

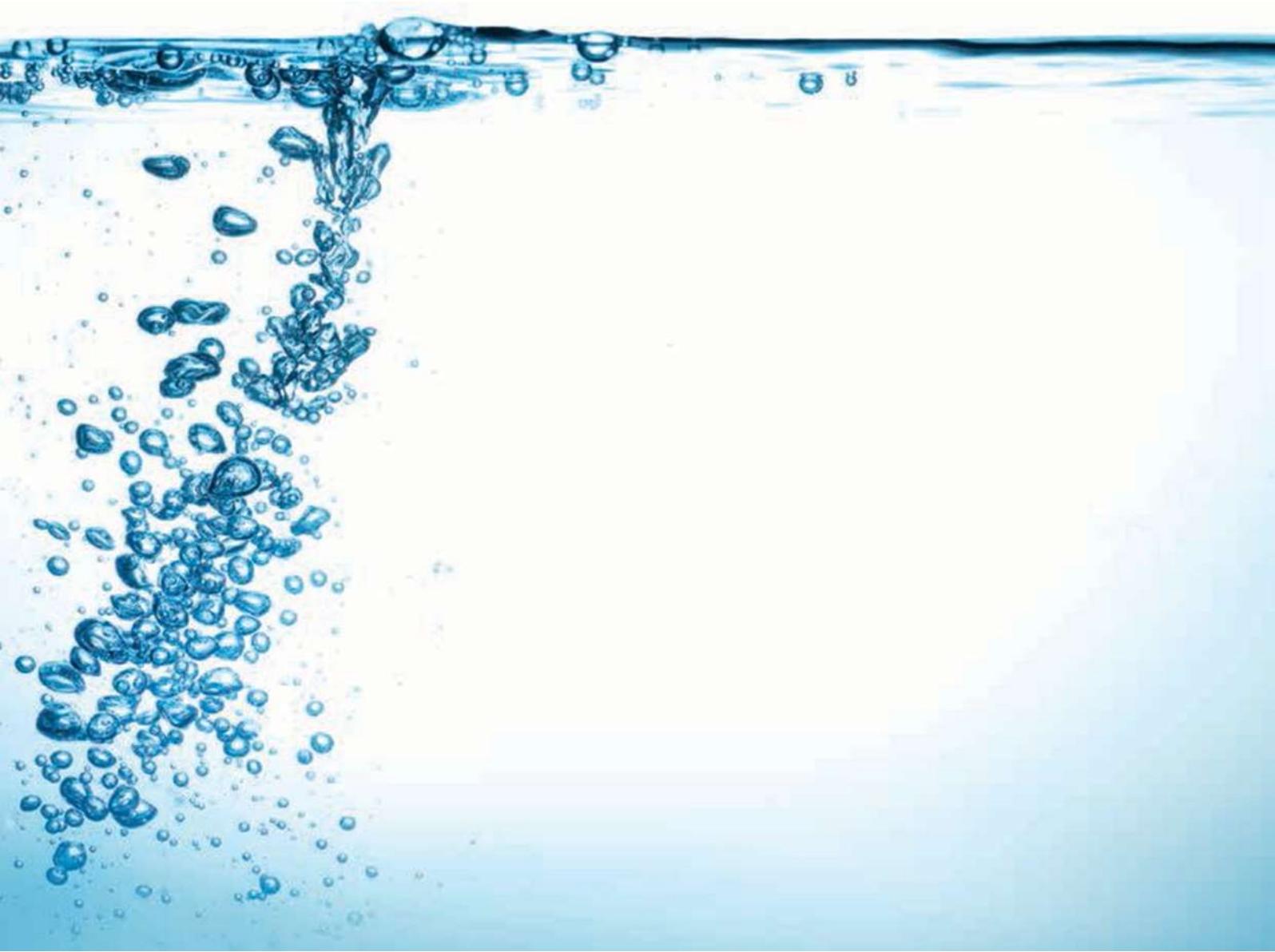


Just Water International Limited

Half-year Report

for the six months ended

31 December 2014



Directory

Directors

Tony Falkenstein (Executive/Chairman)
Ian Malcom (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.clearwaterfilters.com.au
www.justwaterfilters.com.au
www.purerain.com.au
www.aquaman.com.au
www.thewatercoolercompany.com.au

