has improved on its performance over PCP.

PRODUCT DEVELOPMENT AND WATER TREATMENT

The Group continues to invest in Research and Development in order to be at the forefront of the industry. The number of patents that the Group has secured or are in the process of applying for continues to increase.

During the year, the chlorine-free system, Hydroxypure, was granted a patent in the United States (USA). Applications in other countries are pending.

At about the same time, a patent was also granted in the US for a Biocidal composition for treating water. Primarily an important support chemical for the Hydroxypure system, this Biocidal composition is also suitable for ordinary chlorine-treated pools, improving the convenience of treating all residential pools.

Also linked to the Hydroxypure system is the method of mixing and measuring ozone dosing. An innovation patent has been granted in Australia with patents pending in other countries. This method of mixing and measuring ozone dosing has applications to enhance treatment of pool water in all residential pools.

Product innovation and research and development in the water-treatment subsector are considered to be critical in 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 that our products and systems are appropriately protected is of value and importance.

The array of patents will improve Waterco's position in the servicing of swimming pools globally and are expected to improve the appeal of the Swimart franchise, as well as that of other pool shops which market the products.

Waterco's key products for the future are the Hydroxypure range of products that use hydrogen peroxide as a substitute for chlorine as a sanitising agent. The system uses two disinfectants (ozone and hydrogen peroxide) that actively work in harmony to increase active oxygen in the water. The synergy of the two disinfectants ensures the water environment is safe, without the creation of harmful chemical by-products. The end result is a swimming pool that is totally chlorine-free and enriched with oxygen. Hydroxypure is good news for those with eczema and allergies. It is the only such sanitisation system to receive a tick of approval from the National Asthma Council Australia.

During the year, a commercial Multicyclone was introduced to the market. This helped to secure sales of commercial filters which Waterco may not have otherwise obtained.

DIVIDEND AND OUTLOOK

The results for the year are below expectation and profitability has yet to return to normal levels, with the North America and Europe Division again incurring a significant EBIT loss.

The North America and Europe Division showed a reduction of its EBIT loss to $2.01 million from PCP's loss of $2.52 million. This year's loss in this Division includes significant non-recurrent costs, particularly with the set-up of a second heat-pump manufacturing division in WFE, Malaysia. The North America and Europe Division continues to undergo restructuring, to strengthen its operations, in order to enable it to withstand adverse business conditions. Our pursuit of National Sanitation Foundation (NSF) approval for our commercial filters is beginning to bring in orders for commercial filters and is expected to gain momentum. These measures should enable the Division to perform significantly better during the new financial year. There are signs that the business environment in this market, in particular in the United States, is starting to improve. If conditions become favourable, the Group considers it possible that there could be a break-even situation in this Division in the next financial year. If achieved, this would mark a significant turning point in this Division.

The way in now clear for Hydroxypure, the Group's system of non-chlorine sanitization, to be sold for domestic installations in almost all the markets in which Waterco operates; approval is pending in the US. The group also holds or are pending appropriate patents for this system. Sales in the Australia and New Zealand market commenced during the financial year and are expected to contribute significantly to the turnover in the next financial year. Besides improvement in sales, this system will reinforce Waterco's standing as a manufacturer of innovative and environmentally-friendly products. The patents will help protect our market share in the foreseeable future. Trials of this system continue in the commercial sector. These trials have been successful and the Group is greatly encouraged by their results. The Group is seeking approvals from the respective authorities to extend this product into the commercial market.

Accordingly, Waterco declares a final dividend payment of 3 cents per share, payable to shareholders on 15 December 2014. This brings the total dividend payout of 6 cents per share for the year, a satisfactory outcome in the environment of poor global economic conditions.

The Board will provide a profit guidance at a later stage for the financial year ending 30 June 2015, as more information becomes available during the year.

