



Just Water International Limited

Just Water International Limited

Half-year Report

for the six months ended
31 December 2006



Just Water International Limited

Directory

Directors

Jim McLay (Independent)
Chairman

Renny Cunnack (Independent)

Phil Dash (Non-Executive)

Tony Falkenstein (Executive)

Ian Malcolm (Non-Executive)

Executive Management

Tony Falkenstein
Chief Executive
Just Water International Limited

Michael Fann
Chief Operating Officer
Just Water International Limited

Raj Chaudhary
Chief Financial Officer
Just Water International Limited

General Manager
Aqua-Cool Limited

Brian Simpson
General Manager
Just Water New Zealand

Andrew Boath
General Manager
Clearwater Filter Systems
(Aust) Pty Limited

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Auditors

PricewaterhouseCoopers

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*Just Water New Zealand is a division
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*Clearwater Filter Systems (Aust) Pty Limited
is a subsidiary of Just Water International
Limited through Just Water Limited
Partnership.*

Bankers

Bank of New Zealand Limited
Westpac Banking Corporation
Limited

Solicitors

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Daniel Overton & Goulding

Share Registry

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Contents

Chairman's and Chief Executive's review

2-6

Just Water International Limited and Group

Financial statements

for the six months ended 31 December 2006

Consolidated income statement

7

Consolidated balance sheet

8

Consolidated statement of changes in equity

9

Consolidated cash flow statement

10

Notes to the financial statements

11-16



Chairman's and Chief Executive's review

First-half 2007 announcement

Just Water International Limited presents its half-year results for the six months to 31 December 2006.

The accounts are presented for both New Zealand and Australia, in order to show clearly the distinct stages of the Company's development in the two markets.

During this period, Just Water started its aggressive push into the Australian point-of-use market. Whereas the New Zealand business is operating in an established market, and has a significant base of dispensers, Australia is considered to be relatively undeveloped in the point-of-use market.

As foreshadowed in the company's 2004 prospectus, the Company's organic growth comes at a real cost, as the cost of securing a new client and the related installation is all taken to account in the year of acquisition. Therefore, as expected, Australia has incurred a loss in this period and, as advised to shareholders before, will continue to incur losses for several years as we continue to grow the base of dispenser rentals in that market.

New Zealand

The New Zealand revenue of \$10.476 million is a marginal increase over the previous corresponding half-year. The number of dispenser rentals has continued to increase. As a result of a deliberate strategy to focus on rental growth, dispenser sales and bottled water sales were 13 percent lower than the previous year.

The New Zealand EBITDA of \$3.244 million is seven percent above the previous year, and net profit after tax of \$1.484 million is 16 percent below the previous year. This decrease is largely due to the interest cost incurred in New Zealand on the acquisition of the businesses in Australia, and before this interest expense, EBIT in respect of New Zealand operations of \$2.555 million is seven percent above the previous year. In addition, the NZ operation has lent money to the Australian operation. This had the effect of creating interest earned in NZ and an expense in Australia of \$288,000 during the six months.

The dispenser base in New Zealand grew by 749 units over this six-month period to bring the total to 39,120. In the previous year dispensers grew by 1,030 units. Two points should be noted:

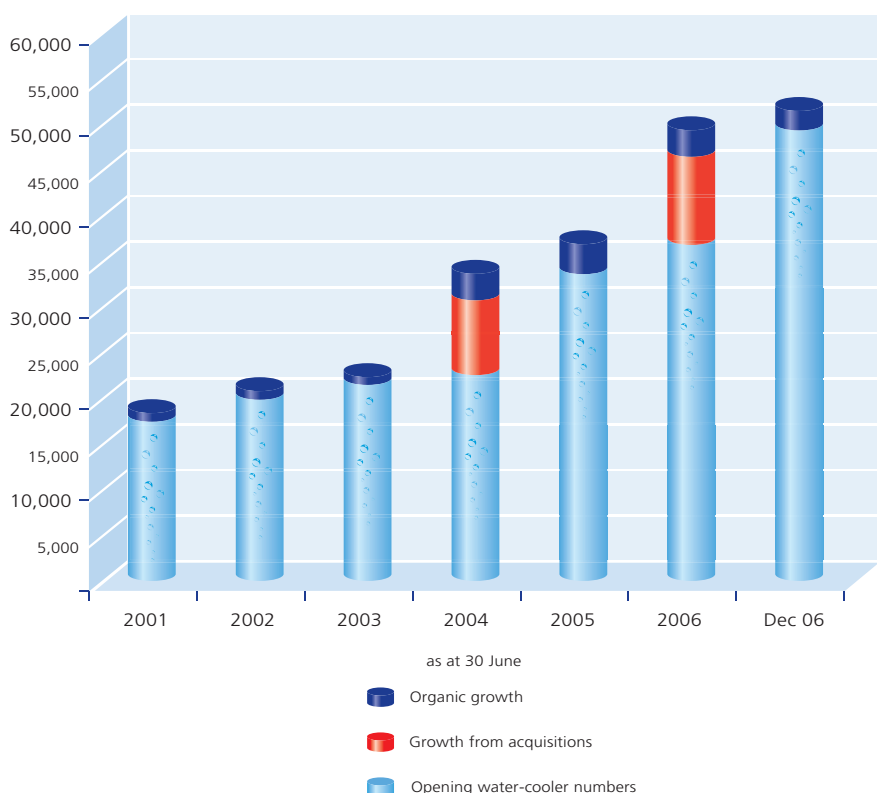
1. We no longer deliver water in the South Island because it wasn't profitable. We continue to rent point-of-use dispensers. This change resulted in a net reduction of 250 non-profitable dispensers from our database.
2. The dispenser numbers in the December 2005 half-year were boosted by a one-off catch-up. In that period we added 563 service contracts in a campaign to ensure we were servicing units that had previously been sold, but not serviced, by our Aqua-Cool acquisition.

With these changes taken into account, dispenser numbers are on target for the first half of the year.

JWI Group growth in water-coolers

Water-cooler numbers at 30 June annually and 30 December 2006

Note – this count includes all water-coolers (but excludes residential dispensers) for which recurring income is received by either rental or service contracts, plus water-coolers to which water is delivered regularly.



This Key Performance Indicator (KPI) determines the future success of Just Water. The greater the increase in the base of dispensers in the marketplace, the greater the assurance of future profitability, even if the short-term investment cost is high.



Chairman's and Chief Executive's review (continued)

Australia

As announced previously, from 1 July 2006 we changed the basis of funding for dispensers in Australia that had been previously followed by Clearwater before its acquisition by JWI, adopting the New Zealand business model of renting rather than selling the rental contracts to a third party. Consequently we absorb all the costs of obtaining a customer up-front, taking in the revenue over the life of the contract. Each time we add a cooler we lose in the first year, make a small profit on it from the second year, and thereafter make our full margin for an average of 7.8 years. The board believes that this policy will produce better longer-term cash flows, although it adversely affects profitability in the short term.

We see a window of opportunity for Clearwater in Australia to become the market leader in the point-of-use sector. In this six-month period we have increased our staff numbers from 48 to 110. We have employed 48 additional sales personnel in this period to grow the market. To put this number in perspective, we employ just 29 sales people in New Zealand. These staff were recruited progressively over the period and we reached our targeted sales force in December 2006.

We have created a sophisticated online and interactive sales training system. However, it takes us two weeks from recruitment to get a sales person on the road, and a further three months to reach competency. While we profile and recruit carefully, not everyone adapts, and in the early years we expect an ongoing replacement recruitment programme as we strive for our targets.

In the six months since Clearwater adopted this new business model, it has not only increased its staff numbers but it also moved into a new Sydney head office, appointed a new general manager, changed to the same computer system as used by JWI in New Zealand and invested in sales infrastructure and systems. It is now in a position to handle the high level of planned future growth.

The Australian revenue from Clearwater Filter Systems (Aust) Pty Limited was NZ\$5.023 million. This is on budget. The figures for the previous year are not directly comparable as they included only four months' trading from Just Water Victoria Pty Ltd (which has now been merged into Clearwater Filter Systems (Aust) Pty Ltd) and two months' trading from Clearwater Filter Systems (Aust) Pty Ltd.

EBITDA in Australia was a loss of NZ\$0.239 million. This was expected while Clearwater grows its base of dispensers in Australia and reflects the strategy outlined at the company's Annual General Meeting in October 2006.

For the six-month period the base of dispensers in Australia grew by 1,140 units, and now stands at 11,180.

We are pleased with this growth in Australia. It will take several years of continuing investment, and therefore losses, to achieve a positive operating cash flow in Australia, and we are confident that we are laying the foundation for a significant business that is planned to exceed the size and returns of the New Zealand operations.