Just Water New Zealand

114 Rockfield Road
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

Clearwater Filter Systems (Aust) Pty Limited

Unit 40, Building F, Lane Cove Business Park
16 Mars Road, Lane Cove
NSW 2066
Australia

Tel +61-2 8962 4200
Fax +61-2 8962 4270

Clearwater Filter Systems (Aust) Pty Limited is a subsidiary of Just Water International Limited through the Just Water Limited Partnership

Bankers

Bank of New Zealand Limited
National Australia Bank Limited

Solicitors

Harmos Horton Lusk
Daniel Overton & Goulding

Share registry

Link Market Services
Level 7, Zurich House
21 Queen Street
Auckland
New Zealand

PO Box 91976
Auckland 1142
New Zealand

Tel +64-9 375 5998
Fax +64-9 375 5990

Contents

| | |
|--|-----|
| Chairman's and Chief Executive's review | 2-5 |
|--|-----|

Just Water International Limited

Consolidated financial statements (unaudited)

For the six months ended 31 December 2014

| | |
|--|-------|
| Consolidated statement of comprehensive income | 6 |
| Consolidated balance sheet | 7 |
| Consolidated statement of changes in equity | 8 |
| Consolidated cash flow statement | 9 |
| Notes to the financial statements | 10-20 |

Chairman's and Chief Executive's review

First-half 2015 announcement

It has been an eventful first half, with most shareholder attention being directed on the takeover offer by the Harvard Group Joint Venture.

Takeover Offer:

Apart from a personal attack on my integrity by one shareholder, the unconditional takeover offer was considered a huge success. For those who had purchased JWI shares in the last 4 years, they were thrilled with the gain of up to 50% on their investment, while those shareholders who had purchased prior were able to reduce their losses significantly. I was delighted that shareholders holding about 20% of the shareholding in JWI took a long term view on their investment, and were prepared to back the focus I outlined in the takeover offer, as well as my leadership of the Company.

Cash Flow:

Although management has and continues to focus on reducing debt, the acceptance by shareholders of debt reduction as the priority over profitability was galvanised by the outcome of the Takeover Offer. This will be regularly reported upon by the graph below which we will update in each Half Year and Annual Report going forward:



Dividends:

The long term view of shareholders who accepted the Takeover Offer is acknowledged, and aligns the view of the major shareholder with all other shareholders. As stated during the Takeover Offer period, until debt is repaid using surplus funds generated from operations, there is no intent to pay a dividend.

Just Water International Limited

Results:

Consolidated result

| | Current half-year (unaudited) \$'000 | Previous Corresponding half-year (unaudited) \$'000 | % |
|-----------------------------|---|---|--------|
| | | | change |
| Operating Revenue | 12,292 | 13,502 | (9%) |
| EBITDA | 2,752 | 3,652 | (25%) |
| Depreciation & Amortisation | (1,638) | (1,860) | 12% |
| EBIT | 1,114 | 1,792 | (38%) |
| Interest | (422) | (560) | 25% |
| Net profit before tax | 692 | 1,232 | (44%) |
| Tax | (122) | (168) | 27% |
| Net Profit After Tax | 570 | 1,064 | (46%) |

The trend of reducing revenue continues, as is typical in mature markets. The previous year's EBITDA results included an exchange gain of \$249,000(2015: \$0) and a profit of \$159,000 from Just Plants, a business that was sold in June 2014. A restructure of the New Zealand Company in the first half resulted in a one-time restructuring cost of \$191,000.

New Zealand

| | Current half-year (unaudited) \$'000 | Previous Corresponding half-year (unaudited) \$'000 | % |
|-----------------------------|---|---|--------|
| | | | change |
| Operating Revenue | 8,153 | 9,047 | (10%) |
| EBITDA | 1,838 | 2,650 | (31%) |
| Depreciation & Amortisation | (1,153) | (1,368) | 16% |
| EBIT | 685 | 1,282 | (47%) |
| Net Profit after tax | 266 | 529 | (50%) |

As previously indicated, this is a mature market, and the trending of lower revenues and margin continues. The Company continues to seek acquisition opportunities where it can utilise its core competencies..

