Just Water International Limited

2010

Annual Report

Just Water International Limited

Directory

Directors

Sir Don McKinnon (Independent)
Chairman

Phil Dash (Non-Executive)

Tony Falkenstein (Executive)

Simone Iles (Independent)

Ian Malcolm (Non-Executive)

Executive management

Tony Falkenstein
Chief Executive Officer
Just Water International Limited

Jay Harraway
General Manager
Just Water New Zealand

Carl Lucas
General Manager
Clearwater Filter Systems (Aust) Pty Limited

Registered office and address for service

Shortland Chambers
4th Floor
70 Shortland Street
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.aquacool.co.nz
www.clearwaterfilters.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
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Just Water New Zealand is a division of Just Water International Limited.

Clearwater Filter Systems (Aust) Pty Limited

Unit 31, 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 Just Water Limited Partnership

Bankers

Bank of New Zealand Limited
National Australia Bank Limited
Westpac Banking Corporation Limited

Solicitors

Harmos Horton Lusk
Wadsworth Ray Lawyers

Share registry

Link Market Services
138 Tancred Street
PO Box 384
Ashburton 7740
New Zealand

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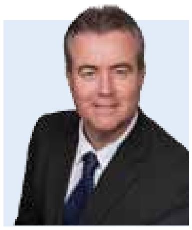
Fax +64-3 308 1311

Contents


Ian Malcolm


Phil Dash


Simone Iles


Carl Lucas


Jay Harraway

2010 AGM

The 2010 Annual Meeting of Shareholders of Just Water International Limited is to be held at 11.00am on Thursday 28th October 2010 at Carlaw Meeting Room 3, Ground Floor, New Zealand Institute of Chartered Accountants, 12-16 Nicholls Lane, Parnell, Auckland.

Chairman's and Chief Executive's review


Sir Don McKinnon


Tony Falkenstein

Just Water International Limited
Results for year ended 30 June 2010

Just Water International Limited (JWI) presents its full year results for the year ended 30 June 2010.

In May we provided guidance for the year which has proven accurate. After incurring the impairment on the Australian subsidiary of $18.3 million, the consolidated EBIT loss was $17.7 million, and the loss before tax was $19.4 million.

Consolidated result

	2010 $'000	2009 $'000	% change
Income	35,458	36,600	-3%
EBITDA	6,027	9,118	-34%
Depreciation & Amortisation	(5,417)	(4,528)	-20%
EBIT before impairment	610	4,590	-87%
Goodwill impairment	(18,300)	-	n/a
EBIT	(17,690)	4,590	n/a
Interest	(1,753)	(2,196)	20%
Net profit before tax	(19,443)	2,394	n/a
Tax	231	(590)	n/a
NPAT	(19,212)	1,804	n/a

Although EBITDA increased in the second half of the year, and we expect this to continue in 2011, the 2010 results are unacceptable.

As previously advised, the implementation of a new computer system in March 2009 has impacted the profit results. Although the computer system is still not producing what we expected, it is much improved, and we are at least able to perform standard functions. It is not expected to impact the profit results during the coming year.

New Zealand

	2010 $'000	2009 $'000	% change
Income	23,967	24,101	-1%
EBITDA	4,114	6,972	-41%
Depreciation & Amortisation	(3,758)	(2,945)	-28%
EBIT before impairment	356	4,027	-91%
Goodwill impairment	-	-	n/a
EBIT	356	4,027	-91%
Interest	(1,432)	429	n/a
Net profit before tax	(1,076)	4,456	n/a
Tax	303	(1,241)	n/a
NPAT	(773)	3,215	n/a

The numbers above have been adjusted for elimination entries.

Second half EBITDA of $2.3m compares to $1.9m in the first half. Although better, this second half result is still not acceptable, and significant costs have been taken out of the business in the last few months, positioning the New Zealand operation for an improvement in 2011.

Australia

	2010 $'000	2009 $'000	% change
Income	11,491	12,499	-8%
EBITDA	1,913	2,146	-11%
Depreciation & Amortisation	(1,659)	(1,583)	-5%
EBIT before impairment	254	563	-55%
Goodwill impairment	(18,300)	-	-
EBIT	(18,046)	563	n/a
Interest	(321)	(2,625)	88%
Net profit before tax	(18,367)	(2,062)	-791%
Tax	(72)	651	n/a
NPAT	(18,439)	(1,411)	-1,207%

The numbers above have been adjusted for elimination entries.

In 2009 the Australian subsidiary enjoyed a $900,000 income and profit improvement through an exchange gain on consolidation. If this non-cash item is stripped from results the Australian subsidiary has continued to improve since the turn-around started in October 2007. Between 2007 and 2010, EBITDA has improved by $4.8m. Considerable attention, and cost to the Group, was diverted by an offer to acquire the Australian business, which the Board rejected in June 2010.

Dividend

The directors have decided it would not be prudent to pay a dividend in the current year. The directors are focusing on debt reduction, and would not anticipate resuming dividends in the 2011 year.

Audit

Just Water International Limited's accounts have been audited and an unqualified audit opinion was given.

Bank Facilities

The Company has complied with all bank covenants at 30 June 2010. Net bank debt at year end was $25.5m. Debt has remained constant over the past year, and it is expected to reduce significantly in the 2011 year.

Summary

Overall trading conditions remain challenging in both countries. The underlying base of customers is strong, and there is a focus on managing margins and controlling costs.

The directors are disappointed with the results, and are making every effort to improve performance in 2011. Based on the actions taken already, it is expected the Company will turn around in the 2011 with a markedly improved EBITDA.

Staff

The directors wish to acknowledge the efforts of the management team and all staff, for what has been a very difficult year.

Yours sincerely

Sir Don McKinnon
Chairman

Tony Falkenstein
Chief Executive

Corporate governance statement

The board of Just Water International Limited (JWI) has been appointed by the shareholders to guide and monitor the business of JWI, its division Just Water New Zealand and its trading subsidiaries Clearwater Filter Systems (Aust) Pty Limited, JWA Holdings Limited, Just Water Australia Pty Limited, Just Water Victoria Pty Limited and Just Water Limited Partnership, which constitute the JWI Group. The board is responsible for the overall corporate governance of the Group.

The Board is committed to ensuring that the Company adheres to the best practice governance principles and maintains the highest ethical standards. The best practice principles which the Company considers in its governance approach are the New Zealand Exchange (NZX) Listing Rules, the New Zealand Exchange Corporate Governance Best Practice Code and the New Zealand Securities Commission's Corporate Governance Guidelines and Principles (collectively the "Principles").

The Board

Composition and responsibilities

At present the board comprises five directors (including the chairperson), of which four are non-executive directors. The Executive Director is Tony Falkenstein, who is the Chief Executive Officer of the Company. A summary of the skills and experience of each board member can be found on the Company's website at **www.jwi.co.nz**

Having reviewed the position, the Company considers that the board comprises an appropriate mix of skills, expertise and independence.

Board meetings are generally held bi-monthly, with additional meetings as required.

The board met eight times during the year under review. The number of meetings attended by the board members was:

Sir Don McKinnon (Chair)	Seven
Phil Dash	Eight
Tony Falkenstein	Eight
Simone Iles	Eight
Ian Malcolm	Eight

The directors' primary objective is to increase shareholder value within an appropriate framework that protects the rights and enhances the interests of shareholders and ensures that JWI and its controlled entities are properly managed. The function of the board includes responsibility for:

- direction, development and approval of corporate strategies and the annual budget;
- monitoring financial performance including approval of the annual and half-year financial reports, and liaison with the Group's auditors;
- ensuring effective management of the Group's assets;
- appointment of and assessment of the performance of the Chief Executive;
- monitoring managerial performance; and
- ensuring the business risks facing the Group have been identified and that adequate control, monitoring and reporting mechanisms are in place.

Independence of directors

For a director to be considered independent, the fundamental consideration, in the opinion of the board, is that the director be independent of the Executive and not have any relationship that could, or could be perceived to, interfere materially with the director's exercise of their unfettered and independent judgment. The factors that are considered when assessing whether a non-executive director is independent include, but are not limited to, the following:

- is not a substantial shareholder, or an associate of a substantial shareholder, of the company holding more than five percent of the company's listed voting securities;
- has not within the last three years been employed in an executive capacity by the company or been a director after ceasing to hold such an appointment;
- is not a principal or an employee of a professional advisor to the company and its entities whose billings exceed 10 percent of the advisor's total revenues;
- is not a significant supplier or customer of the company, a significant supplier being defined as one whose revenues from the company exceed 10 percent of the supplier's total revenue
- has no material contractual relationship with the company;
- has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interest of the company; and
- has no other interest or relationship that could interfere with the director's ability to act in the best interests of the company and independently of management.

Based on the above assessments, the company considers that two of the current five directors are independent, namely Sir Don McKinnon and Simone Iles. The remaining directors have been considered not to be independent as follows:

- Tony Falkenstein – is the Chief Executive Officer and is also an associate of a substantial security holder, namely The Harvard Group Limited;
- Ian Malcolm – is a principal of a professional advisor to the company and is also an associate of a substantial security holder, namely The Harvard Group Limited; and
- Phil Dash – is also an associate of a substantial security holder, namely Springfresh Marketing Pty Limited.

Code of Ethics

JWI expects its directors, employees and contractors to act legally and ethically. The JWI Code of Ethics sets out clear expectations of ethical decision-making and personal behaviours to be adhered to at all times. The Code addresses, amongst other things:

- conflicts of interest, including dealings in company shares
- receipt and use of company information and assets
- expected behaviours
- processes for reporting breaches of the Code of Ethics, legal obligations or other policies of the company

The full content of the Code of Ethics can be found on the Company's website at **www.jwi.co.nz**. Directors, employees and contractors are encouraged to disclose inappropriate, unethical or unsafe activities within the company. At the date of this Annual Report no serious instances of unethical behavior have been reported.

Responsibility for the management and administration of the Group is delegated to the Chief Executive, who is responsible to the board.

The Company has adopted a constitution that satisfies the requirements of NZX and the NZAX Listing Rules. In adopting this constitution, the shareholders, on the recommendation of the directors, elected:

- to omit any provision authorising the payment of retirement allowances or benefits to directors;
- to adopt the stricter thresholds prescribed by the NZX Listing Rules for related-party transactions and share issues that in each case are able to be made without shareholder approval;
- not to utilise the "Pre Break Disclosure" provisions of the NZAX Listing Rules which would otherwise enable the Company to issue and buy back shares and enter into major transactions after making an announcement to the market, in place of seeking shareholder approval, where it would otherwise be required.

A copy of the Company's constitution is available for inspection on the Companies Office's electronic register at **www.companies.govt.nz**

The board has an audit committee and a remuneration committee. Committees do not take action or make decisions on behalf of the board unless specifically mandated to do so by express prior board authority. The company's audit and remuneration committee charters are available to view at **www.jwi.co.nz**

Audit committee

The function of the audit committee is to:

- assist the board in carrying out its responsibilities under the Companies Act 1993 and the Financial Reporting Act 1993 in respect of the group financial accounting practices, policies, and controls;
- to review and make appropriate enquiry into the audit of the group financial statements;
- the audit committee's role includes a particular focus on the qualitative aspects of financial reporting to shareholders and on company processes for the management of business/financial risk and for compliance with significant applicable legal, ethical and regulatory requirements;
- the role also includes coordination with other board committees and maintenance of strong, positive working relationships with management, external and internal auditors, counsel and other committee advisors.

In line with the Securities Commission's Corporate Governance Principles and Guidelines, the audit committee at the date of this document comprises:

- solely of non-executive directors, at least 50 percent of whom are independent;
- at least one director who is a chartered accountant;
- a chairperson who is a non-executive director and a chartered accountant, and who is not the chairperson of the board.
- The audit committee meets as required, and met twice during the financial year.