Consolidated result

The consolidated net profit before tax is \$893,000 compared to \$2,481,000 for the comparable half-year.

	New Zealand 6 months ended 31 December 2006	Australia 6 months ended 31 December 2006	Group total 6 months ended 31 December 2006 (after consolidation)
	\$'000	\$'000	\$'000
Rental income	6,811	2,355	9,166
Sales income	3,377	2,622	5,999
Other income	288	46	20
Total income	10,476	5,023	15,185
EBITDA	3,244	(239)	2,717
EBIT	2,555	(584)	1,683
Interest expense	310	768	790
Profit before taxation	2,245	(1,352)	893
Taxation expense	761	(310)	451
Net profit	1,484	(1,042)	442

	New Zealand 6 months ended 31 December 2005	Australia 4 months ended 31 December 2005	Group total 6 months ended 31 December 2005 (after consolidation)
	\$'000	\$'000	\$'000
Rental income	6,401	180	6,581
Sales income	3,897	1,707	5,604
Other income	17	-	17
Total income	10,315	1,887	12,202
EBITDA	3,032	478	3,510
EBIT	2,381	347	2,728
Interest expense	21	226	247
Profit before taxation	2,360	121	2,481
Taxation expense	586	47	633
Net profit	1,774	74	1,848



Chairman's and Chief Executive's review (continued)

Dividend

A fully-imputed interim dividend of 2.388 cents (net 1.60 cents) has been declared and is payable on 20 April 2007.

The directors have elected to pay dividends on the basis of the results of the New Zealand operations, while the base of dispensers in Australia is built to achieve profitability. On that basis, the dividend declared is the same as last year's interim dividend.

The Company thanks its shareholders for their continued support. In the past year we have held informal shareholders' meetings in Tauranga and Christchurch and this year, in addition to the Annual Meeting, will be meeting with shareholders in Hamilton, Palmerston North and Wellington.

Yours sincerely



Jim McLay
Chairman



Tony Falkenstein
Chief Executive

Financial statements

Just Water International Limited Consolidated income statement (unaudited) For the six months ended 31 December 2006

	Group 6 months ended 31 December 2006 \$'000	Group 6 months ended 31 December 2005 \$'000
Rental income	9,166	6,581
Sales and service income	5,999	5,604
Other operating income	20	17
Income	15,185	12,202
Employee costs	(6,642)	(4,540)
Changes in inventories of finished goods and consumables	(2,284)	(1,689)
Other expenses	(3,542)	(2,463)
Earnings before interest, tax, depreciation and amortisation	2,717	3,510
Depreciation	(880)	(726)
Amortisation	(154)	(56)
Earnings before interest and tax	1,683	2,728
Interest expense	(790)	(247)
Profit before income tax	893	2,481
Income tax expense	(451)	(633)
Profit attributable to shareholders of the company	442	1,848
Earnings per share for profit attributable to the shareholders of the company		
Basic earnings per share (cents)	0.6	2.6
Diluted earnings per share (cents)	0.6	2.6

The accompanying notes to the financial statements are an integral part of, and should be read in conjunction with, the above consolidated income statement.

Financial statements

Just Water International Limited Consolidated balance sheet (unaudited)

As at 31 December 2006

	Note	Group as at 31 December 2006 \$'000	Group as at 31 December 2005 \$'000	Group as at 30 June 2006 \$'000
ASSETS				
Current assets				
Cash and cash equivalents		1,081	1,483	1,092
Trade and other receivables		3,483	3,657	3,613
Current tax receivables		348	-	425
Inventories		2,164	1,952	1,904
Derivative financial instruments		-	-	507
Total current assets		7,076	7,092	7,541
Non-current assets				
Property, plant and equipment		11,458	10,694	10,647
Investment in subsidiaries		-	-	-
Intangible assets		22,329	21,395	22,135
Deferred tax asset		255	499	209
Total non-current assets		34,042	32,588	32,991
Total assets		41,118	39,680	40,532
LIABILITIES				
Current liabilities				
Interest-bearing liabilities		10,146	5,619	4,469
Trade and other payables		3,748	15,383	9,638
Current tax liabilities		-	345	-
Derivative financial instruments		-	38	-
Deferred income		3,553	-	3,892
Total current liabilities		17,447	21,385	17,999
Non-current liabilities				
Interest-bearing liabilities		-	52	-
Deferred income		1,844	179	3,197
Deferred tax liabilities		97	-	71
Total non-current liabilities		1,941	231	3,268
Total liabilities		19,388	21,616	21,267
Net assets		21,730	18,064	19,265
EQUITY				
Share capital	5	15,709	12,210	12,524
Retained earnings		5,867	5,855	6,872
Reserves		154	(1)	(131)
Total equity		21,730	18,064	19,265

For and on behalf of the board:



Jim McLay
Chairman
13 March 2007



Ian Malcolm
Director

The accompanying notes to the financial statements are an integral part of, and should be read in conjunction with, the above consolidated balance sheet.