Australia (New Zealand dollars)

| | Current half-year (unaudited) NZ \$'000 | Previous Corresponding half-year (unaudited) NZ \$'000 | % |
|-----------------------------|--|--|--------|
| | | | change |
| Operating Revenue | 4,139 | 4,455 | (7%) |
| EBITDA | 914 | 1,002 | (9%) |
| Depreciation & Amortisation | (485) | (492) | 1% |
| EBIT | 429 | 510 | (16%) |
| Net Profit after tax | 304 | 535 | (43%) |

The New Zealand dollar continues to strengthen against the Australian dollar with a resulting adverse impact on the overall Group results. Australian results in Australian dollars are shown below.

Just Water International Limited

Australia (Australian dollars)

| | Current half-year (unaudited) A \$'000 | Previous Corresponding half-year (unaudited) A \$'000 | % change |
|-----------------------------|---|---|-------------|
| Operating Revenue | 3,777 | 3,929 | (4%) |
| EBITDA | 834 | 884 | (6%) |
| Depreciation & Amortisation | (443) | (434) | (2%) |
| EBIT | 391 | 450 | (13%) |
| Net Profit after tax | 277 | 472 | (41%) |

Australian results were less impacted by the maturity of the market, but continued to decline. Operating revenue in Australian dollars was slightly down on the same period the prior year which did include the revenue from the Aquaman Australia acquisition half way through the period. EBITDA has decreased as a result of a change in sales mix during the period. An internal restructure of the Australian business in December resulted in the three State Managers now reporting directly to myself.

Audit

The financial statements for the six months ended 31 December 2014 and 31 December 2013 are unaudited. The comparative information for the year ended 30 June 2014 is audited.

Bank facilities and interest bearing debt

The Company complied with all bank covenants as at 31 December 2014.

Total interest bearing debt at 31 December 2014 was \$12.638 million (31 December 2013: \$16.003 million, 30 June 2014: \$13.105 million) Total interest bearing debt has decreased by \$467,000 over the past six months.

The Company had an unutilised funding facility of \$494,000 at 31 December 2014 (December 2013: \$2.95 million). The Company made a voluntary reduction of the facility by \$2.5 million, to save on facility fees, on 1 August 2014. The Board is comfortable that the Company has funding facility for undertaking opportunities as they arise.

Expected Future Rental Income Streams

At 31 December 2014 there continued to be in excess of \$80 million 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. This calculation of future receivables is used as part of the bank covenant compliance monitoring by the BNZ.

Executive Team

The former Board appointed me as Chief Executive in early December, three weeks prior to the closing date of the Takeover Offer. Eldon Roberts, the Chief Financial Officer was appointed to the position of Chief Operating Officer, while retaining his duties as CFO.

Just Water International Limited

Directors

Immediately after the closing date of the Takeover Offer, the Chairman, and the two independent directors resigned. I thank them for the additional work they took on to ensure that all shareholders were treated fairly in respect of the Takeover Offer.

My long term finance advisor and former director, Ian Malcolm, was reappointed to the Board, together with Brendan Wood, who is an independent director. He brings a sound commercial background to the company's Board as a result of acting as the company's solicitor for several years.

With over 78% of the Company being under my control, and the remaining shareholders having accepted that their objectives are the same as mine, I was appointed Chairman.

Summary

I personally am pleased that so many shareholders were prepared to back my leadership and long term focus of the Company. This allows the board and management to plan accordingly, without the short term focus of targeting increased half yearly profits.



Tony Falkenstein
Chairman and Chief Executive

Just Water International Limited

Consolidated statement of comprehensive income (unaudited)