The committee members, and number of meetings attended, were:

Ian Malcolm (Chair)	Two
Phil Dash	Two
Simone Iles	Two
Sir Don McKinnon	Two

Remuneration committee

The objective and purpose of the remuneration committee is to assist the board in establishing coherent remuneration policies and practices which:

- enable Just Water International Limited and its subsidiaries (collectively called "the Company") to attract, retain and motivate executives and directors who will create value for shareholders;
- fairly and responsibly reward executives having regard to the performance of the Company, the performance of the executive and the general remuneration environment;
- comply with the provisions of the NZX Listing Rules and any other relevant legal requirements.

Recognising the key role personnel play in the pursuit of the Group's strategic objectives, the committee is responsible for determining the remuneration of the Chief Executive, and for maintaining an overview of the remuneration of senior management. In performing these roles, the committee operates independently of the Group's senior management, and, where required, obtains independent advice on the appropriateness of the remuneration and related packages that fall within its responsibility.

The fees payable to non-executive directors are determined by the remuneration committee, with the current total aggregate remuneration payable to the directors of the Company being $130,000 per annum as approved by ordinary resolution at the 2006 annual meeting of shareholders. The company pays its non-executive directors with a mixture of cash and shares in lieu of cash, with such mixture being at the discretion of the individual director. The company encourages the directors to hold shares in the company and at the date of this Annual Report all directors or their associated entities hold shares in the company.

The remuneration committee at the date of this document comprises solely of non-executive directors and the chairperson of the committee is an independent director.

It meets as required, and met twice in the financial year.

The committee members, and the number of meetings attended, were:

Simone Iles (Chair)	Two
Phil Dash	Two
Sir Don McKinnon	Two
Ian Malcolm	Two

Reporting and continuous disclosure obligations

The Company is committed to ensuring integrity and timeliness in its financial reporting and in providing information to the market and shareholders which reflects a considered view on the present and future prospects of the Company.

Continuous disclosure obligations of NZX require all listed companies to advise the market about any material events and developments as soon as the Company becomes aware of them. The Company has policies and a monitoring programme in place to ensure that it complies with these obligations on an ongoing basis and ensures timely communication of material items to shareholders through NZX or directly, as appropriate.

Risk management

The company has in place a risk management plan to identify and address areas of significant business risk. Risk management is carried out by the board with responsibility delegated through to the audit committee. The audit committee identifies and evaluates financial risks in close co-operation with the Group's operating units. The board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity that are designed to:

- optimise the return and to protect the interest of the company stakeholders;
- safeguard the company's assets and maintain its reputation;
- improve the company's operating performance; and
- fulfill the company's strategic objectives.

Shareholder relations

The company values its dialogue with institutional and private investors and is committed to giving all shareholders comprehensive, timely and equal access to information about its activities. The board aims to ensure that shareholders are informed of all information necessary to assess the board's performance. They do so through a communication strategy which includes:

- periodic and continuous disclosure to NZX;
- information provided to analysts and media;
- annual and half-yearly reports distributed to all shareholders;
- the annual shareholders' meeting; and
- the company's website.

In accordance with the New Zealand Companies Act and NZX Listing Rules, the company is no longer required to automatically mail a hard copy of its annual or half-yearly reports to shareholders. Even though these reports will be available electronically, shareholders can request a hard copy of the report to be mailed to them free of charge. The notice of meeting is circulated at least 10 days before the meeting and is also posted on the company's website.

Shareholders are provided with notes on all the resolutions proposed through the notice of meeting each year. Directors are available at the annual shareholder meetings to answer shareholder questions. The board encourages full participation of shareholders to ensure a high level of accountability and identification with the company's strategies and goals.

Stakeholder Interests

Just Water aims to manage its business in a way that will produce positive outcomes for all stakeholders including the public, customers, team members, suppliers and shareholders.

The intention is to monitor progress towards business sustainability in which we seek to assess and actively improve the social and environmental characteristics of the business. This is a goal to which the company is strategically committed and which it seeks to integrate more fully into its day-to-day operations. The following table summarises the interaction we have with our key stakeholders:

STAKEHOLDER	INTERACTION	KEY INTERESTS	HOW WE RESPOND
Customers	• Customer interaction through customer service staff, cooler and water delivery staff and account managers • Website	• Cost, reliability and access to quality products and services • Customer service and satisfaction • Company reputation	• Treat all customers fairly and with respect • Aim to provide the highest level of customer service and satisfaction
Employees	• Staff newsletters and other communications • Staff committees • Regular staff conferences • Fun evenings and other social events	• Work/life balance • Being regarded and respected as a responsible employer • Competitive rates of pay • Having happy and satisfied employees	• Monitor staff work levels, performance and feedback • Keep employees well informed about our business • Deliver market-based remuneration
Shareholders	• Annual meetings • Board representatives • Reports and publications • Market announcements • Website	• Sustainable earnings • Growth • Shareholder value	• Considered economic investments and decisions • Deliver sustainable shareholder returns

Statutory report of the directors

The directors present to shareholders the seventh annual report and audited financial statements of Just Water International Limited (JWI) and Group since floating on the NZAX in May 2004, covering the year ended 30 June 2010.

Business activities

The Group's sole business activities during the financial year continued unchanged, relating to the provision of point-of-use water-coolers and bottled drinking-water to customers in New Zealand and Australia.

Consolidated financial results

This financial year, the JWI Group has decreased profitability before interest and tax over the previous year with earnings before interest and tax (EBIT), after adding back the impairment of goodwill totaling $18.3 million, of $0.6 million, (2009: $4.6 million). This was achieved on a turnover of $35.5 million (2009: $36.6 million), a decrease of three percent.

After the impact of goodwill impairment of $18.3 million, shareholders' equity at 30 June 2010 totalled $2.7 million (2009: $22.1 million), a decrease of 88 percent. Total assets were $36.4 million (2009: $57.4 million). Total interest-bearing borrowings decreased from $26.1 million to $26.0 million.

Dividend

A fully-imputed interim net dividend of $1.7 million was paid during the year (2009: $2.9 million). This dividend was paid as a final, fully-imputed 2009 dividend in October 2009 of 2.955 cents gross per share. The directors have agreed that no dividend will be declared for the 2010 financial year.

Donations

The JWI Group believes that good citizenship of corporations and individuals can make a real difference in the community. For 14 years, Just Water New Zealand has been the principal sponsor of the New Zealand Kidney Foundation, and a contribution from every water cup supplied with the Company's water-coolers is donated to this organisation. This financial year, $40,000 (2009: $42,000) was donated to the Kidney Foundation by Just Water New Zealand, helping the Foundation promote drinking-water with the aim of reducing the incidence of kidney disorders.

Directors

The persons holding office as directors of the Company as at 30 June 2010 were as follows:

Sir Don McKinnon (Chairman)
Phil Dash
Tony Falkenstein
Simone Iles
Ian Malcolm

No person ceased to hold office as a director of the Company during the year ended 30 June 2010.

Remuneration of directors

Directors' remuneration paid during the year was as follows:

	GROUP		PARENT	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
D C McKinnon (Chairman) – appointed June 2009	52	-	52	-
J K McLay (Chairman) – retired June 2009	-	52	-	52
I D Malcolm	26	26	26	26
S J Iles	26	26	26	26
P J Dash – Director Fees	26	26	26	26
P J Dash – Director Fees (A$25k)	31	31	-	-
A E Falkenstein (executive director) – Salary	180	179	180	179

Executive directors do not receive directors' fees.

Remuneration of employees

The number of employees (not including directors) whose remuneration exceeded $100,000 was as follows:

	GROUP	
$000	2010	2009
100-110	3	1
110-120	1	2
120-130	2	-
130-140	-	1
140-150	3	1
150-160	2	3
180-190	-	2
190-200	1	-
200-210	1	1
220-230	-	1

Auditors

In accordance with Section 21(1) of the Companies Act 1993, the auditors, PricewaterhouseCoopers, continue in office. Their audit remuneration and fees paid for other services are detailed in note 10 of the notes to the financial statements.

Interests register

The following are transactions recorded in the interests register for the year.

Parent and subsidiary companies

Interested transactions

Any business during the year ended 30 June 2010 the JWI Group has transacted with organisations in which a director has an interest has been carried out on a commercial arms-length basis and these are as follows:

- Mabee Halstead & Kiddle Limited, a company of which Ian Malcolm is a director and a shareholder, provided accounting compliance and accounting services to the Just Water Group during the financial year to the value of $190,288 (2009: $218,130).
- Axis Direct Limited, a company of which Ian Malcolm is a director and a shareholder, supplied computer hardware and network support services to the Just Water Group during the financial year to the value of $270 (2009: $5,543).
- Springfresh Marketing Pty Limited, a company of which Phil Dash is a director and a shareholder, provided management services to the Just Water Group during the financial year to the value of nil (2009: $46,051).

Directors' remuneration

Details of the directors' remuneration are provided in the "Remuneration of directors" section.

Use of company information by directors

Pursuant to Section 145 of the Companies Act 1993, there were no recorded notices from directors requesting to use company information received in their capacity as directors that would not otherwise have been available to them.

Share dealings

The following acquisitions and disposals of equity securities by directors of the JWI Group took place during the year:

- Ordinary shares were issued to non-executive directors in lieu of directors' fees and some non-executive directors have agreed to take their 2010/11 directors fees by way of equity, such shares being planned for issue in January 2011 subject to approval by the shareholders. The shares issued to non-executive directors in lieu of directors' fees for the 2009/10 year is as follows:

DIRECTOR NAME	DATE OF TRANSACTION	NUMBER OF ORDINARY SHARES ACQUIRED/ (DISPOSED)	CONSIDERATION
Sir Donald Charles McKinnon	18 January 2010	41,613	$13,000
Philip John Dash	18 January 2010	41,613	$13,000
Simone Justine Iles	18 January 2010	41,613	$13,000
Sir Donald Charles McKinnon	14 July 2010	55,437	$13,000
Simone Justine Iles	14 July 2010	55,437	$13,000

During the 2009/10 year share transactions took place in which a director of JWI had a relevant interest, the details of these share transfers are shown on opposite page:

SHAREHOLDER NAME	DIRECTOR NAME	NATURE OF RELEVANT INTEREST	DATE OF TRANSACTION	NUMBER OF ORDINARY SHARES ACQUIRED / (DISPOSED)	CONSIDERATION	TYPE OF TRANSACTION
The Harvard Group Limited	Anthony Edwin Falkenstein Ian Donald Malcolm	Directors and indirect shareholders	October 2009	2,798,496	$946,451	Issue of shares under DRP in lieu of a cash dividend
The Harvard Group Limited	Anthony Edwin Falkenstein Ian Donald Malcolm	Directors and indirect shareholders	June 2010	2,100,000	$483,000	Off market share transfer between unrelated parties
Springfresh Marketing Pty Limited as trustee of the Dash Family Trust	Philip John Dash	Trustee and beneficiary	September 2009	517,241	Nil	Off market share transfer between related parties
Springfresh Marketing Pty Limited as trustee of the Dash Family Trust Staff Superannuation Fund	Philip John Dash	Trustee and beneficiary	September 2009	517,241	Nil	Off market share transfer between related parties
Springfresh Marketing Pty Limited as trustee of the Dash Family Trust Staff Superannuation Fund	Philip John Dash	Trustee and beneficiary	October 2009	310,424	$104,985	Issue of shares under DRP in lieu of a cash dividend
Springfresh Marketing Pty Limited as trustee of the Dash Family Trust Staff Superannuation Fund	Philip John Dash	Trustee and beneficiary	January 2010	41,613	$13,000	Issue of shares in lieu of cash directors fees
Anthony Edwin Falkenstein	Anthony Edwin Falkenstein	Direct shareholder	May 2010	20,182	$4,642	On market share purchases
Anthony Edwin Falkenstein	Anthony Edwin Falkenstein	Direct shareholder	June 2010	39,138	$9,535	On market share purchases
Anthony Edwin Falkenstein	Anthony Edwin Falkenstein	Direct shareholder	June 2010	622,990	$155,748	Off market share transfer between unrelated parties
Anthony Edwin Falkenstein	Anthony Edwin Falkenstein	Direct shareholder	June 2010	75,000	$18,750	Off market share transfer between related parties
Simone Justine Iles	Simone Justine Iles	Direct shareholder	January 2010	41,613	13,000	Issue of shares under DRP in lieu of a cash dividend
Sir Donald Charles McKinnon	Sir Donald Charles McKinnon	Direct shareholder	January 2010	41,613	13,000	Issue of shares under DRP in lieu of a cash dividend

Directors' loans

There were no loans by the JWI Group to any directors during the year or at balance date.