Just Water International Limited **Consolidated statement of changes** **in equity (unaudited)** **For the six months ended 31 December 2006**

	Share capital \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000	Total equity \$'000
GROUP				
Balance at 1 July 2005	9,115	-	5,197	14,312
Issue of options	14	-	-	14
Issue of ordinary shares	3,081	-	-	3,081
Foreign currency translation reserve	-	(1)	-	(1)
Total recognised income for the year	-	-	1,848	1,848
Dividend paid	-	-	(1,190)	(1,190)
Balance at 31 December 2005	12,210	(1)	5,855	18,064
Issue of options	-	-	-	-
Issue of ordinary shares	314	-	-	314
Foreign currency translation reserve	-	(130)	-	(130)
Total recognised income for the year	-	-	2,143	2,143
Dividend paid	-	-	(1,126)	(1,126)
Balance at 30 June 2006	12,524	(131)	6,872	19,265
Issue of options	40	-	-	40
Issue of ordinary shares	3,145	-	-	3,145
Foreign currency translation reserve	-	285	-	285
Total recognised income for the year	-	-	442	442
Dividend paid	-	-	(1,447)	(1,447)
Balance at 31 December 2006	15,709	154	5,867	21,730

The accompanying notes to the financial statements are an integral part of, and should be read in conjunction with, the above consolidated statement of changes in equity.

Financial statements

Just Water International Limited Consolidated cash flow statement (unaudited)

For the six months ended 31 December 2006

	Note	Group 6 months ended 31 December 2006 \$'000	Group 6 months ended 31 December 2005 \$'000
Cash flows from operating activities			
Cash generated from operations		3,536	3,100
Interest paid		(790)	(247)
Interest received		20	7
Income tax paid		(636)	(723)
Net cash generated from operating activities	6	2,130	2,137
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		(3,701)	(4,370)
Purchases of property, plant and equipment		(1,704)	(1,023)
Proceeds from sale of property, plant and equipment		-	73
Purchases of intangible assets		(4)	-
Net cash used in investing activities		(5,409)	(5,320)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		730	50
Proceeds from borrowings		5,677	5,575
Repayment of borrowings		-	-
Deferred income		(1,692)	-
Dividends paid to company's shareholders		(1,447)	(1,190)
Net cash used in financing activities		3,268	4,435
Net (decrease) / increase in cash, cash equivalents and bank overdrafts		(11)	1,252
Cash and cash equivalents at the beginning of the financial year		1,092	231
Cash and cash equivalents at the end of year		1,081	1,483

The accompanying notes to the financial statements are an integral part of, and should be read in conjunction with, the above consolidated cash flow statement.



Just Water International Limited

Notes to the financial statements

For the six months ended 31 December 2006

1. GENERAL INFORMATION

Just Water International Limited (JWI) is a public company registered under the Companies Act 1993 and is listed with the New Zealand Stock Exchange on the NZAX.

The Group comprises JWI and its division Just Water New Zealand, and its wholly-owned subsidiaries Aqua-Cool Limited (Aqua-Cool), Clearwater Filter Systems (Aust) Pty Limited (Clearwater), Just Water Australia Pty Limited (JW Australia) and Just Water Victoria Pty Limited (JW Victoria).

In August 2005 the subsidiary JW Victoria was acquired.

In November 2005 the subsidiary Clearwater was acquired.

These consolidated financial statements have been approved for issue by the board of directors on 13 March 2007.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of compliance

The interim financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting. The consolidated interim financial statements do not include all of the information required for full annual financial statements.

The accounting policies are consistent with those used in the June 2006 financial report.

2.2. Basis of preparation

2.2.1. Statutory base

Just Water International Limited is a limited liability company which is domiciled and incorporated in New Zealand. It is registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978.

The financial statements have been prepared and presented in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

The accounting principles recognised as appropriate for the measurement and reporting of profit and loss and financial position on an historical cost basis have been applied, with the exception of the assets stated at their fair value, fixed assets, derivative financial instruments and financial instruments classified as available-for-sale.

