



Half-year Report

for the six months ended
31 December 2017



Just Water International Limited

Directory

Directors

Tony Falkenstein (Executive/Chairman)
Ian Malcolm (Non-Executive)
Brendan Wood (Independent)

Executive management

Tony Falkenstein
Chief Executive Officer

Eldon Roberts
Chief Operating Officer and Chief Financial Officer

Registered office and address for service

Unit 1, 36 Sale Street
Victoria Quarter Precinct
Auckland 1010
New Zealand

P O Box 221
Shortland Street
Auckland 1140
New Zealand

Auditors

PricewaterhouseCoopers

JWI on the web

www.jwi.co.nz
www.justwater.co.nz
www.justwaterfilters.co.nz
www.aquacool.co.nz
www.melambra.com

Just Water New Zealand

103 Hugo Johnston Drive
Penrose
Auckland 1061
New Zealand

Private Bag 92811
Penrose
Auckland 1642
New Zealand

Tel +64 9 630 1300
Fax +64 9 630 9300

Just Water New Zealand is a division of Just Water International Limited

Bankers

Bank of New Zealand Limited

Solicitors

Harmos Horton Lusk
Daniel Overton & Goulding

Share registry

Link Market Services
Level 10, Deloitte Centre
80 Queen Street
Auckland
New Zealand

PO Box 91976
Auckland 1142
New Zealand
Tel +64-9 308 8887
Fax +64-9 308 1311

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For the six months ended 31 December 2017**

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Chairman's and Chief Executive's review

First-half 2018 announcement

The directors of Just Water International Limited are pleased to present the cash flow and financial results for the six months ended 31 December 2017.

Cash Flow:

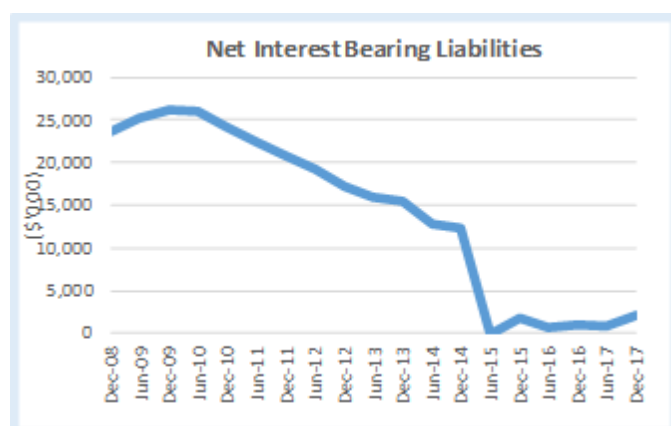
The Company has always regarded "cash flow" as the most important indicator of the Company's performance, following the maxim "profit is a matter of opinion; cash is a matter of fact".

The Company generated \$0.928 million in cashflow from operations in the 6 months to 31 December 2017 (\$1.409 million previous year). Part of the operating outgoing cashflow was \$0.849 million for the purchase of non-current assets held for rental, being an increase from \$0.481 million in the previous six months. The Company believes it will continue to generate positive cash flow from operations in the second half of the year.

Debt:

As at 31 December 2017, the company's interest bearing liabilities (net of cash balances) were \$2.135 million. This compared to \$0.964 million at the same time last year, and \$0.900 million at 30 June 2017. The increase in debt since year-end has arisen from the investment in non-current assets held for rental and the payment of the annual dividend during the six-month period.

Debt remains close to historical lows – refer to the graph below. Effective 1 January 2018 the Company acquired 51% of the shares in HomeTech Ltd for \$4.152 million and \$0.509 million for an advance to JWJ. \$0.600 million remains to be paid in respect of the shares by means of four annual payments of \$0.150 million from 30 June 2018 to 30 June 2021.



Acquisition:

On 22 December 2017 the Group entered into an agreement to acquire 51% of the shares in HomeTech Limited effective 1st January 2018. HomeTech Limited is a New Zealand business that transforms homes and workplaces into better living and working spaces.