Directors' insurance

The JWI Group has arranged policies for directors' liability insurance which, with a deed of indemnity, ensures that generally directors will incur no monetary loss as a result of actions undertaken by them as directors. Certain actions are specifically excluded; for example, the incurring of penalties and fines that might be imposed in respect of breaches of the law.

The directors thank the management and staff for their continued dedication, support and positiveness during the year.

For and on behalf of the board:

Sir Don McKinnon
Chairman
1 September 2010

Tony Falkenstein
Chief Executive

PRICEWATERHOUSECOOPERS

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Auditors' Report

To the shareholders of Just Water International Limited

We have audited the financial statements on pages 12 to 49. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 June 2010 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 16 to 22.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205 (1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinion we have formed.

Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 30 June 2010 and their financial performance and cash flows for the year ended on that date.

Auditors' Responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

(a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and

(b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacities as auditors and we provided advice on a potential disposal during the year.

PRICEWATERHOUSECOOPERS

Auditors' Report

Just Water International Limited

Unqualified Opinion

We have obtained all the information and explanations we have required.
In our opinion:

(a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and

(b) the financial statements on pages 12 to 49:

- (i) comply with generally accepted accounting practice in New Zealand;
- (ii) comply with International Financial Reporting Standards; and
- (iii) give a true and fair view of the financial position of the Company and Group as at 30 June 2010 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 2 September 2010 and our unqualified opinion is expressed as at that date.

Pricewaterhouse Coopers

Chartered Accountants Auckland

Just Water International Limited

Statement of Comprehensive Income
For the year ended 30 June 2010

	NOTE	GROUP YEAR ENDED 30 JUNE 2010 $'000	GROUP YEAR ENDED 30 JUNE 2009 $'000	PARENT YEAR ENDED 30 JUNE 2010 $'000	PARENT YEAR ENDED 30 JUNE 2009 $'000
Revenue	8	35,233	35,451	23,750	24,094
Other operating income	9	225	1,149	2,902	716
Income		**35,458**	**36,600**	**26,652**	**24,810**
Employee costs	10	(14,589)	(13,863)	(9,560)	(7,745)
Changes in inventories of finished goods and consumables		(472)	(767)	(41)	(475)
Purchases of finished goods and consumables		(3,859)	(3,585)	(2,081)	(1,541)
Other expenses		(10,511)	(9,267)	(8,103)	(6,322)
Earnings before interest, tax, depreciation, amortisation and impairment	10	**6,027**	**9,118**	**6,867**	**8,727**
Depreciation	17	(4,851)	(4,168)	(3,384)	(2,810)
Amortisation	18	(566)	(360)	(374)	(135)
Impairment of goodwill	18	(18,300)	-	-	-
Impairment of related party balances	13	-	-	(18,300)	-
Earnings before interest and tax		**(17,690)**	**4,590**	**(15,191)**	**5,782**
Interest expense	10	(1,753)	(2,196)	(1,567)	(437)
(Loss)/profit before income tax		**(19,443)**	**2,394**	**(16,758)**	**5,345**
Income tax credit/(expense)	11	231	(590)	303	(1,241)
(Loss)/profit after income tax		**(19,212)**	**1,804**	**(16,455)**	**4,104**
Other comprehensive income		213	45	-	-
Total comprehensive income		**(18,999)**	**1,849**	**(16,455)**	**4,104**
Earnings per share for profit attributable to the shareholders of the company					
Basic and diluted earnings per share (cents)	29	(21.8)	2.2		

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

Balance Sheet

As at 30 June 2010

	NOTE	GROUP AS AT 30 JUNE 2010 $'000	GROUP AS AT 30 JUNE 2009 $'000	PARENT AS AT 30 JUNE 2010 $'000	PARENT AS AT 30 JUNE 2009 $'000
ASSETS					
Current assets					
Cash and cash equivalents	12	49	953	2	400
Trade and other receivables	13	3,924	4,815	14,603	31,771
Inventories	14	1,244	1,716	469	510
Total current assets		**5,217**	**7,484**	**15,074**	**32,681**
Non-current assets					
Property, plant and equipment	17	15,474	16,571	11,453	11,739
Investment in subsidiaries		-	-	8,377	8,377
Intangible assets	18	11,182	29,791	6,340	6,399
Deferred tax asset	16	4,482	3,519	1,090	458
Total non-current assets		**31,138**	**49,881**	**27,260**	**26,973**
Total assets		**36,355**	**57,365**	**42,334**	**59,654**
LIABILITIES					
Current liabilities					
Interest-bearing liabilities	20	2,238	25,804	206	23,472
Trade and other payables	19	3,226	4,303	2,177	2,691
Current tax payables	15	228	351	228	351
Deferred income		2,705	3,104	382	464
Total current liabilities		**8,397**	**33,562**	**2,993**	**26,978**
Non-current liabilities					
Interest-bearing liabilities	20	23,789	309	23,726	228
Deferred income		898	777	-	-
Deferred tax liabilities	16	580	658	531	540
Total non-current liabilities		**25,267**	**1,744**	**24,257**	**768**
Total liabilities		**33,664**	**35,306**	**27,250**	**27,746**
Net assets		**2,691**	**22,059**	**15,084**	**31,908**
EQUITY					
Share capital	21	22,460	21,136	22,460	21,136
Retained earnings/(accumulated losses)		(19,370)	1,535	(7,376)	10,772
Reserves		(399)	(612)	-	-
Total equity		**2,691**	**22,059**	**15,084**	**31,908**

For and on behalf of the board:

Sir Don McKinnon
Chairman

Ian Malcolm
Director

1 September 2010

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

Statement of Changes in Equity

For the year ended 30 June 2010

	NOTE	SHARE CAPITAL $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	RETAINED EARNINGS $'000	TOTAL EQUITY $'000
GROUP					
Balance at 1 July 2008		17,584	(657)	2,584	19,511
Profit after tax		-	-	1,804	1,804
Foreign currency translation reserve		-	45	-	45
Total comprehensive income/(loss) for the year		**-**	**45**	**1,804**	**1,849**
Issue of options	21	1	-	-	1
Issue of ordinary shares	21	3,551	-	-	3,551
Dividend paid	22	-	-	(2,851)	(2,851)
Supplementary dividend paid	22	-	-	(39)	(39)
Foreign investor tax credits	22	-	-	37	37
Balance at 30 June 2009		**21,136**	**(612)**	**1,535**	**22,059**
Loss after tax		-	-	(19,212)	(19,212)
Foreign currency translation reserve		-	213	-	213
Total comprehensive income/(loss) for the year		**-**	**213**	**(19,212)**	**(18,999)**
Issue of options	21	1	-	-	1
Issue of ordinary shares	21	1,323	-	-	1,323
Dividend paid	22	-	-	(1,692)	(1,692)
Supplementary dividend paid	22	-	-	(22)	(22)
Foreign investor tax credits	22	-	-	21	21
Balance at 30 June 2010		**22,460**	**(399)**	**(19,370)**	**2,691**
PARENT					
Balance at 1 July 2008		17,584	-	9,521	27,105
Profit after tax		-	-	4,104	4,104
Total comprehensive income/(loss) for the year		**-**	**-**	**4,104**	**4,104**
Issue of options	21	1	-	-	1
Issue of ordinary shares	21	3,551	-	-	3,551
Dividend paid	22	-	-	(2,851)	(2,851)
Supplementary dividend paid	22	-	-	(39)	(39)
Foreign investor tax credits	22	-	-	37	37
Balance at 30 June 2009		**21,136**	**-**	**10,772**	**31,908**
Loss after tax		-	-	(16,455)	(16,455)
Total comprehensive income/(loss) for the year		**-**	**-**	**(16,455)**	**(16,455)**
Issue of options	21	1	-	-	1
Issue of ordinary shares	21	1,323	-	-	1,323
Dividend paid	22	-	-	(1,692)	(1,692)
Supplementary dividend paid	22	-	-	(22)	(22)
Foreign investor tax credits	22	-	-	21	21
Balance at 30 June 2010		**22,460**	**-**	**(7,376)**	**15,084**

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

Cash Flow Statement
For the year ended 30 June 2010

	NOTE	GROUP YEAR ENDED 30 JUNE 2010 $'000	GROUP YEAR ENDED 30 JUNE 2009 $'000	PARENT YEAR ENDED 30 JUNE 2010 $'000	PARENT YEAR ENDED 30 JUNE 2009 $'000
Cash flows from operating activities					
Receipts from customers		36,269	35,275	25,172	24,235
Interest received		15	6	7	5
Payments to suppliers and employees		(29,399)	(25,911)	(16,922)	(15,027)
Interest paid		(1,753)	(2,196)	(1,497)	(437)
Income tax paid		(461)	(1,316)	(461)	(1,316)
Net cash generated from/(used in) operating activities	27	**4,671**	**5,858**	**6,299**	**7,460**
Cash flows from investing activities					
Purchases of property, plant and equipment		(5,140)	(6,580)	(3,807)	(4,909)
Proceeds from sale of property, plant and equipment		441	404	201	144
Purchases of intangible assets		(488)	(1,291)	(488)	(1,291)
Loans to related parties		-	-	(2,427)	(20,750)
Net cash (used in)/generated from investing activities		**(5,187)**	**(7,467)**	**(6,521)**	**(26,806)**
Cash flows from financing activities					
Proceeds from issuance of ordinary shares		-	1,381	-	1,381
Proceeds from borrowings		185	18,647	185	18,699
Repayment of borrowings		(693)	(16,904)	-	-
Dividends paid to Company's shareholders	22	(408)	(787)	(408)	(787)
Net cash (used in)/generated from financing activities		**(916)**	**2,337**	**(223)**	**19,293**
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(1,432)**	**728**	**(445)**	**(53)**
Cash and cash equivalents at the beginning of the financial year		953	355	400	453
Exchange gains/(losses) on cash and bank overdrafts		87	(130)	-	-
Cash and cash equivalents at the end of year	12	**(392)**	**953**	**(45)**	**400**

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

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 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.

These financial statements have been approved for issue by the board of directors on 1 September 2010.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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 also comply with International Financial Reporting Standards (IFRS).

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.

2.2 Basis of preparation

2.2.1 Entities reporting

The financial statements of the 'Parent' are for Just Water International Limited as a separate legal entity.

2.2.2 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.

2.2.3 Historical cost convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

2.2.4 Going concern

The financial statements have been prepared on a going concern basis. As at 30 June 2010 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.

SPECIFIC ACCOUNTING POLICIES

The following specific accounting policies, which significantly affect the measurement of financial performance, financial position and cash flows, have been applied.

2.3 Consolidation

2.3.1 Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Just Water International Limited ('Company' or 'Parent entity') as at 30 June 2010 and the results of all subsidiaries for the year then ended. Just Water International Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Investments in subsidiaries held by Parent are accounted for at cost less impairment.

2.4 Segment reporting

Operating segments are reported upon in a manner consistent with the internal reporting used for allocating resources, assessing performance and strategic decision making.

2.5 Foreign currency translation

2.5.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in New Zealand dollars, which is the Company's functional and presentation currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand.

