Water, the liquid of life

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WATERCO LIMITED

APPENDIX 4E
Preliminary Final Report for the Financial Year Ended 30 June 2015

FOR ANNOUNCEMENT TO THE MARKET

WATERCO LTD

Summary of results FY ended 30 June 2015

Sales Revenue	$80.89 million, up 5%
Net Profit After Tax	$1.55 million, up 60%
EBIT	$4.56 million, up 33%
Total dividend payout	5c per share (full year)

Review Of Operations

REVENUE AND PROFITABILITY

The Group reported a Net Profit After Tax (NPAT) of $1.48 million, registering an increase of 53% on the previous corresponding period (PCP) but coming in below the profit guidance provided at the last Annual General Meeting. Losses in North America and Europe entities were not tax-effected, accentuating their impact on the Group's profitability. The Australian and Malaysian entities carried out a review of the deferred tax asset and liabilities. This resulted in an adverse adjustment in the Australian entity, off-set to some degree by a favourable adjustment in the Malaysian entity, for deferred taxation accumulated from prior years. In addition, the Canadian entity, in accordance with accounting principles, wrote off a deferred tax asset taken up in previous years. These adjustments are one-off and not related to the current year's operations and resulted in a higher than normal tax incidence. Earnings Before Interest and Tax (EBIT) for the year increased by 33% to $4.56 million from $3.43 million, through Sales Revenue growth of 5% to $80.89 million from $77.12 million.

Activities in the Australian and New Zealand Division account for a major portion of the Group's profitability and sales. The EBIT of this Division came in above that of the PCP, and we are confident that the operations of this division are fundamentally sound, despite the fire in our Head Office in Sydney that affected operations in January 2015.

The North America and Europe Division has reduced the level of its EBIT losses by 51%. Although this performance is a marked improvement over PCP, it was still below expectation. This is mainly because Canada registered a loss of $0.67 million against a small projected profit, as a result of pricing commitments made the previous year to the Canadian market when the Canadian Dollar was approximately 93 cents to the US Dollar. The subsequent increase in cost to Waterco Canada, as a result of the weaker Canadian dollar against the US dollar, is estimated to be $0.56 million.

DIVISIONAL EBIT PERFORMANCE

The breakdown of EBIT contributions by division is as follows:

	FY15	FY14	
	($000)	($000)	% Change
Australia and New Zealand	3,830	3,231	+ 19%
North America and Europe	(988)	(2,007)	+ 51%
Asia	1,714	2,209	– 22%
Consolidated Reported EBIT	**4,556**	**3,433**	**+ 33%**

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 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. Another product, using hydrogen peroxide and ozone as sanitisers, has been launched in recent years and is expected to gain further traction as implementation of marketing strategies progress. The product enables swimming pools to be totally chlorine-free and enriched with oxygen and benefits swimmers who suffer from eczema or allergies.

Unfortunately, a fire in Head Office in Sydney disrupted sales operations throughout Australia and New Zealand (ANZ), just as we were experiencing a pleasing sales trend going into the summer. Our main computer server was out of service for the most part of January, traditionally one of the peak months in our season. We estimate that the loss in Sales Revenue clearly exceeded $1 million. Fortunately, the Group is well-insured and the loss in gross profit is now in the process of being assessed, in conjunction with our Insurer. Expenses that are recoverable from insurance are taken up as an asset in the balance sheet, while those that are not subject to insurance claims have been written off during the year.

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, the closure of the heat pump manufacturing operations, now relocated to Waterco Far East in Malaysia, resulted in write-down in inventory and production wastage, totalling $0.46 million, which accounted for a majority of the losses during the year. Following this change, a smaller production team will focus on manufacturing of larger filters, whilst the management of WUSA will channel its efforts into marketing our products more effectively.

Sales of commercial and industrial filters underpinned Sales revenue in WUSA, and better results are expected for future years.

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, having transferred the manufacturing operations to Malaysia.

WCI registered an EBIT loss of $0.67 million, a major factor for this being the weakening of the Canadian Dollar weakened. With most of the imports of heat pumps into Canada sourced in US Dollar, margins were significantly adversely affected, as selling prices could not be increased in the middle of the season.