For the six months ended 31 December 2014

| | GROUP 6 MONTHS ENDED 31 DECEMBER 2014 \$'000 | GROUP 6 MONTHS ENDED 31 DECEMBER 2013 \$'000 |
|---|---|---|
| Revenue | 12,291 | 13,237 |
| Other operating income | 1 | 265 |
| Income | 12,292 | 13,502 |
| Employee costs | (5,293) | (5,268) |
| Changes in inventories of finished goods and consumables | (177) | (86) |
| Purchases of finished goods and consumables | (1,212) | (1,321) |
| Other expenses | (2,858) | (3,175) |
| Earnings/(loss) before interest, tax, depreciation, amortisation | 2,752 | 3,652 |
| Depreciation | (1,246) | (1,367) |
| Amortisation | (392) | (493) |
| Earnings/(loss) before interest and tax | 1,114 | 1,792 |
| Interest expense | (422) | (560) |
| Earnings/(loss) before income tax | 692 | 1,232 |
| Income tax expense | (122) | (168) |
| Earnings/(loss) after income tax | 570 | 1,064 |
| Other comprehensive income. | | |
| Items that may be reclassified subsequently to profit or loss | | |
| Foreign currency translation differences for foreign operations | (252) | (848) |
| Total comprehensive income | 318 | 216 |
| Earnings per share for profit attributable to the shareholders of the Parent | | |
| Basic and diluted earnings per share (cents) | 0.6 | 1.2 |

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

Just Water International Limited

Consolidated balance sheet

As at 31 December 2014

| | GROUP 31 DECEMBER 2014 \$'000 (unaudited) | GROUP 31 DECEMBER 2013 \$'000 (unaudited) | GROUP 30 JUNE 2014 \$'000 (audited) |
|--------------------------------------|--|--|--|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 121 | 255 | 117 |
| Trade and other receivables | 2,696 | 2,806 | 2,801 |
| Current tax receivables | 82 | - | - |
| Inventories | 1,067 | 989 | 906 |
| Total current assets | 3,966 | 4,050 | 3,824 |
| Non-current assets | | | |
| Property, plant and equipment | 6,090 | 7,691 | 6,855 |
| Intangible assets | 9,951 | 10,878 | 9,987 |
| Deferred tax asset | 3,164 | 3,130 | 3,293 |
| Other receivables | 521 | 489 | 508 |
| Other assets | 989 | 1,016 | 976 |
| Total non-current assets | 20,715 | 23,204 | 21,619 |
| Total assets | 24,681 | 27,254 | 25,443 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Interest bearing liabilities | 456 | 286 | 588 |
| Trade and other payables | 2,428 | 2,654 | 2,709 |
| Current tax payable | - | 142 | 229 |
| Deferred income | 1,364 | 1,540 | 1,496 |
| Total current liabilities | 4,248 | 4,622 | 5,022 |
| Non-current liabilities | | | |
| Interest bearing liabilities | 12,182 | 15,717 | 12,517 |
| Deferred tax liabilities | - | - | 1 |
| Total non-current liabilities | 12,182 | 15,717 | 12,518 |
| Total liabilities | 16,430 | 20,339 | 17,540 |
| Net assets | 8,251 | 6,915 | 7,903 |
| EQUITY | | | |
| Share capital | 22,523 | 22,490 | 22,493 |
| Accumulated losses | (12,362) | (14,014) | (12,932) |
| Foreign Currency Translation Reserve | (1,910) | (1,561) | (1,658) |
| Total equity | 8,251 | 6,915 | 7,903 |

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

Just Water International Limited

Consolidated statement of changes in equity (unaudited)

For the six months ended 31 December 2014

| | SHARE CAPITAL \$'000 | FOREIGN CURRENCY TRANSLATION RESERVE \$'000 | ACCUMULATED LOSSES \$'000 | TOTAL EQUITY \$'000 |
|---|----------------------------|---|---------------------------------|---------------------------|
| GROUP | | | | |
| Balance at 1 July 2013 | 22,490 | (713) | (15,078) | 6,699 |
| Profit after tax | - | - | 1,064 | 1,064 |
| Other comprehensive income | - | (848) | - | (848) |
| Total comprehensive income/(loss) for the period | - | (848) | 1,064 | 216 |
| Fair value of options issued | - | - | - | - |
| Balance at 31 December 2013 | 22,490 | (1,561) | (14,014) | 6,915 |
| Profit after tax | - | - | 1,082 | 1,082 |
| Other comprehensive income | - | (97) | - | (97) |
| Total comprehensive income/(loss) for the period | - | (97) | 1,082 | 985 |
| Fair value of options issued | 3 | - | - | 3 |
| Balance at 30 June 2014 | 22,493 | (1,658) | (12,932) | 7,903 |
| Profit after tax | - | - | 570 | 570 |
| Other comprehensive income | - | (252) | - | (252) |
| Total comprehensive income/(loss) for the period | - | (252) | 570 | 318 |
| Shares issued | 30 | - | - | 30 |
| Balance at 31 December 2014 | 22,523 | (1,910) | (12,362) | 8,251 |