2.5.2 Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2.5.3 Group companies

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.6 Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of Goods and Services Tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

2.6.1 Sales income

The group sells water and other products. Sales of goods are recognised when a group entity delivers a product to the customer.

2.6.2 Rental income

Rental income relates to the rental of water-coolers to customers. Rental income is recognised over the period of rental contracts.

2.6.3 Service income

Service income shown in the statement of comprehensive income comprises amounts received and receivable by the Group for the servicing of water-coolers under servicing contracts or ad hoc servicing by reference to the state of completion of transaction at the balance date in the ordinary course of business.

2.6.4 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest-rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.6.5 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.6.6 Deferred income

Deferred income relates to rental and service income invoiced in advance and recognised as income over the period of each respective contract.

2.7 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Just Water International Limited and its wholly-owned New Zealand controlled entities have implemented the tax consolidation legislation. As a consequence a current tax asset of one entity in a group is offset against a current tax liability of another entity in the group if, and only if, the entities concerned have a legally enforceable right to make or receive a single net payment and the entities intend to make or receive such a net payment or to recover the asset and settle the liability simultaneously.

2.8 Goods and Services Tax (GST)

The statement of comprehensive income has been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

2.9 Leases

2.9.1 The Group is the lessee

Leases of property, plant and equipment (PPE) where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in interest-bearing liabilities. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.9.2 The Group is the lessor

Assets leased to third parties under operating leases are included in property, plant and equipment (PPE) in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

Initial costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and depreciated over the lease term on the same basis as the lease income.

2.10 Impairment of non-financial assets

Intangible and tangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.11 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly-liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.12 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest-rate. The amount of the provision is recognised in the statement of comprehensive income.

2.13 Inventories

Inventories consist of cooler equipment held for sale, and consumables. Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out (FIFO) basis for consumables and individual purchase cost basis for coolers.

2.14 Investments and other financial assets

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

2.14.1 Financial assets at fair value through profit or loss

This category has two sub-categories:

- Financial assets held for trading; and
- Those designated at fair value through profit or loss at inception.

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short-term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance date.

2.14.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

2.15 Property, plant and equipment

Items of Property, Plant and Equipment (PPE) are shown at cost less subsequent depreciation and impairment. The cost of purchased PPE is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service. Where parts of an item of PPE have different useful lives they are accounted for as separate items of PPE.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Rental equipment	8 years
Motor vehicles	4 – 5 years
Office equipment	7 – 11 years
Furniture and fittings	8 years
Plant and equipment	4 – 7 years
Leasehold improvements	5 - 12 years
Buildings	50 years

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is the sooner.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the statement of comprehensive income. Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

2.16 Intangible assets

2.16.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business/associate at the date of acquisition. Goodwill on acquisitions of businesses is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash generating units represents the Group's investment in each country of operation.

Negative goodwill arising on an acquisition is recognised directly in the statement of comprehensive income.

2.16.2 Other intangibles

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it related. All other expenditure is expensed as incurred.

Expenditure on internally generated goodwill and other intangibles is recognised in the statement of comprehensive income as an expense as incurred.

Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance date or where there are indicators of impairment. Customer contracts are amortised based on the anticipated revenues in respect of these contracts. Other acquired intangible assets are amortised over their anticipated useful lives of 10 years.

Software assets, licenses and capitalised costs of developing systems are recorded as intangible assets unless they are directly related to a specific item of hardware and recorded as property, plant and equipment and amortised over a period of four to six years.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

2.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are generally paid within normal terms of trade. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

2.20 Cash flow statement

This has been prepared using the direct approach. All cash flows are presented on a gross basis, unless described otherwise.

2.21 Employee benefits

2.21.1 Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the balance date are recognised in other payables in respect of employees' services up to the balance date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

2.21.2 Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the balance date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

2.21.3 Share-based payments

The Group's management awards high-performing employees bonuses in the form of share options, from time to time, on a discretionary basis. The fair value at grant date is recognised as an employee benefits expense with a corresponding increase in share capital over the vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) when the options are exercised.

2.21.4 Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.21.5 Short-term employee benefits

Employee entitlements to salaries and wages, annual leave and sick leave to be settled within 12 months of the balance date represent present obligations resulting from employees' services provided up to the balance date, calculated at undiscounted amounts based on remuneration rates that the Group expects to pay.

2.22 Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

2.23 Comparatives

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

3 EARNINGS PER SHARE

3.1 Basic earnings per share

Basic earnings per share are calculated by dividing the profit after tax attributable to equity holders of the Group by the weighted average number of ordinary shares outstanding during the financial year.

3.2 Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

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 Estimated impairment of goodwill

The Group tests annually whether goodwill, or investments in subsidiaries, has suffered any impairment. At balance date the directors considered that an impairment of goodwill relating to the Australian business was necessary (refer to note 18 for details).

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 derecognised.

4.3 Bad and doubtful debts

Management regularly reviews the debtors 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. 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.

5 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT HAVE BECOME EFFECTIVE

The following new standards and amendments to standards are mandatory and are required to be applied for the first time for financial years beginning on or after 1 January 2009 or 1 July 2009.

5.1 NZ IFRS 8: Operating segments: (mandatory for reporting periods beginning on or after 1 January 2009)

Application of this standard requires segments to be identified on the basis of reporting to chief operating decision-makers of the organisation and requires information provided to the chief operating decision-makers to be presented in the financial statements. Application of NZ IFRS 8 did not identify any new operating segments. Refer note 7 for further information.

5.2 Amendments to IAS 23: Borrowing costs (mandatory for reporting periods beginning on or after 1 January 2009)

This amendment removes the option of simply expensing borrowing costs incurred in the construction of qualifying assets. Borrowing costs incurred in relation to assets that take a substantial period of time to get ready for intended use must be capitalised as part of the cost of the asset. Adoption of this standard has not had any impact on the financial statements.

5.3 Amendments to IAS 1: Presentation of financial statements (mandatory for reporting periods beginning on or after 1 January 2009)

The revised IAS 1 requires an entity to present all owner changes in equity, separately from non-owner changes in equity, in a statement of changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (an income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. The Group has elected to present one statement and these interim financial statements have been prepared under the revised disclosure requirements.

5.4 Amendments to IAS 27: Consolidated and separate financial statements (mandatory for reporting periods beginning on or after 1 July 2009)

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group has applied IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 July 2009.

5.5 Amendments to NZ IFRS 2: Share-based payments (mandatory for reporting periods beginning on or after 1 January 2009)

The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. Application of this standard has not had any material impact on the Group's financial statements.

5.6 Amendments to NZ IFRS 7: Financial instruments – disclosures (mandatory for reporting periods beginning on or after 1 January 2009)

The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share. Application of this standard has not had any material impact on the Group's financial statements.

6 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2010 or later periods, but which the Group has not early adopted. These are detailed as below.

6.1 NZ IFRS 9: Financial Instruments (effective from annual periods beginning on or after 1 January 2013).

The standard replaces part of NZ IAS 39 and establishes two primary measurement categories for financial assets and liabilities: amortised cost and fair value. Classification depends on an entity's business model and the contractual cash flow characteristics of the financial asset. This standard is not expected to significantly affect the Group.

6.2 Improvements to NZ Equivalents to IFRS, amendments to New Zealand Accounting Standards arising from the Annual Improvements Project (effective from annual periods beginning on or after 1 January 2010)

Amendments to some standards may result in changes to the way particular transactions or balances are accounted for, including recognition, measurement and presentation. The changes are not expected to significantly affect the Group.

7 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 reportable operating segments of the Group have been determined based on the components of the Group that the CODM monitors in making decisions about operating matters. 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 operating segment. Revenue reported below represents revenue generated from external customers.

	NOTE	NEW ZEALAND 2010 $'000	AUSTRALIA 2010 $'000	ELIMINATIONS 2010 $'000	GROUP TOTAL 2010 $'000
Rental income	8	13,498	7,613	-	21,111
Sales and service income	8	10,253	4,163	(294)	14,122
Other operating income	9	281	9	(65)	225
Income		**24,032**	**11,785**	**(359)**	**35,458**
Earnings before interest, tax, depreciation, amortisation and impairment		**4,179**	**1,913**	**(65)**	**6,027**
Depreciation	17	(3,384)	(1,467)	-	(4,851)
Amortisation	18	(374)	(192)	-	(566)
Impairment of goodwill	18	-	(18,300)	-	(18,300)
Earnings before interest and tax		**421**	**(18,046)**	**(65)**	**(17,690)**
Interest expense	10	(1,497)	(321)	65	(1,753)
Profit/(loss) before income tax		**(1,076)**	**(18,367)**	**-**	**(19,443)**
Income tax credit/(expense)	11	303	(72)	-	231
Profit/(loss) attributable to shareholders of the company		**(773)**	**(18,439)**	**-**	**(19,212)**
Total assets		56,716	15,526	(35,887)	36,355
Total liabilities		25,754	7,910	-	33,664
Total cost to acquire assets to be used for more than one period		4,554	1,074	-	5,628

7 SEGMENT INFORMATION CONTINUED

	NOTE	NEW ZEALAND 2009 $'000	AUSTRALIA 2009 $'000	ELIMINATIONS 2009 $'000	GROUP TOTAL 2009 $'000
Rental income	8	14,590	7,142	-	21,732
Sales and service income	8	9,505	4,600	(386)	13,719
Other operating income	9	872	1,143	(866)	1,149
Income		**24,967**	**12,885**	**(1,252)**	**36,600**
Earnings before interest, tax, depreciation, amortisation and impairment		**7,838**	**2,146**	**(866)**	**9,118**
Depreciation	17	(2,810)	(1,358)	-	(4,168)
Amortisation	18	(135)	(225)	-	(360)
Impairment	18	-	-	-	-
Earnings before interest and tax		**4,893**	**563**	**(866)**	**4,590**
Interest expense	10	(437)	(2,625)	866	(2,196)
Profit/(loss) before income tax		**4,456**	**(2,062)**	**-**	**2,394**
Income tax credit/(expense)	11	(1,241)	651	-	(590)
Profit/(loss) attributable to shareholders of the company		**3,215**	**(1,411)**	**-**	**1,804**
Total assets		59,064	33,909	(35,608)	57,365
Total liabilities		27,405	7,901	-	35,306
Total cost to acquire assets to be used for more than one period		**6,282**	**1,589**	**-**	**7,871**

8 REVENUE

	GROUP YEAR ENDED 30 JUNE 2010 $'000	GROUP YEAR ENDED 30 JUNE 2009 $'000	PARENT YEAR ENDED 30 JUNE 2010 $'000	PARENT YEAR ENDED 30 JUNE 2009 $'000
Rental income	21,111	21,732	13,498	14,590
Sales income	11,171	10,147	8,806	7,863
Service income	2,951	3,572	1,446	1,641
Total income	**35,233**	**35,451**	**23,750**	**24,094**

9 OTHER OPERATING INCOME

	GROUP YEAR ENDED 30 JUNE 2010 $'000	GROUP YEAR ENDED 30 JUNE 2009 $'000	PARENT YEAR ENDED 30 JUNE 2010 $'000	PARENT YEAR ENDED 30 JUNE 2009 $'000
Foreign exchange gains (net)	210	1,143	209	-
Interest income	15	6	2,693	716
Total	225	1,149	2,902	716

10 EXPENSES

	GROUP YEAR ENDED 30 JUNE 2010 $'000	GROUP YEAR ENDED 30 JUNE 2009 $'000	PARENT YEAR ENDED 30 JUNE 2010 $'000	PARENT YEAR ENDED 30 JUNE 2009 $'000
Directors' fees	130	130	130	130
Donations	40	42	40	42
Interest expense	1,753	2,196	1,567	437
Net loss on disposal of property, plant and equipment and intangibles	810	812	421	272
Minimum lease payments in respect to operating leases	1,308	1,195	774	611
Auditors' fees				
Audit services provided by principal auditors				
Statutory audit	135	157	109	86
Half-year review	11	11	-	-
Advice on possible sale of Australian business	59	-	59	-
Employee costs				
Wages and salaries	14,588	13,862	9,559	7,744
Share options granted to directors and employees	1	1	1	1
Total employee costs	14,589	13,863	9,560	7,745