As previously advised, HomeTech had revenues in the past year of \$18 million, with earnings before interest and tax of \$2 million.

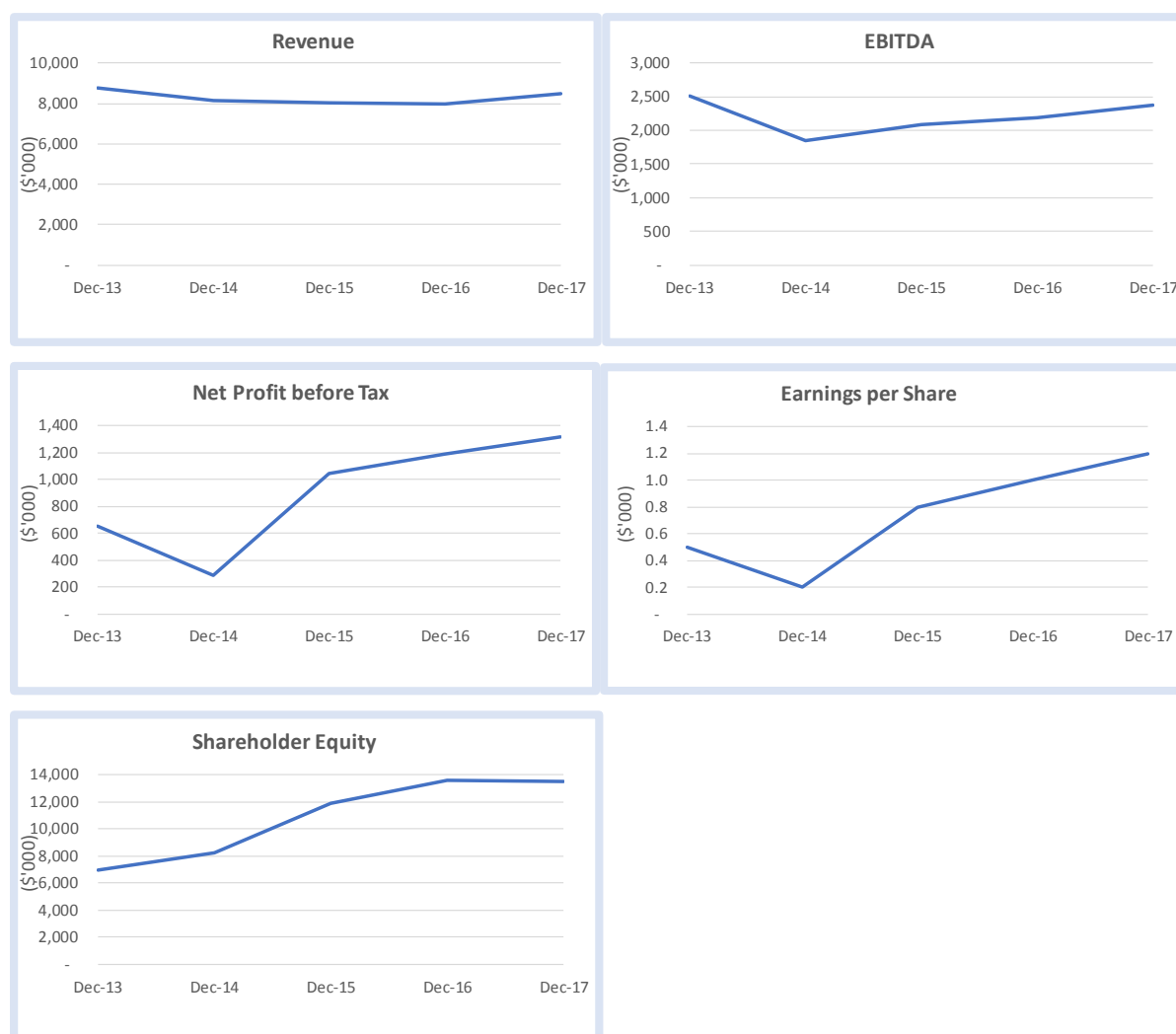
HomeTech Ltd will be consolidated into the accounts of the Group with the appropriate accounting for the minority interest still held by the previous owner of the company.