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

Just Water International Limited

Consolidated cash flow statement (unaudited)

For the six months ended 31 December 2014

| | GROUP 6 MONTHS ENDED 31 DECEMBER 2014 \$'000 | GROUP 6 MONTHS ENDED 31 DECEMBER 2013 \$'000 |
|--|---|---|
| Cash flows from operating activities | | |
| Receipts from customers | 12,203 | 12,945 |
| Interest received | 1 | 8 |
| Payments to suppliers and employees | (10,232) | (9,569) |
| Interest paid | (422) | (560) |
| Income tax paid | (376) | (415) |
| Purchases of non-current assets held for rental | (520) | (1,187) |
| Net cash generated from operating activities | 654 | 1,222 |
| Cash flows from investing activities | | |
| Acquisition through business combination | - | (364) |
| Purchases of property, plant and equipment | (134) | (1,177) |
| Proceeds from sale of property, plant and equipment | 6 | 187 |
| Purchases of intangible assets | (99) | (26) |
| Net cash used in investing activities | (227) | (1,380) |
| Cash flows from financing activities | | |
| Proceeds from issuance of ordinary shares | 30 | - |
| Proceeds from borrowings | 4,785 | 4,411 |
| Repayment of borrowings | (5,210) | (4,073) |
| Net cash used in financing activities | (395) | 338 |
| Net increase/(decrease) in cash, cash equivalents and bank overdrafts | 32 | 180 |
| Cash and cash equivalents at the beginning of the financial year | (99) | 76 |
| Exchange (losses)/gains on cash and bank overdrafts | - | (1) |
| Cash and cash equivalents at the end of period | (67) | 255 |

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

1. GENERAL INFORMATION

The interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice (GAAP) in New Zealand. They comply with NZ IAS 34 Interim Financial Reporting and consequently do not include all the information for full financial statements. These condensed Group Interim financial statements should be read in conjunction with the Annual Report for the year ended 30 June 2014.

The Group comprises JWI and its division Just Water New Zealand, and its wholly-owned subsidiaries, Clearwater Filter Systems (Aust) Pty Limited (Clearwater), JWA Holdings Limited, Just Water Australia Pty Limited (JW Australia), Just Water Victoria Pty Limited (JW Victoria) and the Just Water Limited Partnership. The Company and its subsidiaries are designated as profit-orientated entities for financial reporting purposes.

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 1010, New Zealand.

These condensed financial statements have been approved for issue by the board of directors on 20 February 2015. The board of directors have the power to amend the 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 financial statements. There are no changes to accounting policies or related disclosures.

2.1 Statement of compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice (GAAP) in New Zealand. The financial statements have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards. The Group has designated itself as a profit-oriented entity for the purposes of complying with NZ IFRS. The financial statements comply with International Financial Reporting Standards (IFRS).

The Group has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) (XRB A1). XRB A1 establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The Group is a Tier 1 entity. There was no impact on the current or prior year financial statements.

The accounting policies used are consistent with those used in the previous Annual Report. The financial statements for the six months ended 31 December 2014 and 31 December 2013 are unaudited. The comparative information for this year ended 30 June 2014 is audited. 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 limited liability company which is registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978.

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 financial statements have been prepared under the historical cost convention

3.3 Going concern

The financial statements have been prepared on a going concern basis. As at 31 December 2014 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 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.

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.

Just Water International Limited

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

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. 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.

Just Water International Limited

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.

Such components have been identified on the basis of internal reports that the CODM reviews regularly in order to allocate resources and to assess the performance of the Group.

The Group is organised into two reportable operating segments, namely New Zealand and Australia, reflecting the different geographical markets within which the Group operates.