11 INCOME TAX EXPENSE

	GROUP YEAR ENDED 30 JUNE 2010 $'000	GROUP YEAR ENDED 30 JUNE 2009 $'000	PARENT YEAR ENDED 30 JUNE 2010 $'000	PARENT YEAR ENDED 30 JUNE 2009 $'000
Current tax	810	871	338	1,305
Deferred tax (note 16)	(1,041)	(281)	(641)	(64)
Income tax expense/(credit)	**(231)**	**590**	**(303)**	**1,241**

The tax in the Group and Parent profit/(loss) before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits/(losses) as follows:

Income tax expense is attributable to:				
(Loss)/profit before income tax expense	(19,443)	2,394	(16,758)	5,345
Tax calculated at domestic tax rates applicable to profits in the respective countries	(5,833)	718	(5,027)	1,604
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Tax losses from Group company	-	-	(785)	(266)
Expenses not deductible for tax purposes	5,550	23	5,547	14
Prior period adjustments	93	(151)	-	(111)
Reduction in New Zealand tax rate	(41)	-	(38)	-
Income tax (credit)/expense	**(231)**	**590**	**(303)**	**1,241**
Imputation credit account				
Balance at beginning of year	1,854	1,988	1,854	1,988
Income tax paid	461	1,316	461	1,316
Refunds received	-	(3)	-	(3)
Other	-	(43)	-	(43)
Imputation credits attached to dividends paid	(834)	(1,404)	(834)	(1,404)
Balance at end of year	**1,481**	**1,854**	**1,481**	**1,854**
Imputation credit available to shareholders of the parent company				
Through the parent	1,481	1,854	1,481	1,854
Through subsidiaries	-	-	-	-

12 CASH AND CASH EQUIVALENTS

	GROUP AS AT 30 JUNE 2010 $'000	GROUP AS AT 30 JUNE 2009 $'000	PARENT AS AT 30 JUNE 2010 $'000	PARENT AS AT 30 JUNE 2009 $'000
Cash at bank and in hand	4	4	2	1
Short-term bank deposits	45	949	-	399
Total cash and cash equivalents	**49**	**953**	**2**	**400**
Cash and bank overdrafts include the following for the purposes of the cash flow statement:				
Cash and cash equivalents	49	953	2	400
Bank overdrafts (see note 20)	(441)	-	(47)	-
Total cash and bank overdraft	**(392)**	**953**	**(45)**	**400**

13 TRADE AND OTHER RECEIVABLES

	GROUP AS AT 30 JUNE 2010 $'000	GROUP AS AT 30 JUNE 2009 $'000	PARENT AS AT 30 JUNE 2010 $'000	PARENT AS AT 30 JUNE 2009 $'000
Trade receivables	6,507	5,567	4,733	4,115
Provision for doubtful receivables	(2,824)	(968)	(2,712)	(793)
Net trade receivables	**3,683**	**4,599**	**2,021**	**3,322**
Related-party receivables (note 24)	-	-	30,695	28,268
Impairment of related-party receivables	-	-	(18,300)	-
Prepayments	241	216	187	181
Trade and other receivables	**3,924**	**4,815**	**14,603**	**31,771**

Bad and doubtful trade receivables

The Group has recognised a loss of $2.189 million (2009: $0.884 million) in respect of bad and doubtful trade receivables during the year ended 30 June 2010. The Parent has recognised a loss of $2.197 million (2009: $0.718 million) in respect of bad and doubtful trade receivables during the year ended 30 June 2010. The loss has been included in 'other expenses' in the statement of comprehensive income. In addition, amounts owing from related parties have been written down to their recoverable amount resulting in an impairment charge of $18.3 million for the Parent (2009: $nil).

Ageing of trade receivables beyond normal terms

The ageing analysis of trade receivables beyond the normal 30-day trade terms is as follows:

	1-30 DAYS $'000	31-60 DAYS $'000	90+ DAYS $'000	TOTAL $'000
GROUP				
30 June 2010	611	451	2,757	3,819
30 June 2009	923	921	1,056	2,900
PARENT				
30 June 2010	238	331	2,594	3,163
30 June 2009	544	774	779	2,097

As at 30 June 2010 Group trade receivables of $2.824 million (2009: $0.968 million) were past due and considered impaired and Group trade receivables of $0.995 million (2009: $1.932 million) were past due but not considered impaired.

As at 30 June 2010 Parent trade receivables of $2.712 million (2009: $0.793 million) were past due and considered impaired and Parent trade receivables of $0.451 million (2009: $1.304 million) were past due but not considered impaired.

13 TRADE AND OTHER RECEIVABLES CONTINUED

	GROUP AS AT 30 JUNE 2010 $'000	GROUP AS AT 30 JUNE 2009 $'000	PARENT AS AT 30 JUNE 2010 $'000	PARENT AS AT 30 JUNE 2009 $'000
Movement in the provision for doubtful trade receivables are as follows:				
Balance at the beginning of the year	968	547	793	448
Additional provision recognised	2,189	884	2,197	718
Receivables written off during the year as uncollectable	(333)	(463)	(278)	(373)
Balance at end of the year	**2,824**	**968**	**2,712**	**793**

14 INVENTORIES

	GROUP AS AT 30 JUNE 2010 $'000	GROUP AS AT 30 JUNE 2009 $'000	PARENT AS AT 30 JUNE 2010 $'000	PARENT AS AT 30 JUNE 2009 $'000
Finished goods	587	780	256	245
Consumables	657	936	213	265
Total inventories	**1,244**	**1,716**	**469**	**510**

Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2010 amounted to $0.273 million (2009: $0.218 million). The expense has been included in 'changes in inventories of finished goods and consumables' in the statement of comprehensive income.

15 CURRENT TAX RECEIVABLES/(PAYABLES)

	GROUP AS AT 30 JUNE 2010 $'000	GROUP AS AT 30 JUNE 2009 $'000	PARENT AS AT 30 JUNE 2010 $'000	PARENT AS AT 30 JUNE 2009 $'000
Tax payable	(228)	(351)	(228)	(351)

16 DEFERRED TAX

Deferred income tax assets and liabilities are offset when there is a legally-enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The movements on the deferred income tax account are as follows:

	GROUP AS AT 30 JUNE 2010 $'000	GROUP AS AT 30 JUNE 2009 $'000	PARENT AS AT 30 JUNE 2010 $'000	PARENT AS AT 30 JUNE 2009 $'000
Deferred tax asset/(liability)				
Beginning of the year	2,861	2,580	(82)	(146)
Statement of comprehensive income charge (note 11)	1,007	302	641	64
Exchange differences	34	(21)	-	-
End of the year	**3,902**	**2,861**	**559**	**(82)**
Deferred tax assets:				
Deferred tax asset to be recovered after more than 12 months	3,064	2,631	-	-
Deferred tax asset to be recovered within 12 months	1,418	888	1,090	458
Total deferred tax assets	**4,482**	**3,519**	**1,090**	**458**
Deferred tax liabilties:				
Deferred tax liability to be recovered after more than 12 months	(580)	(658)	(531)	(540)
Deferred tax liability to be recovered within 12 months	-	-	-	-
Total deferred tax liabilities	**(580)**	**(658)**	**(531)**	**(540)**

The Group also has unrecognised tax effected losses in Australia of $0.778 million as at 30 June 2010 (2009: $0.757 million).

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	TAX LOSSES RECOGNISED $'000	ACCRUALS $'000	OTHER $'000	TOTAL $'000
Deferred tax assets:				
GROUP				
At 1 July 2008	**2,613**	**394**	**216**	**3,223**
Charged/(credited) to the statement of comprehensive income	40	177	101	318
Exchange differences	(22)	-	-	(22)
At 30 June 2009	**2,631**	**571**	**317**	**3,519**
Charged/(credited) to the statement of comprehensive income	399	(142)	672	929
Exchange differences	34	-	-	34
At 30 June 2010	**3,064**	**429**	**989**	**4,482**

16 DEFERRED TAX CONTINUED

	CUSTOMER CONTRACTS $'000	ACCELERATED DEPRECIATION $'000	OTHER $'000	TOTAL $'000
Deferred tax liabilities:				
GROUP				
At 1 July 2008	(198)	(445)	-	(643)
Charged/(credited) to the statement of comprehensive income	67	(82)	-	(15)
At 30 June 2009	(131)	(527)	-	(658)
Charged/(credited) to the statement of comprehensive income	57	21	-	78
At 30 June 2010	(74)	(506)	-	(580)

	TAX LOSSES RECOGNISED $'000	ACCRUALS $'000	OTHER $'000	TOTAL $'000
Deferred tax assets:				
PARENT				
At 1 July 2008	-	141	164	305
Acquisition/amalgamation of subsidiary	-	-	-	-
Charged/(credited) to the statement of comprehensive income	-	71	82	153
At 30 June 2009	-	212	246	458
Charged/(credited) to the statement of comprehensive income	-	(68)	700	632
At 30 June 2010	-	144	946	1,090

	CUSTOMER CONTRACTS $'000	ACCELERATED DEPRECIATION $'000	OTHER $'000	TOTAL $'000
Deferred tax liabilities:				
PARENT				
At 1 July 2008	-	(451)	-	(451)
Acquisition of subsidiary	-	-	-	-
Charged/(credited) to the statement of comprehensive income	-	(89)	-	(89)
At 30 June 2009	-	(540)	-	(540)
Charged/(credited) to the statement of comprehensive income	-	9	-	9
At 30 June 2010	-	(531)	-	(531)

17 PROPERTY, PLANT AND EQUIPMENT

	LEASEHOLD IMPROVEMENTS $'000	RENTAL EQUIPMENT $'000	MOTOR VEHICLES [2] $'000	OFFICE EQUIPMENT $'000	PLANT AND EQUIPMENT $'000	FURNITURE AND FITTINGS $'000	TOTAL $'000
GROUP							
As at 1 July 2008							
Cost	830	18,200	1,359	1,652	1,676	292	24,009
Accumulated depreciation and impairment	(172)	(6,095)	(609)	(1,073)	(728)	(105)	(8,782)
Net book amount	658	12,105	750	579	948	187	15,227
Year ended 30 June 2009							
Opening net book amount	658	12,105	750	579	948	187	15,227
Foreign currency movement in opening balance	(4)	(105)	(9)	(12)	(3)	(1)	(134)
Additions[1]	131	5,241	465	210	663	27	6,737
Disposals[1]	-	(1,007)	(23)	(28)	(30)	(3)	(1,091)
Depreciation charge	(101)	(3,055)	(292)	(328)	(355)	(37)	(4,168)
Closing net book amount	684	13,179	891	421	1,223	173	16,571
As at 30 June 2009							
Cost	956	21,256	1,615	1,220	2,516	278	27,841
Accumulated depreciation and impairment	(272)	(8,077)	(724)	(799)	(1,293)	(105)	(11,270)
Net book amount	684	13,179	891	421	1,223	173	16,571
Year ended 30 June 2010							
Opening net book amount	684	13,179	891	421	1,223	173	16,571
Foreign currency movement in opening balance	(1)	(23)	(1)	(1)	-	-	(26)
Additions [1]	82	4,160	403	234	252	9	5,140
Disposals [1]	(2)	(1,142)	(176)	(40)	-	-	(1,360)
Depreciation charge	(111)	(3,824)	(316)	(260)	(303)	(37)	(4,851)
Closing net book amount	652	12,350	801	354	1,172	145	15,474
As at 30 June 2010							
Cost	1,033	23,657	1,664	1,392	2,602	285	30,633
Accumulated depreciation and impairment	(381)	(11,307)	(863)	(1,038)	(1,430)	(140)	(15,159)
Net book amount	652	12,350	801	354	1,172	145	15,474