Just Water International Limited

Results:

	Current year \$'000	Previous year \$'000	% change
Operating Revenue	8,483	7,959	7%
Non-Operating Revenue	-	-	
EBITDA	2,368	2,191	8%
Depreciation & Amortisation	(1,027)	(969)	(6%)
EBIT	1,341	1,222	10%
Interest	(29)	(33)	12%
Net profit before tax	1,312	1,189	10%

All key KPI's showed positive trends during the period with Operating Revenue increasing by \$524,000 (+7%), EBITDA increasing by \$177,000 (+8%) and EBIT increasing by \$119,000 (+10%).



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Just Water International Limited

Dividends:

The directors have decided to pay one dividend a year, to be announced concurrent with the release of the full year result. Current indications are that the final dividend is likely to be 2.2 cents per share, a 10% increase on the previous year.

Further Outlook:

The summer has been very advantageous for any companies selling beverages, this being the best summer for several years. For Just Water, this has resulted in increased sales which will flow through to the year-end performance.

Directors:

Since the Board was appointed in January 2015, I have been serving shareholders as both Chairman and CEO. In the circumstances, the Board considered that this was the most appropriate structure. As heralded at the Annual Meeting the directors have decided that a new director would be appointed, with a view to that person becoming Chairman at the next Annual Meeting. Discussions with candidates are currently taking place, with a view to appointing a new director before June 2018.

Audit:

The financial statements for the six months ended 31 December 2017 and 31 December 2016 are unaudited. The comparative information for the year ended 30 June 2017 is audited.

Bank covenants:

The Company was in compliance with all bank covenants as at 31 December 2017.

Expected Future Income Rental Streams:

As at 31 December 2017 there was in excess of \$76 million in expected future rental income stream which is not recognised in the financial statements. Consistent with prior disclosures, expected future rental income streams have been calculated on the basis of the last month's rental income multiplied by the average customer life, which is in excess of seven years.

Share buyback programme:

The share buyback programme for a 12-month period from 22nd February 2017 to 16th February 2018 has concluded. The directors have decided not to rollover this program at this time. This will be reviewed on a regular basis and the shareholders updated accordingly.

Board

I would again like to thank my fellow directors, Ian Malcolm and Brendan Wood for their ongoing input and support in the advancement of the company.

Staff

The directors would like to thank the team for their commitment to achieving continuous improvement and striving to provide the highest level of service to our customers. The Company was a finalist in the IBM Best Workplace Survey, and won the Most Improved Award for performance over the previous year.



Tony Falkenstein
Chairman and Chief Executive

Just Water International Limited

Consolidated statement of comprehensive income (unaudited)

For the six months ended 31 December 2017

	GROUP YEAR ENDED 31 DECEMBER 2017 \$'000	GROUP YEAR ENDED 31 DECEMBER 2016 \$'000
Operating revenue	8,483	7,959
Other operating income	-	-
Income	8,483	7,959
Employee costs	(3,345)	(2,961)
Changes in inventories of finished goods and consumables	(66)	26
Purchases of finished goods and consumables	(732)	(664)
Other expenses	(1,972)	(2,169)
Earnings before interest, tax, depreciation and amortisation	2,368	2,191
Depreciation	(703)	(682)
Amortisation	(324)	(287)
Earnings before interest and tax	1,341	1,222
Interest expense	(29)	(33)
Earnings before income tax	1,312	1,189
Income tax expense	(276)	(323)
Earnings after income tax	1,036	866
Total comprehensive income	1,036	866
Earnings per share for profit attributable to the shareholders of the Parent		
Basic and diluted earnings per share (cents)	1.2	1.0