The following is an analysis of the Group's revenue and results by reportable segment.

| | NEW ZEALAND 6 MONTHS ENDED 31 DECEMBER 2014 \$'000 | AUSTRALIA 6 MONTHS ENDED 31 DECEMBER 2014 \$'000 | ELIMINATIONS 6 MONTHS ENDED 31 DECEMBER 2014 \$'000 | GROUP TOTAL 6 MONTHS ENDED 31 DECEMBER 2014 \$'000 |
|---|--|--|---|--|
| External rental income | 4,851 | 2,766 | - | 7,617 |
| External sales and service income | 3,302 | 1,519 | (147) | 4,674 |
| Other operating income | 54 | 1 | (54) | 1 |
| Income | 8,207 | 4,286 | (201) | 12,292 |
| Employee costs | (3,573) | (1,720) | - | (5,293) |
| Other trading expenses | (2,742) | (1,652) | 147 | (4,247) |
| Earnings before interest, tax, depreciation and amortisation | 1,892 | 914 | (54) | 2,752 |
| Depreciation | (867) | (379) | - | (1,246) |
| Amortisation | (286) | (106) | - | (392) |
| Earnings before interest and tax | 739 | 429 | (54) | 1,114 |
| Interest expense | (404) | (72) | 54 | (422) |
| Earnings before income tax | 335 | 357 | - | 692 |
| Income tax expense | (69) | (53) | - | (122) |
| Earnings attributable to shareholders of the parent | 266 | 304 | - | 570 |
| Total assets | 30,351 | 11,070 | (16,740) | 24,681 |
| Total liabilities | 27,800 | 2,450 | (13,820) | 16,430 |

Just Water International Limited

SEGMENT INFORMATION CONTINUED

| | NEW ZEALAND 6 MONTHS ENDED 31 DECEMBER 2013 \$'000 | AUSTRALIA 6 MONTHS ENDED 31 DECEMBER 2013 \$'000 | ELIMINATIONS 6 MONTHS ENDED 31 DECEMBER 2013 \$'000 | GROUP TOTAL 6 MONTHS ENDED 31 DECEMBER 2013 \$'000 |
|--|--|--|---|--|
| External rental income | 5,389 | 2,746 | - | 8,135 |
| External sales and service income | 3,393 | 1,709 | - | 5,102 |
| Other operating income | 336 | - | (71) | 265 |
| Income | 9,118 | 4,455 | (71) | 13,502 |
| Employee costs | (3,579) | (1,689) | - | (5,268) |
| Other trading expenses | (2,818) | (1,764) | - | (4,582) |
| Earnings before interest, tax, depreciation, amortisation | 2,721 | 1,002 | (71) | 3,652 |
| Depreciation | (860) | (381) | - | (1,241) |
| Amortisation | (508) | (111) | - | (619) |
| Earnings before interest and tax | 1,353 | 510 | (71) | 1,792 |
| Interest expense | (583) | (48) | 71 | (560) |
| Earnings before income tax | 770 | 462 | - | 1,232 |
| Income tax expense | (241) | 73 | - | (168) |
| Earnings attributable to shareholders of the parent | 529 | 535 | - | 1,064 |
| Total assets | 32,584 | 11,283 | (16,613) | 27,254 |
| Total liabilities | 17,951 | 2,388 | - | 20,339 |

Eliminations in assets and liabilities relate to intercompany balances at balance sheet date.

Just Water International Limited

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 2013 | 89,477,174 | 22,490 |
| Shares issued | - | - |
| Fair value of options issued to employees | - | 3 |
| Ordinary shares on issue as at 30 June 2014 | 89,477,174 | 22,493 |
| Shares issued | 250,000 | 30 |
| Ordinary shares on issue as at 31 December 2014 | 89,727,174 | 22,523 |

7. COMMITMENTS

Capital commitments

The Group and Parent company have no capital commitments and no capital expenditure contracted but not recognised as at 30 December 2014 (2013: 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:

| | INITIAL LEASE TERM | RIGHTS OF RENEWAL |
|------------------------------|--------------------|-------------------------|
| Auckland offices/warehouse | Three years | Two of three years each |
| Hamilton offices/warehouse | Six years | Two of three years each |
| Wellington offices/warehouse | Twelve years | Nil |
| Brisbane offices/warehouse | Three years | Nil |
| Melbourne offices/warehouse | Five years | One of three years |
| Sydney offices/warehouse | Five years | One of five years |