17 PROPERTY, PLANT AND EQUIPMENT CONTINUED

	LEASEHOLD IMPROVEMENTS $'000	RENTAL EQUIPMENT $'000	MOTOR VEHICLES[2] $'000	OFFICE EQUIPMENT $'000	PLANT AND EQUIPMENT $'000	FURNITURE AND FITTINGS $'000	TOTAL $'000
PARENT							
As at 1 July 2008							
Cost	599	11,954	894	990	1,366	184	15,987
Accumulated depreciation and impairment	(109)	(4,241)	(484)	(783)	(510)	(55)	(6,182)
Net book amount	**490**	**7,713**	**410**	**207**	**856**	**129**	**9,805**
Year ended 30 June 2009							
Opening net book amount	490	7,713	410	207	856	129	9,805
Additions [1]	131	3,751	465	112	663	25	5,147
Disposals [1]	-	(357)	(22)	-	(24)	-	(403)
Depreciation charge	(55)	(2,033)	(191)	(181)	(327)	(23)	(2,810)
Closing net book amount	**566**	**9,074**	**662**	**138**	**1,168**	**131**	**11,739**
As at 30 June 2009							
Cost	729	14,818	1,163	644	2,358	209	19,921
Accumulated depreciation and impairment	(163)	(5,744)	(501)	(506)	(1,190)	(78)	(8,182)
Net book amount	**566**	**9,074**	**662**	**138**	**1,168**	**131**	**11,739**
Year ended 30 June 2010							
Opening net book amount	566	9,074	662	138	1,168	131	11,739
Additions [1]	81	3,176	344	205	251	9	4,066
Disposals [1]	(2)	(757)	(168)	(41)	-	-	(968)
Depreciation charge	(64)	(2,723)	(189)	(105)	(279)	(24)	(3,384)
Closing net book amount	**581**	**8,770**	**649**	**197**	**1,140**	**116**	**11,453**
As at 30 June 2010							
Cost	807	17,276	1,176	802	2,471	216	22,748
Accumulated depreciation and impairment	(226)	(8,506)	(527)	(605)	(1,331)	(100)	(11,295)
Net book amount	**581**	**8,770**	**649**	**197**	**1,140**	**116**	**11,453**

1. Additions and disposals relating to rental equipment represents the transfer of rental equipment to and from inventory.

2. Finance leases: Motor vehicles for the Group include items capitalised under finance leases with a cost of $0.685 million (2009: $0.530 million), together with accumulated depreciation of $0.322 million (2009: $0.187 million). Motor vehicles for the Parent include items capitalised under finance leases with a cost of $0.320 million (2009: $0.163 million), together with accumulated depreciation of $0.072 million (2009: $0.026 million).

18 INTANGIBLE ASSETS

	SOFTWARE $'000	GOODWILL $'000	PATENTS AND TRADEMARKS $'000	CUSTOMER CONTRACTS $'000	TOTAL $'000
GROUP					
As at 1 July 2008					
Cost	927	28,062	185	1,603	30,777
Accumulated amortisation and impairment	(671)	-	(63)	(789)	(1,523)
Net book amount	**256**	**28,062**	**122**	**814**	**29,254**
Year ended 30 June 2009					
Opening net book amount	256	28,062	122	814	29,254
Foreign currency movement in opening balance	-	(133)	-	(10)	(143)
Additions	1,134	-	1	-	1,135
Disposals	(82)	-	(13)	-	(95)
Amortisation charge	(128)	-	(32)	(200)	(360)
Closing net book amount	**1,180**	**27,929**	**78**	**604**	**29,791**
As at 30 June 2009					
Cost	1,572	27,929	181	1,593	31,275
Accumulated amortisation and impairment	(392)	-	(103)	(989)	(1,484)
Net book amount	**1,180**	**27,929**	**78**	**604**	**29,791**
Year ended 30 June 2010					
Opening net book amount	1,180	27,929	78	604	29,791
Foreign currency movement in opening balance	-	(55)	-	(3)	(58)
Additions	488	-	-	-	488
Disposals	(173)	-	-	-	(173)
Impairment charge	-	(18,300)	-	-	(18,300)
Amortisation charge	(367)	-	(32)	(167)	(566)
Closing net book amount	**1,128**	**9,574**	**46**	**434**	**11,182**
As at 30 June 2010					
Cost	1,783	27,874	91	1,588	31,336
Accumulated amortisation and impairment	(655)	(18,300)	(45)	(1,154)	(20,154)
Net book amount	**1,128**	**9,574**	**46**	**434**	**11,182**

18 INTANGIBLE ASSETS CONTINUED

	SOFTWARE $'000	GOODWILL $'000	PATENTS AND TRADEMARKS $'000	CUSTOMER CONTRACTS $'000	TOTAL $'000
PARENT					
As at 1 July 2008					
Cost	894	5,171	73	-	6,138
Accumulated amortisation and impairment	(638)	-	(6)	-	(644)
Net book amount	**256**	**5,171**	**67**	**-**	**5,494**
Year ended 30 June 2009					
Opening net book amount	256	5,171	67	-	5,494
Additions	1,134	-	1	-	1,135
Disposals	(82)	-	(13)	-	(95)
Amortisation charge	(128)	-	(7)	-	(135)
Closing net book amount	**1,180**	**5,171**	**48**	**-**	**6,399**
As at 30 June 2009					
Cost	1,572	5,171	73	-	6,816
Accumulated amortisation and impairment	(392)	-	(25)	-	(417)
Net book amount	**1,180**	**5,171**	**48**	**-**	**6,399**
Year ended 30 June 2010					
Opening net book amount	1,180	5,171	48	-	6,399
Additions	488	-	-	-	488
Disposals	(173)	-	-	-	(173)
Amortisation charge	(367)	-	(7)	-	(374)
Closing net book amount	**1,128**	**5,171**	**41**	**-**	**6,340**
As at 30 June 2010					
Cost	1,783	5,171	73	-	7,027
Accumulated amortisation	(655)	-	(32)	-	(687)
Net book amount	**1,128**	**5,171**	**41**	**-**	**6,340**

Impairment tests for goodwill

Goodwill is allocated to the Company's cash-generating units (CGUs) identified according to business segment and country of operation. A CGU summary of the goodwill allocation is presented below.

	GROUP AS AT 30 JUNE 2010 $'000	GROUP AS AT 30 JUNE 2009 $'000	PARENT AS AT 30 JUNE 2010 $'000	PARENT AS AT 30 JUNE 2009 $'000
New Zealand	5,171	5,171	5,171	5,171
Australia	4,403	22,758	-	-
Total goodwill	**9,574**	**27,929**	**5,171**	**5,171**

During the year as a result of a strategic review of its business, the Company received a conditional offer to sell its Australian operation, Clearwater Filter Systems (Australia) Pty Limited, to an Australian-based party. As a result of this offer, which was not accepted, and growth in the Australian market not as rapid as anticipated, the Directors have recognised a goodwill impairment charge of $18.3 million in the Australian segment, such figure representing the projected impairment that may have been incurred had the this sale come to fruition.

At balance date the Directors reviewed calculations substantiating the carrying amount of goodwill in the Parent and considered that impairment of goodwill in the Parent was not required. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The average growth rate of two and a half percent does not exceed the long-term average growth rate for the business in which the CGU operates. Cash flows are discounted at a pre-tax discount rate of 8.15 percent (being base of 5.65 + 1.25 for margin + 1.25 for annual fee). The terminal value is calculated at a growth rate of two and a half percent. The resulting value-in-use calculation materially exceeds the carrying amount of the recorded goodwill of the Parent at year end.

At balance date the Directors do not expect that a reasonably possible change in key assumptions would result in value-in-use falling below carrying value.

The directors anticipate that the Parent's investment in Clearwater remains recoverable. The recoverable amount of a CGU is determined based on value-in-use calculations. The value-in-use calculation supports the carrying amount of the recorded goodwill at year end.

19 TRADE AND OTHER PAYABLES

	GROUP AS AT 30 JUNE 2010 $'000	GROUP AS AT 30 JUNE 2009 $'000	PARENT AS AT 30 JUNE 2010 $'000	PARENT AS AT 30 JUNE 2009 $'000
Trade payables	1,262	2,187	857	1,449
Accrued expenses	1,964	2,116	1,320	1,242
Total trade and other payables	**3,226**	**4,303**	**2,177**	**2,691**

20 INTEREST-BEARING LIABILITIES

	GROUP AS AT 30 JUNE 2010 $'000	GROUP AS AT 30 JUNE 2009 $'000	PARENT AS AT 30 JUNE 2010 $'000	PARENT AS AT 30 JUNE 2009 $'000
Non-current				
Bank loans	23,503	-	23,503	-
Other loans	286	309	223	228
Total non-current interest-bearing liabilities	**23,789**	**309**	**23,726**	**228**
Current				
Bank overdraft	441	-	47	-
Bank loans	1,543	25,603	-	23,373
Other loans	254	201	159	99
Total current interest-bearing liabilities	**2,238**	**25,804**	**206**	**23,472**

The Group is subject to a number of covenants under its banking agreements. During the year the Group complied with all of the required covenants. In 2009 the Group breached one of its covenants. As a result all amounts owing to the Group's bank in 2009 were classified as current liabilities in the balance sheet.

The Group currently has banking facilities with the Bank of New Zealand Limited for a period expiring on 31 October 2012, with the exception of $2.5 million which has already been extended to 26 March 2013. The facilities will be renegotiated at the expiry of the current arrangement.

The Group has a number of assets subject to finance leases (refer to note 17) which have been classified as 'Other loans' as above.

Assets pledged as security

The bank loans and overdraft are secured by a floating debenture over the Group assets.

20 INTEREST-BEARING LIABILITIES CONTINUED

The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates are as follows:

	6 MONTHS OR LESS $'000	6-12 MONTHS $'000	OVER 1 YEAR $'000	TOTAL $'000
Group				
At 30 June 2010				
Bank overdraft	441	-	-	441
Bank loans	1,543	-	23,503	25,046
Other loans	117	137	286	540
At 30 June 2009				
Bank overdraft	-	-	-	-
Bank loans	25,603	-	-	25,603
Other loans	79	122	309	510
Parent				
At 30 June 2010				
Bank overdraft	47	-	-	47
Bank loans	-	-	23,503	23,503
Other loans	77	82	223	382
At 30 June 2009				
Bank overdraft	-	-	-	-
Bank loans	23,373	-	-	23,373
Other loans	49	50	228	327

The effective interest-rates at the balance date were as follows :

	GROUP AS AT 30 JUNE 2010	GROUP AS AT 30 JUNE 2009	PARENT AS AT 30 JUNE 2010	PARENT AS AT 30 JUNE 2009
Bank overdraft	7.03% - 13.23%	-	7.03%	-
Bank loans	4.90% - 7.09%	4.90% - 10.10%	4.90% - 7.09%	4.90% - 10.10%
Other loans	7.37% - 12.00%	4.06% - 15.34%	7.90% - 12.00%	7.90% - 12.00%

21 SHARE CAPITAL

	PARENT AND GROUP 30 JUNE 2010 SHARES	PARENT AND GROUP 30 JUNE 2009 SHARES	PARENT AND GROUP 30 JUNE 2010 $'000	PARENT AND GROUP 30 JUNE 2009 $'000
Ordinary shares, issued and fully-paid	89,366,300	85,443,016	22,460	21,136

All ordinary shares rank equally with one vote attached to each fully-paid ordinary share. On 15 June 2004 the Company was 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.