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

Just Water International Limited

Consolidated balance sheet

As at 31 December 2017

	GROUP AS AT 31 DECEMBER 2017 \$'000	GROUP AS AT 31 DECEMBER 2016 \$'000	GROUP AS AT 30 JUNE 2017 \$'000 (audited)
ASSETS			
Current assets			
Cash and cash equivalents	3	96	2
Trade and other receivables	2,040	1,833	1,753
Current tax receivables	42	-	-
Inventories	440	350	375
Total current assets	2,525	2,279	2,130
Non-current assets			
Property, plant and equipment	9,432	8,674	8,976
Intangible assets	5,328	5,313	5,270
Deferred tax asset	732	693	743
Other assets	485	475	535
Total non-current assets	15,977	15,155	15,524
Total assets	18,502	17,434	17,654
LIABILITIES			
Current liabilities			
Interest bearing liabilities	487	694	674
Trade and other payables	2,733	2,402	2,379
Current tax payable	-	203	72
Deferred income	180	222	200
Total current liabilities	3,400	3,521	3,325
Non-current liabilities			
Interest bearing liabilities	1,650	366	228
Total non-current liabilities	1,650	366	228
Total liabilities	5,050	3,887	3,553
Net assets	13,452	13,547	14,101
EQUITY			
Share capital	21,540	22,455	21,485
Accumulated losses	(8,431)	(8,908)	(7,727)
Asset revaluation reserve	343	-	343
Total equity	13,452	13,547	14,101

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 2017

	SHARE CAPITAL \$'000	ASSET REVALUATION RESERVE \$'000	ACCUMULATED LOSSES \$'000	TOTAL EQUITY \$'000
GROUP				
Balance at 1 July 2016	22,523	-	(9,774)	12,749
Profit after tax	-	-	866	866
Total comprehensive income for the period	-	-	866	866
Shares cancelled	(68)	-	-	(68)
Balance at 31 December 2016	22,455	-	(8,908)	13,547
Profit after tax	-	-	1,181	1,181
Other comprehensive income	-	343	-	343
Total comprehensive income for the period		343	1,181	1,524
Shares cancelled	(970)	-	-	(970)
Balance at 30 June 2017	21,485	343	(7,727)	14,101
Profit after tax	-	-	1,036	1,036
Total comprehensive income for the period	-	-	1,036	1,036
Issue of ordinary shares	55	-	-	55
Dividend paid	-	-	(1,740)	(1,740)
Balance at 31 December 2017	21,540	343	(8,431)	13,452

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 (unaudited).

Just Water International Limited

Consolidated cash flow statement (unaudited)

For the six months ended 31 December 2017

	GROUP YEAR ENDED 31 DECEMBER 2017 \$'000	GROUP YEAR ENDED 31 DECEMBER 2016 \$'000
Cash flows from operating activities		
Receipts from customers	8,014	7,798
Payments to suppliers and employees	(5,829)	(5,489)
Interest paid	(29)	(33)
Income tax paid	(379)	(386)
Purchases of non-current assets held for rental	(849)	(481)
Net cash generated from operating activities	928	1,409
Cash flows from investing activities		
Purchases of plant and equipment	(363)	(1,596)
Purchases of intangible assets	(117)	(30)
Net cash used in / (from) investing activities	(480)	(1,626)
Cash flows from financing activities		
Proceeds from borrowings	1,600	700
Repayment of borrowings	(442)	(435)
Shares purchased and cancelled	-	(67)
Dividends paid to company's shareholders	(1,682)	-
Net cash used in financing activities	(524)	198
Net decrease / (increase) in cash, cash equivalents and bank overdrafts	(76)	(19)
Cash and cash equivalents at the beginning of the financial year	(56)	(64)
Bank Balances included in interest bearing liabilities	135	179
Cash and cash equivalents at the end of the period	3	96

Excluded from the consolidated cashflow statement for the six months ended 31 December 2017 are all non-cash transactions that were made by way of Bartercard.

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 (unaudited)

Notes to the consolidated financial statements

1. GENERAL INFORMATION

The consolidated interim financial statements for the Group are for the economic entity comprising Just Water International Ltd and its subsidiaries. The Group's principal activity is the rental and service of water coolers to customers as well as the sale of water and water products.