SUMMARY OF RESULTS

				$A'000
Revenues	Up	13.3.%	to	77,971
Profit (loss) after tax attributable to members	Down	45.8%	to	907

Dividends	Amount per security	Franked amount per security
Final dividend	3¢	3¢
Previous corresponding period	4¢	4¢

Date for determining entitlements to the dividend	12th November 2014

Statement of Comprehensive Income

	Current period - $A'000	Previous corresponding period - $A'000
Revenues	**77,971**	68,802
Expenses Goodwill (on acquisition) Impairment Losses Finance costs Other Expenses	 **(6)** **(1,529)** **(74,508)**	 (6) (1,437) (64,173)
Profit (loss) before tax	**1,928**	3,186
Income tax *(see Annexure A)*	**954**	1,467
Profit (loss) after tax	**974**	1,719
Net profit (loss) attributable to non controlling interests	**67**	46
Net profit (loss) for the period attributable to members	**907**	1,673
Non-owner transaction changes in equity		
Net exchange differences recognised in equity Other revenue, expense and initial adjustments recognised directly in equity	**4,968**	3,996
Total transactions and adjustments recognised directly in equity	**4,968**	3,996
Total changes in equity not resulting from transactions with owners as owners	**5,875**	5,669

Earnings per security (EPS)	Current period	Previous corresponding Period
Basic EPS	2.6c	4.9c
Diluted EPS	2.6c	4.9c

Calculation of Earnings per security (EPS)

	Current period	Previous corresponding Period
Net Profit ($000)	974	1,719
Net Profit/(Loss) attributable to non controlling interests ($000)	67	46
Earnings used in calculation of basic EPS ($000)	907	1,673
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	34,937,084	34,224,123

Notes to the statement of comprehensive income

Profit (loss) attributable to members

	Current period - $A'000	Previous corresponding period - $A'000
Profit (loss) after tax	974	1,719
Less (plus) non controlling interests	67	46
Profit (loss) after tax, attributable to members	907	1,673

Revenue and Expenses - SEE ANNEXURE A

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 (accumulated losses) at the beginning of the financial period	11,067	11,784
Net profit (loss) attributable to members	907	1,673
Transfer from Asset Revaluation Reserve		-
Adjustment relating to AASB 121		-
Dividends paid	2,441	2,390
Retained profits (accumulated losses) at end of financial period	**9,533**	11,067

Intangibles – Impairment/Amortisation

	Consolidated - current period			
	Before tax $A'000 (a)	Related tax $A'000 (b)	Related non controlling interests $A'000 (c)	Amount (after tax) attributable to members $A'000 (d)
Impairment of goodwill	6	-	-	6
Amortisation of other intangibles	-	-	-	
Total Impairment/ amortisation of intangibles	6	-	-	6

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	2,062	1,700
Consolidated profit (loss) after tax attributable to members for the *2nd* half year	(1,155)	(27)

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	1,588	2,456	2,542
Trade and other receivables	11,816	9,850	15,671
Inventories	33,827	31,370	36,161
Other	724	859	939
Total current assets	47,955	44,535	55,313
Non-current assets			
Other property, plant and equipment (net)	43,987	40,115	40,241
Intangibles (net)	13	19	16
Deferred tax assets	614	676	748
Other	342	403	401
Total non-current assets	44,956	41,213	41,406
Total assets	92,911	85,748	96,719
Current liabilities			
Trade and other payables	11,512	9,676	17,577
Interest bearing liabilities	4,380	3,227	3,035
Current tax liabilities	(65)	362	685
Provisions exc. tax liabilities	1,492	1,510	1,556
Total current liabilities	17,319	14,775	22,853
Non-current liabilities			
Trade and other payables		-	
Interest bearing liabilities	23,280	23,723	24,069
Deferred tax liabilities	1,524	1,037	1,246
Provisions exc. tax liabilities	189	165	174
Total non-current liabilities	24,993	24,925	25,489
Total liabilities	42,312	39,700	48,342
Net assets	50,599	46,048	48,377