On a show of hands 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 1 July 2008	76,902,733	17,584
Shares issued		
- Shares issued under Private Placement	2,857,143	1,186
- Shares issued under Dividend Reinvestment Plan	4,815,583	2,066
- Shares issued under Share Purchase Plan	607,557	195
- Share issued in lieu of directors' fees	260,000	104
Fair value of options issued to directors and employees	-	1
Ordinary shares on issue as at 30 June 2009	**85,443,016**	**21,136**
Shares issued		
- Shares issued under Dividend Reinvestment Plan	3,798,445	1,284
- Share issued in lieu of directors' fees	124,839	39
Fair value of options issued to directors and employees	-	1
Ordinary shares on issue as at 30 June 2010	**89,366,300**	**22,460**

The Group issued 3,798,445 shares on 16 October 2009 to various shareholders of JWI under the Dividend Reinvestment Plan. The fair value of the shares issued amounted to $1.284 million. The price of the share issue was determined by the Volume Weighted Average Price (VWAP) of the Company's ordinary shares traded on the NZAX market over the 10 business days immediately following the record date for the relevant distribution.

The Group issued 124,839 shares in January 2010 to the directors of Just Water International Limited in lieu of directors' fees for the year, to the value of $0.039 million. The price of the share issue was determined by the VWAP of the Company's ordinary shares traded on the NZAX market over the 20 business days immediately prior to the share issue.

The Group issued 1,666,667 and 1,190,476 shares on 10 October 2008 and 20 November 2008 respectively to various shareholders of JWI under a private placement. The fair value of the shares issued, after deducting related costs, amounted to $1.186m. The price of the share issue was $0.42 per share, being the current market value of the shares at the time of the issue.

The Group issued 2,420,807 and 2,394,776 shares on 10 October 2008 and 9 April 2009 respectively to various shareholders of JWI under the Dividend Reinvestment Plan. The fair value of the shares issued amounted to $2.066 million. The price of the share issue that took place on 10 October 2008 was determined by the VWAP for all the Company's ordinary shares sold on the NZAX on the ten Business Days before the relevant Record Date. The price of the share issue that took place on 9 April 2009 was determined by the Volume Weighted Average Price (VWAP) of the Company's ordinary shares traded on the NZAX market over the 10 business days immediately following the record date for the relevant distribution.

21 SHARE CAPITAL CONTINUED

The Group issued 607,557 shares on 12 December 2008 to various shareholders of JWI under the Share Purchase Plan. The fair value of the shares issued, after deducting related costs, amounted to $0.195 million. The price of the share issue was set at $0.40 per share, being a 3.78% discount to the average end of day market price of shares sold on the NZAX calculated over the period from 13 October 2008 to 24 October 2008.

The Group issued 260,000 shares in December 2008 to the directors of Just Water International Limited in lieu of directors' fees for the year, to the value of $0.104 million. The price of the share issue was determined by the VWAP of the Company's ordinary shares traded on the NZAX market over the 20 business days immediately following the date of the Company's 2008 annual meeting.

Options

Share options are granted to directors and to selected employees. The issue price is determined by adding a 20 percent margin to the market value of the shares at the time the directors resolve to issue options. The exercise price of the granted options is as below. Employee share options are able to be exercised, in whole or in part, from the option grant date to the option expiry date which varies per employee as below. The exercise price as below may be beneath the actual share price on the exercise date. Options are conditional on the employees' remaining in the employment of JWI unless special circumstances exist. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

	Parent and Group 2010		Parent and Group 2009	
	Average exercise price in $ per share	Options (thousands)	Average exercise price in $ per share	Options (thousands)
Outstanding at 1 July	0.72	390	-	-
Granted	0.72	150	0.72	440
Lapsed	0.72	(125)	0.72	(50)
Outstanding at 30 June	**0.72**	**415**	**0.72**	**390**

All options are exercisable, in whole or in part, from the option grant date to the option expiry date. No options were exercised during the year ended 30 June 2010 (2009: nil).

Share options outstanding (in thousands) at the end of the year have the following expiry date and exercise prices:

			Options (thousands)	
	Expiry date	Exercise price	2010	2009
	30/11/2011	0.72	265	390
	30/09/2012	0.72	150	-
Outstanding at 30 June			**415**	**390**

Fair value of share options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2010 was 0.72 cents per option (2009: 0.72 cents). The fair value at grant date is independently determined using a Black-Scholes option pricing model.

The significant inputs into the model were share price of between $0.33 and $0.46 (2009: $0.45) at the grant date, exercise price shown above, standard deviation of expected share price returns of 30 percent (2009: 30 percent), dividend yield of 13 percent (2009: 13 percent), option life disclosed above, and annual risk-free interest-rate of six percent (2009: six percent). The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the last three years.

21 SHARE CAPITAL CONTINUED

Expenses arising from share-based payment transactions recognised during the year as part of employee benefit expenses were as below:

	GROUP YEAR ENDED 30 JUNE 2010 $'000	GROUP YEAR ENDED 30 JUNE 2009 $'000	PARENT YEAR ENDED 30 JUNE 2010 $'000	PARENT YEAR ENDED 30 JUNE 2009 $'000
Options issued to directors and employees	1	1	1	1
Shares issued in lieu of directors' fees	39	104	39	104
Total share-based expenses	**40**	**105**	**40**	**105**

22 DIVIDENDS

	PARENT AND GROUP YEAR ENDED 30 JUNE 2010 $'000	PARENT AND GROUP YEAR ENDED 30 JUNE 2009 $'000
Ordinary shares		
Final dividend for the year ended 30 June 2009 of 1.98 cents (2008: 1.98 cents) per fully-paid share paid on 16 October 2009 (2008: 10 October 2008)	1,692	1,523
Final supplementary dividend for the year ended 30 June 2009	22	22
Foreign investor tax credits on supplementary dividend paid for the year ended 30 June 2009	(21)	(21)
Interim dividend for the year ended 30 June 2010 of nil (2009: 1.60 cents) per fully-paid share (2009: 9 April 2009)	-	1,329
Interim supplementary dividend for the year ended 30 June 2010	-	17
Foreign investor tax credits on supplementary dividend paid for the year ended 30 June 2010	-	(17)
Total dividend	**1,693**	**2,853**
Reconciliation to statement of cash flows		
Cash paid	408	787
Shares issued under the DRP	1,285	2,066
Total dividend	**1,693**	**2,853**
Dividend per share (cents)	1.60	3.58

Imputed dividends

The dividends are fully imputed. Supplementary dividends of $22,341 (2009: $38,819) were paid to shareholders not tax-resident in New Zealand for which the Company received a foreign investor tax credit entitlement.

Subsequent to year end the board of directors resolved not to pay a final dividend for the year ended 30 June 2010.

23 COMMITMENTS

Capital commitments

Capital expenditure contracted for as at balance date but not recognised in the financial statements are as follows:

	GROUP AS AT 30 JUNE 2010 $'000	GROUP AS AT 30 JUNE 2009 $'000	PARENT AS AT 30 JUNE 2010 $'000	PARENT AS AT 30 JUNE 2009 $'000
Plant and Equipment purchases	161	-	161	-

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	Five 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	One of three years
Melbourne offices/warehouse	Five years	One of three years
Sydney offices/warehouse	Five years	One of five years

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 30 JUNE 2010 $'000	GROUP AS AT 30 JUNE 2009 $'000	PARENT AS AT 30 JUNE 2010 $'000	PARENT AS AT 30 JUNE 2009 $'000
Within one year	1,121	703	629	192
Later than one year but not later than five years	1,151	857	928	123
Later than five years	910	-	910	-
Commitments not recognised in the financial statements	**3,182**	**1,560**	**2,467**	**315**

23 COMMITMENTS CONTINUED

Lease receipts: Group as lessor

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.

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

	GROUP AS AT 30 JUNE 2010 $'000	GROUP AS AT 30 JUNE 2009 $'000	PARENT AS AT 30 JUNE 2010 $'000	PARENT AS AT 30 JUNE 2009 $'000
Within one year	17,960	18,887	12,255	13,310
Later than one year but not later than five years	15,184	15,968	11,148	12,108
Later than five years	-	-	-	-
Receipts not recognised in the financial statements	**33,144**	**34,855**	**23,403**	**25,418**

24 RELATED PARTIES

The Group and Parent has related-party transactions with its subsidiaries (refer note 26) and with its directors and key management. 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 (refer note 13). These advances do not have fixed repayment terms and all advances between related parties are unsecured. During the year the Parent charged interest of $2,616,499 (2009: $710,739) to JWA Holdings Limited.

Bartercard Exchange Limited, a company of which Tony Falkenstein and Ian Malcolm are directors and indirect shareholders, charged Bartercard fees to the Parent during the financial year to the value of $150,419 (2009: $164,358). As at balance date the Parent had a trade payable of $14,308 (2009: $7,873) and a Bartercard trade balance liability of $407,973 (2009: $499,480). As at balance date Clearwater had a Bartercard trade balance asset of $261,043 (2009: $213,021).

Mabee Halstead & Kiddle 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 year to the value of $190,288 (2009: $218,130). Ian Malcolm is also a director and shareholder of the Parent. As at balance date the Group had a trade payable of $2,936 (2009: $4,365).

Axis Direct Limited, a company of which Ian Malcolm is a director and a shareholder, supplied computer hardware and network support services to the Just Water Group during the financial year to the value of nil (2009: $5,543). Ian Malcolm is also a director and shareholder of the Parent. As at balance date the Group had a trade payable of $270 (2009: $nil).

Springfresh Marketing Pty Limited, a company of which Phil Dash is a director and a shareholder, provided management services to the Just Water Group during the financial year to the value of nil (2009:$46,051). Phil Dash is also a director and indirect shareholder of the Parent. As at balance date the Group had a trade payable of nil (2009: $nil).

The following related-party balances are held by the Parent at balance date:

	PARENT 30 JUNE 2010 $'000	PARENT 30 JUNE 2009 $'000
Trade receivables		
Clearwater Filter Systems (Aust) Pty Limited	1,323	1,688
Just Water Limited Partnership	333	155
Just Water Australia Pty Limited	186	188
JWA Holdings Limited	10,553	26,237
Total trade receivables	**12,395**	**28,268**

24 RELATED PARTIES CONTINUED

Key management compensation is as follows:

	GROUP 30 JUNE 2010 $'000	GROUP 30 JUNE 2009 $'000	PARENT 30 JUNE 2010 $'000	PARENT 30 JUNE 2009 $'000
Short-term benefits	891	1,209	529	508
Termination benefits	38	-	38	-
Share-based payments	40	105	40	105
Total key management compensation	**969**	**1,314**	**607**	**613**

The following related party transactions occurred for the Group:

		TRANSACTION		YEAR-END	
NATURE OF TRANSACTIONS	RELATIONSHIP WITH COMPANY	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Receipt of intercompany interest	Parent	2,616	711	-	-
Payment for accountancy services	Parent	(190)	(218)	-	-
Payment of Bartercard fees	Parent	(151)	(165)	-	-
Payment for computer hardware and computer support services	Parent	-	(6)	-	-
Payment for management services	Fellow subsidiary	-	(46)	-	-
Trade and other payables	Parent	-	-	(408)	(499)
Trade and other receivables[1]	Parent	-	-	12,395	28,268
Trade and other payables	Parent	-	-	(14)	(8)
Trade and other payables	Parent	-	-	(3)	(4)
Trade and other receivables	Fellow subsidiary	-	-	261	213

1. Refer note 13 for discussion of impairment.

25 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

Risk management is carried out by the board with responsibility delegated through to the audit committee. The audit committee identifies and evaluates financial risks in close co-operation with the Group's operating units. The board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign currency risk as a result of purchases and borrowings in foreign currencies. To manage this risk, each operating unit considers their foreign currency obligation on a monthly basis and forward cover is able to be taken if deemed appropriate. The Group considers no cover is required in respect of borrowings in foreign currencies.

The table below summarises the impact of increases/decreases of foreign exchange rates on the Group's post tax profit for the year and on equity. The analysis is based on the assumption that the New Zealand dollar had increased/decreased by 10 percent with all other variables held constant.