The Group comprised JWI and its division Just Water New Zealand, and its wholly-owned subsidiaries, Drinksafe International Limited, Just Water Limited, Just Water New Zealand Limited, Vitablast Limited, Mercy Health Group Limited, Melambra Limited, Melambra Gold Limited and HJD Properties Limited.

Just Water International Limited is a limited liability company which is domiciled and incorporated in New Zealand. The address of its registered office is Unit 1, 36 Sale Street, Auckland, New Zealand.

These consolidated interim financial statements have been approved for issue by the board of directors on 20 February 2018. The board of directors have the power to amend the consolidated interim financial statements.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant NZ IFRS accounting policies are set out below and have been applied consistently to all periods presented in these consolidated interim financial statements. There are no changes to accounting policies or related disclosures.

2.1 Statement of compliance

The consolidated interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice (GAAP) in New Zealand. The consolidated interim financial statements have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards. They comply with NZ IAS 34 Interim Financial Reporting and consequently do not include all the information for full financial statements. These condensed Group consolidated interim financial statements should be read in conjunction with the Annual Report for the year ended 30 June 2017.

The accounting policies used are consistent with those used in the previous Annual Report. The financial statements for the six months ended 31 December 2017 and 31 December 2016 are unaudited. The comparative information for this year 30 June 2017 is audited. Certain comparative information has been reclassified in order to provide a more appropriate basis for comparison.

The Group has designated itself as a for profit entity for the purposes of complying with NZ IFRS. The consolidated interim financial statements comply with International Financial Reporting Standards (IFRS).

2.2 Comparatives

Certain comparative information has been reclassified in order to provide a more appropriate basis for comparison.

3. BASIS OF PREPARATION

3.1 Statutory base

Just Water International Limited is a company registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The consolidated interim financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Act 2013 and the NZAX Main Board Listing Rules. In accordance with the Financial Markets Conduct Act 2013 because consolidated interim financial statements are prepared and presented for Just Water International Limited and its subsidiaries, separate financial statements for Just Water International Limited are no longer required to be prepared and presented.

The interim financial statements have been prepared and presented in accordance with the requirements of the Financial Reporting Act 2013 and the NZX. Just Water International Ltd is registered under the Companies Act 1993 and is a Financial Markets Conduct Reporting Entity under the Financial Markets Conduct Act 2013 beginning 1 December 2014.

3.2 Historical cost convention

The consolidated interim financial statements have been prepared under the historical cost convention as modified by the revaluation of land & buildings.

3.3 Going concern

The consolidated interim financial statements have been prepared on a going concern basis. As at 31 December 2017 the Group had negative working capital. The directors have assessed the financial performance of the Group including forecast cash flows and are satisfied that the going concern assumption remains appropriate.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated interim 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.

4.1 Goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

4.2 Deferred Tax

The utilisation of the deferred tax asset relating to temporary differences is dependent on future tax profits in excess of the profits arising from the reversal of existing taxable temporary differences. Income tax losses are reviewed annually for each tax jurisdiction to ensure it is probable that these losses will be utilised based on current forecasts. If it is not probable they will be utilised, the losses are de-recognised.

4.3 Receivables

Management regularly reviews the receivables ledger and makes provision against those balances that management believes are not collectible.

4.4 Income taxes

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. Deferred income tax is determined using the tax rate (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. 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.

4.5 Coolers

Management regularly reviews the status of cooler rental agreements and provide for coolers where these are deemed not recoverable from customers.

5. SEGMENT INFORMATION

An operating segment is a component of an entity that engages in business activities, which earns revenue and incurs expenses and for which the chief operating decision maker (CODM) reviews the operating results on a regular basis and makes decisions on resource allocation. The Group has determined its CODM to be the Board of Directors on the basis that it is this group which determines the allocation of resources to segments and assesses their performance.