The preparation of financial statements in accordance with NZ IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates.

3. CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates and judgments concerning the future. The resulting estimates may not equal related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

3.1. Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment.

3.2. Income Taxes

The Group is subject to income taxes in two different jurisdictions. Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4. SEGMENT INFORMATION

Business segments

The Group operates in one primary business segment, being the bottled water and point-of-use water-cooler sector.

Geographical segments

Following the acquisitions of Clearwater and Just Water Victoria, the Group now operates in two geographic segments – New Zealand and Australia.

	New Zealand 6 months ended 31 December 2006 \$'000	Australia 6 months ended 31 December 2006 \$'000	Eliminations 6 months ended 31 December 2006 \$'000	Group total 6 months ended 31 December 2006 \$'000
Rental income	6,811	2,355	-	9,166
Sales and service income	3,377	2,622	-	5,999
Other operating income	288	46	(314)	20
Income	10,476	5,023	(314)	15,185
Earnings before interest, tax, depreciation and amortisation	3,244	(239)	(288)	2,717
Depreciation	689	191	-	880
Amortisation	-	154	-	154
Earnings before interest and tax	2,555	(584)	(288)	1,683
Interest expense	310	768	(288)	790
Profit before income tax	2,245	(1,352)	-	893
Income tax expense	761	(310)	-	451
Profit attributable to shareholders of the company	1,484	(1,042)	-	442
Total tangible assets	29,839	5,976	(17,026)	18,789
Total assets	35,079	23,065	(17,026)	41,118
Total liabilities	12,854	16,838	(10,304)	19,388

Financial statements

4. SEGMENT INFORMATION (CONTINUED)

	New Zealand 6 months ended 31 December 2005 \$'000	Australia 6 months ended 31 December 2005 \$'000	Eliminations 6 months ended 31 December 2005 \$'000	Group Total 6 months ended 31 December 2005 \$'000
Rental income	6,401	180	-	6,581
Sales and service income	3,897	1,707	-	5,604
Other operating income	17	-	-	17
Income	10,315	1,887	-	12,202
Earnings before interest, tax, depreciation and amortisation	3,032	478	-	3,510
Depreciation	596	130	-	726
Amortisation	55	1	-	56
Earnings before interest and tax	2,381	347	-	2,728
Interest expense	21	226	-	247
Profit before income tax	2,360	121	-	2,481
Income tax expense	586	47	-	633
Profit attributable to shareholders of the company	1,774	74	-	1,848
Total tangible assets	12,986	5,299	-	18,285
Total assets	33,126	6,554	-	39,680
Total liabilities	14,914	6,702	-	21,616

5. SHARE CAPITAL

Movements in ordinary share capital

	Number of shares	Share capital \$'000
Ordinary shares on issue as at 30 June 2006	70,353,766	12,524
Shares issued		
– Tranche 2 payment	2,683,601	2,415
– Share options exercised	1,000,000	600
– Share issued in lieu of directors' fees	123,200	130
Fair value of options issued to directors and employees	-	40
Ordinary shares on issue as at 31 December 2006	74,160,567	15,709

The Group issued 2,683,601 shares on 7 September 2006 to the shareholders of Clearwater as part of the purchase consideration for 100 percent of its ordinary share capital. The ordinary shares issued have the same rights as the others shares in issue. The fair value of the shares issued amounted to \$2.415 million.

The Group issued 123,200 shares in November 2006 to the directors of Just Water International Limited in lieu of directors' fees for the year, to the value of \$130,000.

Financial statements

6. RECONCILIATION OF NET PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Group 6 months ended 31 December 2006 \$'000	Group 6 months ended 31 December 2005 \$'000
Profit for the year	442	1,848
Adjustments for		
Tax	56	(413)
Depreciation	880	726
Amortisation	154	56
(Profit)/loss on sale of property, plant and equipment	176	-
Fair value gains on derivative financial instruments	-	27
Share options issued	40	-
Provision for doubtful debts	13	(17)
Changes in working capital (excluding the effects of acquisition)		
Inventories	(260)	(769)
Trade and other receivables	414	(1,526)
Trade and other payables	215	2,205
Cash generated from operations	2,130	2,137

“Just Water’s management team is committed to building Just Water’s long-term value through continued growth in customers, and the resulting growth in long-term operating cash flow.”

Just Water International Limited Prospectus 7 May 2004