Just Water International Limited

Commitments Continued

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 6 MONTHS ENDED 31 DECEMBER 2014 \$'000 | GROUP 6 MONTHS ENDED 31 DECEMBER 2013 \$'000 |
|---|---|---|
| Within one year | 717 | 876 |
| Later than one year but not later than five years | 777 | 1,164 |
| Later than five years | 304 | 420 |
| Commitments not recognised in the financial statements | 1,798 | 2,460 |

Finance leases

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

| | GROUP 6 MONTHS ENDED 31 DECEMBER 2014 \$'000 | GROUP 6 MONTHS ENDED 31 DECEMBER 2013 \$'000 |
|--|---|---|
| Within one year | 268 | 407 |
| Later than one year but not later than five years | 848 | 983 |
| Total finance leases recognised in the financial statements | 1,116 | 1,390 |

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.

Just Water International Limited

Commitments Continued

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

| | GROUP 6 MONTHS ENDED 31 DECEMBER 2014 \$'000 | GROUP 6 MONTHS ENDED 31 DECEMBER 2013 \$'000 |
|---|---|---|
| Within one year | 12,205 | 12,793 |
| Later than one year but not later than five years | 9,482 | 10,190 |
| Future lease receipts not recognised in the financial statements | 21,687 | 22,983 |

8. RELATED PARTIES

The Group's ultimate parent is the Harvard Group, which owns 78.78% of the company's shares. The remaining 21.22% is widely held. The Group's ultimate controlling parties are Mr. Ian Malcolm and Mr. Tony Falkenstein.

The Parent has related-party transactions with its subsidiaries and the Group and Parent have transactions with its directors, key management and companies of which its directors have control. Key management includes personnel within subsidiary companies with the authority and responsibility for planning, directing and controlling the activities of that entity. Details of these transactions are below.

The Parent has a number of loans and advances outstanding from subsidiaries and other related parties at balance date. These advances do not have fixed repayment terms and all advances between related parties are unsecured. During the financial period the Parent charged interest of \$0 to Just Plants Limited (2013: \$10,040). Intercompany balances are repaid in cash.

Bartercard Exchange Limited, (which was sold effective 30 June 2014) a company of which Tony Falkenstein and Ian Malcolm were directors (resigned December 2014) and indirect shareholders, charged Bartercard Fees to the Parent during the financial period to the value of \$36,198 (2013: \$40,766). As at balance date the Parent had a trade payable balance of \$6,884 (2013: \$6,580) and a Bartercard trade balance asset of \$445,187 (2013: \$393,899). As at balance date Just Plants Limited (which was sold on 30 June 2014) had a Bartercard trade balance liability of \$nil (2013: \$912).

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 \$24,000 (2013: \$16,850). As at balance date the Group had a trade payable balance of \$4,313 (2013: \$3,278). Balances are settled in cash.

Telarc SAI Limited, a company of which Paul Connell is a director, (Paul Connell resigned as a Just Water International Ltd director on 22nd December 2014) provided certification of quality management systems to the Group during the financial period to the value of \$2,613 (2013: \$1,443). As at balance date the Group had a trade payable balance of \$3,005 (2013: nil). 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 \$17,457 (2013: \$23,483). Ian Malcolm is also a non-beneficial shareholder of the Parent. As at balance date the Group had a trade payable balance of \$nil (2013: \$8,970). Balances are settled in cash.

Certain other entities of which Paul Connell was a related party trade with the Group on an arm's length basis.

Just Water International Limited

Related Parties Continued

Key management compensation is as follows:

| | GROUP 31 DECEMBER 2014 \$'000 | GROUP 31 DECEMBER 2013 \$'000 |
|--|--|--|
| Short-term benefits | 898 | 1,051 |
| Restructuring costs | 191 | - |
| Total key management compensation | 1,089 | 1,051 |

The number of key managers and directors for the period ended 31 December 2014 for the group was 17 (2013: 17).