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.

Economic conditions in the UK improved considerably with sales revenue improving strongly. Margins recovered as a result of a stronger British Pound although negated to some degree by a weaker Euro. For this financial year, WEL returned record sales revenue and profit.

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, in spite of weaker economic conditions. Increased production volume with the addition of heat pumps production line has improved overall efficiency.

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 China, with the Waterco brand, in these markets.

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

This Entity performed below expectation during the year, as a result of a slow-down in the housing market in China.

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.

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 markets 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 continue to be the Hydroxypure range of products. 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. Waterco sees a bright future for this range of products, as this chlorine-free range of products will be increasingly popular, as users become more conscious of the ecology.

DIVIDEND AND OUTLOOK

The results, from the NPAT headline figure, is significantly below expectation. However, the underlying profitability is better than that, as tax adjustments stated earlier in this report has impacted the tax charge for the year. If we set aside the tax adjustments and look at the Profit Before Tax, the results are less than 10% below expectations and forecast.

Further improvements in North American entities in the new Financial Year are expected with manufacturing activities now reduced to a minimal level.

The Board will provide a profit guidance at a later stage for the financial year ending 30 June 2016, as more information becomes available during the year.

Waterco declares a final dividend payment of 5 cents per share, payable to shareholders on 15 December 2015. With no dividend declared at the Half Yearly Report, this dividend of 5 cents is the total dividend for the year, a satisfactory outcome in an environment of poor global economic conditions.

WATERCO LIMITED
Preliminary Final Report for the Financial Year Ended 30 June 2015

SUMMARY OF RESULTS

				$A'000
Revenues	Up	13.1.%	to	88,171
Profit (loss) after tax attributable to members	Up	63.8%	to	1,485

Dividends	Amount per security	Franked amount per security
Final dividend	5¢	5¢
Previous corresponding period	3¢	3¢

Date for determining entitlements to the dividend	13th November 2015

Statement of Profit and Loss and Other Comprehensive Income

	Current period - $A'000	Previous corresponding period - $A'000
Revenues	**88,171**	**77,971**
Expenses		
Goodwill (on acquisition) Impairment Losses	**(6)**	**(6)**
Finance costs	**(1,541)**	**(1,529)**
Other Expenses	**(83,577)**	**(74,508)**
Profit (loss) before tax	**3,047**	**1,928**
Income tax *(see Annexure A)*	**1,495**	**954**
Profit (loss) after tax	**1,552**	**974**
Net profit (loss) attributable to non controlling interests	**67**	**67**
Net profit (loss) for the period attributable to members	**1,485**	**907**
Non-owner transaction changes in equity		
Net exchange differences recognised in equity		
Other revenue, expense and initial adjustments recognised directly in equity	**4,279**	**4,968**

Total transactions and adjustments recognised directly in equity	**4,279**	**4,968**
Total changes in equity not resulting from transactions with owners as owners	**5,764**	**5,875**

Earnings per security (EPS)	Current period	Previous corresponding Period
Basic EPS	4.1c	2.6c
Diluted EPS	4.1c	2.6c

Calculation of Earnings per security (EPS)

	Current period	Previous corresponding Period
Net Profit ($000)	1,552	974
Net Profit/(Loss) attributable to non controlling interests ($000)	67	67
Earnings used in calculation of basic EPS ($000)	1,485	907
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	35,971,769	34,937,084

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	1,552	974
Less (plus) non controlling interests	67	67
Profit (loss) after tax, attributable to members	1,485	907

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 at the beginning of the financial period	9,533	11,067
Net profit attributable to members	1,485	907
Transfer from Asset Revaluation Reserve		
Adjustment relating to AASB 121		
Dividends paid	1,069	2,441
Retained profits at end of financial period	**9,949**	**9,533**

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	1,451	2,062
Consolidated profit (loss) after tax attributable to members for the *2nd* half year	34	(1,155)