The Company operates and sells its products in New Zealand. The segment information that the CODM reviews in order to allocate resources and to assess the performance of the Group is consistent with the financial information presented in the consolidated statement of comprehensive income.

6. SHARE CAPITAL

All ordinary shares rank equally with one vote attached to each fully-paid ordinary share. Shares have no par value. The Company is listed on the NZAX - the secondary market of the New Zealand Stock Exchange.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number and amounts paid on the shares held.

Every holder of ordinary shares, present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Movements in ordinary share capital:

	NUMBER OF SHARES	SHARE CAPITAL \$'000
Ordinary shares on issue as at 1 July 2016	89,727,174	22,523
Shares cancelled	(3,787,388)	(1,038)
Ordinary shares on issue as at 30 June 2017	85,939,786	21,485
Shares cancelled	(9,192)	-
Shares issued under Dividend Reinvestment Plan	128,507	55
Ordinary shares on issue as at 31 December 2017	86,059,101	21,540

7. COMMITMENTS

Capital commitments

The Group has capital commitments \$478,821 (2016: \$146,952 and US\$126,332) of capital expenditure contracted but not recognised and nil foreign exchange forward cover contracts (2016: Nil).

Lease commitments: Group as lessee

Operating leases

The Group leases various offices and warehouses under non-cancellable operating leases. The leases have varying terms and renewal rights and escalation clauses based on the CPI index. On renewal, the terms of the leases are renegotiated.

A summary of the terms of the major lease agreements in place for the Group are as follows:

Just Water International Limited

COMMITMENTS CONTINUED

	INITIAL LEASE TERM	RIGHTS OF RENEWAL
Hamilton offices/warehouse	Three years	One of three years each
Wellington offices/warehouse	Twelve years	Two of three years each

The Group also leases various plant and machinery under cancellable operating leases. The Group is required to give six months' notice for termination of these leases.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	GROUP AS AT 31 DECEMBER 2017 \$'000	GROUP AS AT 31 DECEMBER 2016 \$'000
Within one year	86	163
Later than one year but not later than five years	360	427
Later than five years	-	-
Commitments not recognised in the consolidated financial statements	446	590

Finance leases

The Group leases various motor vehicles under non-cancellable finance leases. The finance lease rentals are payable as follows:

	GROUP AS AT 31 DECEMBER 2017 \$'000	GROUP AS AT 31 DECEMBER 2016 \$'000
Within one year	487	560
Later than one year but not later than five years	-	366
Minimum lease payments	487	926
Future finance charges	(135)	(350)
Finance lease recognised in the balance sheet	352	576

Lease commitments: As lessors

Operating leases

The Group leases assets to third parties under non-cancellable operating leases. No contingent rents are recognised as income in the period. Generally lease payments receivable arise from rental contracts of water-coolers which are contracted for a three-year period and most contracts automatically roll over for further periods. The amounts below only include receivables within the initial three-year period.

COMMITMENTS CONTINUED

Expected minimum lease receipts in relation to non-cancellable operating leases are receivable as follows:

	GROUP AS AT 31 DECEMBER 2017 \$'000	GROUP AS AT 31 DECEMBER 2016 \$'000
Within one year	7,912	8,215
Later than one year but not later than five years	6,486	6,720
Future lease receipts not recognised in the consolidated financial statements	14,398	14,935

8. RELATED PARTIES

The Group's ultimate parent is the Harvard Group, which owns or has voting entitlements for 80.1% of the company's shares. The remaining 19.9% is widely held. The Group's ultimate controlling parties are Ian Malcolm and Tony Falkenstein.

The Group has a number of loans and advances outstanding from other related parties at balance date. These advances do not have fixed repayment terms and all advances between related parties are unsecured.

Pure SEO Limited, a company of which Tony Falkenstein and Ian Malcolm are directors and indirect shareholders, provided internet search engine optimisation services to the Group during the financial period to the value of \$7,350 (2016: \$10,950). As at balance date the Group had a trade payable balance of \$1,208 (2016: \$1,208). Balances are settled in cash.