Equity			
Issued Capital	37,483	36,441	36,842
Employee share loans	(53)	(61)	(57)
Reserves	3,246	(1,722)	(511)
Retained Earnings	9,533	11,067	11,740
Parent entity Interest	50,209	45,725	48,014
Non controlling interests in controlled entities	390	323	363
Total equity	50,599	46,048	48,377

Consolidated Statement of Cashflows

	Current period $A'000	Previous corresponding period - $A'000
Cash flows related to operating activities		
Receipts from customers	**81,845**	71,589
Payments to suppliers and employees	**(79,204)**	(69,939)
Interest and other items of similar nature received	**24**	64
Interest and other costs of finance paid	**(1,529)**	(1,437)
Income taxes paid	**(1,238)**	(431)
Other	**828**	531
Net operating cash flows	**726**	377
Cash flows related to investing activities		
Payment for purchases of property, plant and equipment	**(591)**	(3,473)
Proceeds from sale of property, plant and equipment	**155**	77
Proceeds from sale of business		-
Investments		-
Payment for intangibles		-
Net investing cash flows	**(436)**	(3,396)
Cash flows related to financing activities		
Proceeds from issues of shares	**1,042**	879
Proceeds from borrowings		2,160
Repayment of borrowings	**(612)**	-
Dividends paid	**(2,441)**	(2,390)
Net financing cash flows	**(2,011)**	649
Net increase (decrease) in cash held	**(1,721)**	(2,370)
Cash at beginning of period *(see Reconciliation of cash)*	**1,939**	1,832
Exchange rate adjustments.	**(286)**	2,477
Cash at end of period *(see Reconciliation of cash)*	**(68)**	1,939

Non-cash financing and investing activities

During the year, the economic entity acquired plant and equipment with an aggregate fair value of $190,752 (2013-$418,686) 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	1,588	2,456
Bank overdraft	(1,656)	(517)
Other (provide details)		
Total cash at end of period	(68)	1,939

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	2.5%	4.6%
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	1.8%	3.6%

NTA PER SHARE

	Current period	Previous corresponding Period
Net tangible asset backing per ordinary security	$1.42	$1.33

Final Dividend Declared

Date the dividend is payable	15th December 2014
Record date to determine entitlements to the dividend	12th November 2014

Dividend per share

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

Total dividend per share (interim *plus* final)

	Current year	Previous year
+Ordinary securities	6¢	7¢

Dividend Plans in operation

Waterco Dividend Reinvestment Plan
- Shares to be issued at 5% discount to average market price of the dividend record date and the four prior trading days.

The last date for receipt of election notices for the dividend	14th November 2014

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	35,631,113	35,631,113		
Changes during current period				
(a) Increases through issues				
	337,412	337,412	$1.19	$1.19
	561,815	561,815	$1.14	$1.14
(b) Decreases through returns of capital, buybacks				
Options			*Exercise price*	*Expiry Date*
Directors and Senior Executives option plan	-	-	-	-
Issued during current period	-	-		
Exercised during current period	-	-		
Expired during current period	90,000	-	$1.35	1/7/2013

Annual meeting

The annual meeting will be held as follows:

Place	36 SOUTH ST RYDALMERE NSW 2116
Date	28th October 2014
Time	3PM
Approximate date the annual report will be available	28th SEPTEMBER 2014

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

27th August 2014

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 2014

ANNEXURE A

REVENUE AND EXPENSES

	Consolidated Group 2014 $000	2013 $000
Revenues	77,971	68,802
Changes in inventories of finished goods and work in progress	(1,309)	(5,685)
Raw materials and consumables used	(40,771)	(28,660)
Employee benefits expense	(15,153)	(13,994)
Depreciation, impairment and amortisation expense	(1,310)	(1,263)
Finance costs	(1,529)	(1,437)
Advertising expense	(1,797)	(1,506)
Discounts allowed	16	(287)
Outward freight expense	(1,801)	(1,604)
Rent expense	(2,480)	(2,233)
Contracted staff expense	(375)	(289)
Warranty expense	(457)	(546)
Commission expense	(416)	(447)
Other expenses	(8,661)	(7,665)
Profit before income tax expense	1,928	3,186
Income tax expense	954	1,467
Profit for the year	974	1,719

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.