Outstanding balance of annual leave for key management as at 31 December 2014 is \$70,000 (2013: \$79,000). 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 \$'000 | BETWEEN 1 AND 2 YEARS \$'000 | BETWEEN 2 AND 5 YEARS \$'000 | OVER 5 YEARS \$'000 |
|-------------------------------|-------------------------------|------------------------------------|------------------------------------|------------------------|
| GROUP | | | | |
| As at 31 December 2014 | | | | |
| Trade and other payables | 1,741 | - | - | - |
| Bank overdraft | 188 | - | - | - |
| Bank borrowings | 584 | 6,917 | 5,438 | - |
| Finance loans | 268 | 840 | 8 | - |
| As at 31 December 2013 | | | | |
| Trade and other payables | 1,947 | - | - | - |
| Bank overdraft | 6 | - | - | - |
| Bank borrowings | 4,859 | 9,649 | 2,268 | - |
| Finance loans | 280 | 1,073 | 65 | - |

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)

Just Water International Limited

Financial Risk Management Continued

- 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. SUBSIDIARIES

Acquisition of Aquaman Australia Pty Ltd

On 27 September 2013 Clearwater Filter Systems (Aust) Ltd acquired the business assets of Aquaman Australia Pty Ltd. The investment is consistent with the Group's strategy to further develop its presence in the Australian Markets. The new business has a strong presence in the Brisbane market providing water purification services. The addition of the Aquaman business to the group has enabled the Group to increase its involvement in the Australian market.

| | GROUP 30 JUNE 2013 PREVIOUSLY REPORTED \$'000 | GROUP 30 JUNE 2014 \$'000 |
|---|--|---------------------------------|
| Purchase consideration: | | |
| - Cash paid | 439 | 360 |
| Total purchase consideration | 439 | 360 |
| The fair value of the assets and liabilities arising from the acquisition are as follows: | | |
| Inventories | 58 | 54 |
| Property, plant and equipment | - | 206 |
| Other receivables | - | 32 |
| Total assets acquired | 58 | 292 |
| Deferred revenue | - | (80) |
| Total liabilities acquired | - | (80) |
| Fair value of net assets acquired | 58 | 212 |
| Goodwill | 381 | 148 |
| Total purchase consideration | 439 | 360 |

Consolidation treatment

100% of the income and costs have been consolidated within the Group results.

Just Water International Limited

11. DISPOSAL OF SUBSIDIARIES

On 30 June 2014, the Parent disposed of its investment in Just Plants Ltd for a cash consideration of \$823,000, of which \$62,000 was receivable as at 30 June 2014, representing net cash of \$761,000.

The effects of the disposal on the Parent and Group were:

| | |
|--|---------------|
| Parent | \$'000 |
| Proceeds from sales of investment | 823 |
| Less: Settlement of parent loan | (739) |
| Net proceeds for sale of investment | 84 |
| Investment in Just Plants | (40) |
| Cost to sell | (26) |
| Gain on sale of shares | 18 |
| Group | \$'000 |
| Carrying amount of assets and liabilities disposed of: | |
| Goodwill | 831 |
| Property, plant & equipment | 122 |
| Other assets | 62 |
| Total assets | 1,015 |
| Parent loan | (739) |
| Other liabilities | (57) |
| Total liabilities | (796) |
| Net assets disposed of | 219 |
| Proceeds from sale of shares | 823 |
| Less: Settlement of parent loan | (739) |
| Net proceeds for sale of investment | 84 |
| Net assets disposed of (as above) | (219) |
| Costs to sell | (26) |
| (Loss) on sale of net assets | (161) |

Just Water International Limited

12. RECONCILIATION OF NET PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | GROUP 6 MONTHS ENDED 31 DECEMBER 2014 | GROUP 6 MONTHS ENDED 31 DECEMBER 2013 |
|---|---|---|
| | \$'000 | \$'000 |
| Profit/(loss) for the year | 570 | 1,064 |
| Adjustments for | | |
| Depreciation | 1,246 | 1,367 |
| Amortisation | 392 | 493 |
| Loss on sale of property, plant and equipment | 111 | 130 |
| Provision for doubtful debts | (48) | (40) |
| Provision for tax | (311) | (84) |
| Deferred tax | 128 | 91 |
| Movement in deferred income | (132) | (209) |
| Changes in working capital | | |
| Inventories | (161) | (29) |
| Trade and other receivables | (234) | (515) |
| Trade and other payables | (387) | 141 |
| Purchases of non-current assets held for rental | (520) | (1,187) |
| Cash generated from operations | 654 | 1,222 |

Just Water International Limited

Notes

 **Just Water**

Just Water International Limited