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	**3,771**	1,588	2,979
Trade and other receivables	**18,885**	11,816	16,298
Inventories	**33,970**	33,827	36,761
Current tax assets	**-**	65	-
Other	**843**	724	866
Total current assets	**57,469**	48,020	56,904
Non-current assets			
Other property, plant and equipment (net)	**41,325**	43,987	46,029
Intangibles (net)	**322**	13	350
Deferred tax assets	**1,071**	614	780
Other	**-**	342	-
Total non-current assets	**42,718**	44,956	47,159
Total assets	**100,187**	92,976	104,063
Current liabilities			
Trade and other payables	**14,289**	11,512	16,393
Interest bearing liabilities	**15,418**	4,380	17,227
Current tax liabilities	**279**	-	758
Provisions exc. tax liabilities	**1,658**	1,492	1,740
Total current liabilities	**31,644**	17,384	36,118
Non-current liabilities			
Trade and other payables			
Interest bearing liabilities	**10,211**	23,280	10,340
Deferred tax liabilities	**2,101**	1,524	1,631
Provisions exc. tax liabilities	**178**	189	183
Total non-current liabilities	**12,490**	24,993	12,154
Total liabilities	**44,134**	42,377	48,272
Net assets	**56,053**	50,599	55,791

Equity			
Issued Capital	**38,142**	37,483	38,143
Employee share loans	**-**	(53)	-
Reserves	**7,505**	3,246	7,302
Retained Earnings	**9,949**	9,533	9,915
Parent entity Interest	**55,596**	50,209	55,360
Non controlling interests in controlled entities	**457**	390	431
Total equity	**56,053**	50,599	55,791

Consolidated Statement of Cashflows

	Current period $A'000	Previous corresponding period - $A'000
Cash flows related to operating activities		
Receipts from customers	**84,638**	**81,845**
Payments to suppliers and employees	**(85,320)**	**(79,204)**
Interest and other items of similar nature received	**33**	**24**
Interest and other costs of finance paid	**(1,541)**	**(1,529)**
Income taxes paid	**(602)**	**(1,238)**
Other	**7,042**	**828**
Net operating cash flows	**4,250**	**726**
Cash flows related to investing activities		
Payment for purchases of property, plant and equipment	**(3,007)**	**(591)**
Proceeds from sale of property, plant and equipment	**168**	**155**
Proceeds from sale of business		
Investments		
Payment for intangibles		
Net investing cash flows	**(2,839)**	**(436)**
Cash flows related to financing activities		
Proceeds from issues of shares	**659**	**1,042**
Proceeds from borrowings		
Repayment of borrowings	**(1,382)**	**(612)**
Dividends paid	**(1,069)**	**(2,441)**
Net financing cash flows	**(1,792)**	**(2,011)**
Net increase (decrease) in cash held	**(381)**	**(1,721)**
Cash at beginning of period *(see Reconciliation of cash)*	**(68)**	**1,939**
Exchange rate adjustments.	**3,712**	**(286)**
Cash at end of period *(see Reconciliation of cash)*	**3,264**	**(68)**

Non-cash financing and investing activities

During the year, the economic entity acquired plant and equipment with an aggregate fair value of $78,213 (2014-$190,752) by means of finance leases and $431,430 (2014-$nil) by means of hire purchase agreements . 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	3,771	1,588
Bank overdraft	(507)	(1,656)
Other (provide details)		
Total cash at end of period	3,264	(68)

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	3.5%	2.5%
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	2.7%	1.8%

NTA PER SHARE

	Current period	Previous corresponding Period
Net tangible asset backing per ordinary security	$1.54	$1.42

Final Dividend Declared

Date shares trade ex-dividend	10th November 2015
Record date to determine entitlements to the dividend	13th November 2015
Date the dividend is payable	15th December 2015

Dividend per share

		Amount per security	Franked amount per security at % tax	Amount per security of foreign source dividend
Final dividend:	Current year	5¢	5¢	¢
	Previous year	3¢	3¢	¢

Total dividend per share (interim *plus* final)

	Current year	Previous year
+Ordinary securities	5¢	6¢

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.