PRELIMINARY FINAL REPORT 30 JUNE 2014
ANNEXURE A
Operating Segments

Geographical Segments

	2014			
	AUSTRALIA & NEW ZEALAND $000	ASIA $000	NORTH AMERICA &EUROPE $000	CONSOLIDATED GROUP $000
REVENUE				
Sales to customers outside the consolidated group	51,528	9,708	15,882	77,118
Intersegment sales	1,229	21,954	8,049	31,232
Total segment revenue	52,757	31,662	23,931	108,350
Reconciliation of segment revenue to group revenue				
Other revenue				853
Intersegment elimination				(31,232)
Total group revenue				77,971
Segment net profit/(loss) from continuing operations before tax	2,942	1,747	(1,908)	2,781
Reconciliation of segment result to group net profit/loss before tax				
Unallocated items				
- other				(853)
Net profit/(loss) before tax from continuing operations				1,928
Segment assets	72,027	43,505	(11,314)	104,218
Segment asset increases for the period				
Reconciliation of segment assets to group assets				
Intersegment eliminations				(11,307)
Total group assets				92,911
Capital expenditure	441	662	155	1,258
Segment liabilities	27,566	22,319	2,035	51,920
Reconciliation of segment liabilities to group liabilities				
Intersegment eliminations				(9,608)
Total group liabilities				42,312

PRELIMINARY FINAL REPORT 30 JUNE 2014
ANNEXURE A
Operating Segments

Geographical Segments

	2013			
	AUSTRALIA & NEW ZEALAND $000	ASIA $000	NORTH AMERICA &EUROPE $000	CONSOLIDATED GROUP $000
REVENUE				
Sales to customers outside the consolidated group	50,496	6,915	10,795	68,206
Intersegment sales	910	20,215	1,714	22,839
Total segment revenue	51,406	27,130	12,509	91,045
Reconciliation of segment revenue to group revenue				
Other revenue				595
Intersegment elimination				(22,838)
Total group revenue				68,802
Segment net profit/(loss) from continuing operations before tax	4,381	1,914	(2,514)	3,781
Reconciliation of segment result to group net profit/loss before tax				
Unallocated items				
- other				(595)
Net profit/(loss) before tax from continuing operations				3,186
Segment assets	79,900	49,438	(5,254)	124,084
Segment asset increases for the period				
Reconciliation of segment assets to group assets				
Intersegment eliminations				(38,336)
Total group assets				85,748
Capital expenditure	1,215	3,328	516	5,059
Segment liabilities	35,697	33,571	6,272	75,541
Reconciliation of segment liabilities to group liabilities				
Intersegment eliminations				(35,841)
Total group liabilities				39,700

PRELIMINARY FINAL REPORT 30 JUNE 2014
ANNEXURE A
Income Tax Expense

	Consolidated Group 2014 $000	Consolidated Group 2013 $000
The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Profit before income tax	1,928	3,186
Prima facie tax payable on profit before income tax at 30% (2013 30%)	578	956
Add		
Tax effect of:		
• Depreciation of buildings	12	12
• Entertainment	2	3
• Amortisation – Goodwill	2	2
• Amortisation - Leasehold Land	4	16
• Foreign controlled entities not tax effected	565	785
• Expenses not allowable	-	2
• Unrealised foreign exchange losses/(gains)	57	(214)
• Other	-	17
Less		
Tax effect of:		
• Research and development	67	79
• Special building write off	6	25
• Effects of lower rates in overseas countries	127	109
• Overprovision/(under) for tax in prior years	57	(101)
• Other	9	-
Income tax expense attributable to entity	954	1,467
The applicable weighted average effective tax rates are as follows:	49%	46%