MHK Chartered Accountants Limited, a company of which Ian Malcolm is a director and a shareholder, provided accounting compliance and accounting services to the Group during the financial period to the value of \$5,358 (2016: \$4,320). Ian Malcolm is also a shareholder of the Parent. As at balance date the Group had a trade payable balance of \$3,220 (2016: \$460). Balances are settled in cash.

Daniel Overton & Goulding, a company of which Brendan Wood is a partner, provided legal services to the Group during the financial period to the value of \$533 (2016: \$760). As at balance date the Group had a trade payable balance of \$0 (2016: \$0). Balances are settled in cash.

The Harvard Group Ltd, a company of which Tony Falkenstein and Ian Malcolm are directors and indirect shareholders, provided Management fees for Tony to the Group during the financial period to the value of \$120,000 (2016: \$120,000). As at balance date the Group had a trade payable balance of \$0 (2016: \$0). Balances are settled in cash.

Key management and directors compensation is as follows:

	GROUP YEAR ENDED 31 DECEMBER 2017 \$'000	GROUP YEAR ENDED 31 DECEMBER 2016 \$'000
Short-term benefits	337	295
Directors fees	29	29
Total key management compensation	366	324

RELATED PARTIES CONTINUED

The number of key managers and directors for the period ended 31 December 2017 for the group was 5 (2016: 5).

Outstanding balance of employee entitlements as at 31 December 2017 is \$43,354 (2015: \$44,521). Balances are settled in cash.

9. FINANCIAL RISK MANAGEMENT

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Balances due within 12 months equal their carrying balances. The table below shows the contractual undiscounted cash flows:

	LESS THAN 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS
GROUP	\$'000	\$'000	\$'000	\$'000
As at 31 December 2017				
Trade and other payables	2,016	-	-	-
Bank overdraft	135	-	-	-
Bank borrowings	-	-	1,876	-
Finance leases	352	-	-	-
As at 31 December 2016				
Trade and other payables	2,123	-	-	-
Bank overdraft	179	-	-	-
Bank borrowings	359	-	-	-
Finance leases	210	366	-	-

Fair value estimation

Financial instruments are measured at fair value using the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from process) (level 2)
- Inputs for the assets and liabilities that are not based on observable market data (that is, unobservable inputs) (level 3)

All the Group's financial instruments have been measured at the fair value measurement hierarchy of level 2.

Financial liabilities measured at amortised cost are fair value using the contractual cash flows. The effects of discounting are generally insignificant.

All financial assets are classified as loans and receivables. All financial liabilities are classified measured at amortised cost. The carrying value of financial assets and liabilities approximates their fair value.

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

	GROUP YEAR ENDED 31 DECEMBER 2017 \$'000	GROUP YEAR ENDED 31 DECEMBER 2016 \$'000
Profit for the year	1,036	866
Adjustments for		
Depreciation	703	682
Amortisation	324	287
Loss on sale of property, plant and equipment	54	37
Provision for doubtful debts	24	12
Provision for tax	(114)	(217)
Deferred tax	(11)	154
Changes in working capital		
Inventories	(64)	26
Trade and other receivables	(306)	(139)
Trade and other payables	151	154
Movement in deferred income	(19)	28
Other adjustments		
Purchases of non-current assets held for rental	(849)	(481)
Net cash generated from operating activities	928	1,409

11. SUBSEQUENT EVENTS

On 22 December 2017, the Group entered into an agreement to acquire 51% shareholding in Hometech Limited effective 1ST January 2018. Hometech Limited is a New Zealand business that transforms homes and workplaces into better living and working spaces. The value of the transaction was \$4.152 million for the purchase of the shares and \$0.509 million for an advance to JWI. \$0.600 million remains to be paid in respect of the purchase of the shares by means of four annual payments of \$0.150 million from 30 June 2018 to 30 June 2021

The assessment of underlying assets and liabilities and resulting goodwill upon acquisition has not been finalised at the time this report was prepared.

NOTES