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	36,259,090	36,259,090		
Changes during current period (a) Increases through issues	627,977	627,977	$1.05	$1.05
(b) Decreases through returns of capital, buybacks				
			Exercise price	*Expiry Date*
Options Directors and Senior Executives option plan	-			
Issued during current period				
Exercised during current period				
Expired during current period				

Annual meeting

The annual meeting will be held as follows:

Place	Unit 7, 2-8 South St Rydalmere NSW
Date	25th November 2015
Time	3PM
Approximate date the annual report will be available	19th October 2015

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 2015

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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 2015

ANNEXURE A

REVENUE AND EXPENSES

	Consolidated Group 2015 $000	Consolidated Group 2014 $000
Revenues	88,171	77,971
Changes in inventories of finished goods and work in progress	(874)	(1,309)
Raw materials and consumables used	(44,833)	(40,771)
Employee benefits expense	(15,730)	(15,153)
Depreciation, impairment and amortisation expense	(1,155)	(1,310)
Finance costs	(1,541)	(1,529)
Advertising expense	(1,579)	(1,797)
Discounts allowed	(97)	(9)
Outward freight expense	(1,806)	(1,801)
Rent expense	(2,545)	(2,480)
Contracted staff expense	(278)	(375)
Warranty expense	(361)	(457)
Commission expense	(397)	(416)
Other expenses	(13,928)	(8,636)
Profit before income tax expense	3,047	1,928
Income tax expense	1,495	954
Profit for the year	1,552	974

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 2015
ANNEXURE A
Operating Segments

Geographical Segments

	2015			
	AUSTRALIA & NEW ZEALAND $000	ASIA $000	NORTH AMERICA &EUROPE $000	CONSOLIDATED GROUP $000
REVENUE				
Sales to customers outside the consolidated group	52,565	10,773	17,548	80,886
Intersegment sales	1,213	25,948	4,269	31,430
Total segment revenue	53,778	36,721	21,817	112,316
Reconciliation of segment revenue to group revenue				
Other revenue				7,285
Intersegment elimination				(31,430)
Total group revenue				88,171
Segment net profit/(loss) from continuing operations before tax	10,212	1,112	(992)	10,332
Reconciliation of segment result to group net profit/loss before tax				
Unallocated items				
- other				(7,285)
Net profit/(loss) before tax from continuing operations				3,047
Segment assets	73,233	50,495	(10,313)	113,415
Segment asset increases for the period				
Reconciliation of segment assets to group assets				
Intersegment eliminations				(13,228)
Total group assets				100,187
Capital expenditure	806	1,224	325	2,355
Segment liabilities	27,261	24,410	6,552	58,223
Reconciliation of segment liabilities to group liabilities				
Intersegment eliminations				(14,089)
Total group liabilities				44,134

WATERCO LIMITED ABN 62 002 070 733 AND CONTROLLED ENITIES

PRELIMINARY FINAL REPORT 30 JUNE 2015
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	72,106	43,494	(11,317)	104,283
Segment asset increases for the period				
Reconciliation of segment assets to group assets				
Intersegment eliminations				(11,307)
Total group assets				92,976
Capital expenditure	441	662	155	1,258
Segment liabilities	27,645	22,308	2,032	51,985
Reconciliation of segment liabilities to group liabilities				
Intersegment eliminations				(9,608)
Total group liabilities				42,377

PRELIMINARY FINAL REPORT 30 JUNE 2015
ANNEXURE A
Income Tax Expense

	Consolidated Group 2015 $000	2014 $000
The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Profit before income tax	3,047	1,928
Prima facie tax payable on profit before income tax at 30% (2014 30%)	914	578
Add		
Tax effect of:		
• Depreciation of buildings	8	12
• Entertainment	2	2
• Amortisation – Goodwill	2	2
• Amortisation – Land use rights	5	4
• Prior period tax adjustment	377	-
• Foreign controlled entities not tax effected	765	565
Less		
Tax effect of:		
• Research and development	88	67
• Special building write off	-	6
• Effects of lower rates in overseas countries	156	127
• Unrealised foreign exchange losses/(gains)	48	(57)
• Overprovision/(under) for tax in prior years	107	57
• Reinvestment allowance	82	-
• Other	97	9
Income tax expense attributable to entity	1,495	954
The applicable weighted average effective tax rates are as follows:	49%	49%