	CARRYING AMOUNT $'000	- 10 % PROFIT $'000	EQUITY $'000	+ 10 % PROFIT $'000	EQUITY $'000
GROUP					
As at 30 June 2010					
Financial assets					
Cash and cash equivalents	49	3	-	(3)	-
Trade and other receivables	3,924	155	-	(155)	-
Financial liabilities					
Trade and other payables	3,226	(77)	-	77	-
Interest-bearing liabilities	26,027	(1,040)	-	1,040	-
Total increase/(decrease)		(959)	-	959	-
As at 30 June 2009					
Financial assets					
Cash and cash equivalents	953	52	-	(52)	-
Trade and other receivables	4,815	149	-	(149)	-
Financial liabilities					
Trade and other payables	4,303	(161)	-	161	-
Interest-bearing liabilities	26,113	(1,118)	-	241	-
Total increase/(decrease)		(1,078)	-	201	-

25 FINANCIAL RISK MANAGEMENT CONTINUED

	CARRYING AMOUNT $'000	- 10 % PROFIT $'000	EQUITY $'000	+ 10 % PROFIT $'000	EQUITY $'000
PARENT					
As at 30 June 2010					
Financial assets					
Cash and cash equivalents	2	-	-	-	-
Trade and other receivables	14,603	184	-	(184)	-
Financial liabilities					
Trade and other payables	2,177	-	-	-	-
Interest-bearing liabilities	23,932	(870)	-	870	-
Total increase/(decrease)		(686)	-	686	-
As at 30 June 2009					
Financial assets					
Cash and cash equivalents	400	-	-	-	-
Trade and other receivables	31,771	184	-	(184)	-
Financial liabilities					
Trade and other payables	2,691	-	-	-	-
Interest-bearing liabilities	23,700	(877)	-	-	-
Total increase/(decrease)		(693)	-	(184)	-

Concentrations of foreign currency exposure

The following table shows the concentration of foreign currencies that the balances of the Group and Parent are denominated in.

	NZD	AUD	TOTAL
GROUP			
As at 30 June 2010			
Cash and cash equivalents	20	29	49
Trade and other receivables	2,377	1,547	3,924
Trade and other payables	2,455	771	3,226
Interest-bearing liabilities	15,229	10,798	26,027
As at 30 June 2009			
Cash and cash equivalents	437	516	953
Trade and other receivables	2,830	1,486	4,316
Trade and other payables	2,193	1,611	3,804
Interest-bearing liabilities	23,700	2,413	26,113
PARENT			
As at 30 June 2010			
Cash and cash equivalents	2	-	2
Trade and other receivables	12,761	1,842	14,603
Trade and other payables	2,177	-	2,177
Interest-bearing liabilities	15,229	8,703	23,932
As at 30 June 2009			
Cash and cash equivalents	400	-	400
Trade and other receivables	29,429	1,843	31,272
Trade and other payables	2,192	-	2,192
Interest-bearing liabilities	23,700	-	23,700

25 FINANCIAL RISK MANAGEMENT CONTINUED

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy at June 2010 was to maintain approximately 33 percent of its borrowings at fixed rate using interest rate swaps to achieve this when necessary. As at 30 June 2010 the Group did not have any interest rate swaps (2009: nil). During 2010 and 2009, the Group's borrowings at variable rate were denominated in New Zealand Dollars and Australian Dollars.

	CARRYING AMOUNT $'000	- 1 % PROFIT $'000	EQUITY $'000	+ 1 % PROFIT $'000	EQUITY $'000
GROUP					
As at 30 June 2010					
Financial assets					
Cash and cash equivalents	49	-	-	-	-
Trade and other receivables	3,924	-	-	-	-
Financial liabilities					
Trade and other payables	3,226	-	-	-	-
Interest-bearing liabilities	26,027	263	-	(263)	-
Total increase/(decrease)		**263**	**-**	**(263)**	**-**
As at 30 June 2009					
Financial assets					
Cash and cash equivalents	953	-	-	-	-
Trade and other receivables	4,815	-	-	-	-
Financial liabilities					
Trade and other payables	4,303	-	-	-	-
Interest-bearing liabilities	26,113	209	-	(22)	-
Total increase/(decrease)		**209**	**-**	**(22)**	**-**

	CARRYING AMOUNT $'000	- 1 % PROFIT $'000	EQUITY $'000	+ 1 % PROFIT $'000	EQUITY $'000
PARENT					
As at 30 June 2010					
Financial assets					
Cash and cash equivalents	2	(27)	-	27	-
Trade and other receivables	14,603	-	-	-	-
Financial liabilities					
Trade and other payables	2,177	-	-	-	-
Interest-bearing liabilities	23,932	232	-	(232)	-
Total increase/(decrease)		**205**	**-**	**(205)**	**-**
As at 30 June 2009					
Financial assets					
Cash and cash equivalents	400	(7)	-	7	-
Trade and other receivables	31,771	-	-	-	-
Financial liabilities					
Trade and other payables	2,691	-	-	-	-
Interest-bearing liabilities	23,700	61	-	(61)	-
Total increase/(decrease)		**54**	**-**	**(54)**	**-**

25 FINANCIAL RISK MANAGEMENT CONTINUED

(b) Credit risk

Credit risk is managed on a regular basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. As part of the Company's financial risk policy, limits on customer exposures have been set and are monitored on a regular basis. The Company does not require any collateral or security to support financial instruments due to the quality of the financial institutions dealt with.

The Group's exposure to credit risk for trade receivables as at 30 June by geographic region is as follows:

	2010 $'000	2009 $'000
GROUP		
New Zealand	2,302	3,324
Australia	1,381	1,275
Total	**3,683**	**4,599**
PARENT		
New Zealand	2,021	3,322
Australia	-	-
Total	**2,021**	**3,322**

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, 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, as the impact of discounting is not significant.

	NOTE	LESS THAN 1 YEAR $'000	BETWEEN 1 AND 2 YEARS $'000	BETWEEN 2 AND 5 YEARS $'000	OVER 5 YEARS $'000
GROUP					
As at 30 June 2010					
Trade and other payables		3,226	-	-	-
Bank overdraft		441	-	-	-
Bank borrowings	20	1,823	-	26,732	-
Other loans		268	264	24	-
As at 30 June 2009					
Trade and other payables		4,303	-	-	-
Bank borrowings	20	27,798	-	-	-
Other loans		244	199	167	-
PARENT					
As at 30 June 2010					
Trade and other payables		2,177	-	-	-
Bank overdraft		47	-	-	-
Bank borrowings	20	-	-	25,189	-
Other loans		193	246	-	-
As at 30 June 2009					
Trade and other payables		2,691	-	-	-
Bank borrowings	20	25,568	-	-	-
Other loans		131	131	143	-

25 FINANCIAL RISK MANAGEMENT CONTINUED

(d) Capital risk

The Group's capital comprises of ordinary shares, retained earnings and other reserves. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total external borrowings (including 'borrowings' and 'trade and other payables' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. This is monitored by management monthly.

The gearing ratio at 30 June is:

	2010 $'000	2009 $'000
Total borrowings	26,027	26,113
Total cash	49	953
Net debt	25,978	25,160
Total equity	2,691	22,059
Total capital	28,669	47,219
Gearing ratio	0.91	0.53

The deterioration of the gearing ratio is primarily due to the impairment of goodwill (refer note 18). Management and the board recognise that although this has deteriorated, off-balance sheet assets, being the future receivables in respect of contracts (refer note 23) and off-balance sheet liabilities (refer note 23), if included as if they were on the balance sheet, would make the gearing ratio 0.44 as at 30 June 2010 (2009: 0.31). The board considers that a gearing ratio, when calculated on this basis, of 0.75 or below to be reasonable.

Refer to note 20 for consideration of debt covenants.

(e) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. Refer to the accounting policies for fair value estimation methods. The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to their short term nature.

26 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDINGS % 2010	EQUITY HOLDINGS % 2009
JWA Holdings Limited	New Zealand	Ordinary	100	100
Clearwater Filter Systems (Aust) Pty Limited	Australia	Ordinary	100	100
Just Water Australia Pty Limited	Australia	Ordinary	100	100
Just Water Limited Partnership	Australia	Ordinary	100	100
Just Water Victoria Pty Limited	Australia	Ordinary	100	100

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

	GROUP 30 JUNE 2010 $'000	GROUP 30 JUNE 2009 $'000	PARENT 30 JUNE 2010 $'000	PARENT 30 JUNE 2009 $'000
(Loss)/profit for the year	(19,212)	1,804	(16,455)	4,104
Adjustments for				
Tax	(1,041)	(281)	(641)	(64)
Depreciation	4,851	4,168	3,384	2,810
Amortisation	566	360	374	135
Impairment	18,300	-	18,300	-
Interest received (non-cash)	-	-	(2,686)	-
Loss/(gain) on sale of property, plant and equipment	637	812	248	272
Loss/(gain) on sale of intangible assets	173	-	173	-
Share options issued	1	1	1	1
Shares issued in lieu of directors fees	39	104	39	104
Provision for doubtful debts	1,856	422	1,919	345
Movement in deferred income	(278)	(1,217)	(82)	(98)
Changes in working capital				
Inventories	731	767	300	475
Trade and other receivables	(752)	(524)	2,062	(106)
Trade and other payables	(1,077)	(560)	(514)	(520)
Provision for tax	(123)	2	(123)	2
Cash generated from operations	4,671	5,858	6,299	7,460

Non-cash transactions

The principal non-cash transaction from other than operating activities, was the issue of shares under the Dividend Reinvestment Plan.

28 EVENTS OCCURRING AFTER BALANCE SHEET DATE

There were no material events occurring after balance date (2009: subsequent to year end the board of directors have resolved to pay a dividend, refer to note 22 for details).

29 EARNINGS PER SHARE

	GROUP YEAR ENDED 30 JUNE 2010 $'000	GROUP YEAR ENDED 30 JUNE 2009 $'000	PARENT YEAR ENDED 30 JUNE 2010 $'000	PARENT YEAR ENDED 30 JUNE 2009 $'000
Basic earnings per share				
(Loss)/profit from operations attributable to the ordinary equity holders of the company	(19,212)	1,804	(16,455)	4,104

Reconciliations of earnings used in calculating earnings per share

	GROUP YEAR ENDED 30 JUNE 2010 CENTS	GROUP YEAR ENDED 30 JUNE 2009 CENTS	PARENT YEAR ENDED 30 JUNE 2010 CENTS	PARENT YEAR ENDED 30 JUNE 2009 CENTS
Basic and diluted earnings per share	(21.8)	2.2	(18.7)	5.0

	GROUP YEAR ENDED 30 JUNE 2010 CENTS	GROUP YEAR ENDED 30 JUNE 2009 CENTS	PARENT YEAR ENDED 30 JUNE 2010 CENTS	PARENT YEAR ENDED 30 JUNE 2009 CENTS
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	88,038	81,867	88,038	81,867
Adjustments for calculation of diluted earnings per share: Options	415	390	415	390
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**88,453**	**82,257**	**88,453**	**82,257**

Information concerning the classification of securities

Options

Options granted to employees are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share.

Statutory disclosures in relation to shareholders

TOP 20 LARGEST HOLDINGS LIST AS AT MONDAY 30 AUGUST 2010

	HOLDER NAME	TOTAL	%
1	ASB Nominees Limited as bare trustees for The Harvard Group Limited	48,463,640	54.163%
2	The Harvard Group Limited	4,235,415	4.734%
3	Springfresh Marketing Pty Ltd	2,894,772	3.235%
4	Springfresh Marketing Pty Ltd as trustee for Dash Family Staff Super Fund	2,759,548	3.084%
5	Accident Compensation Corporation Limited	2,090,499	2.336%
6	Anthony Edwin Falkenstein and Ian Donald Malcolm as bare trustees for Anthony Edwin Falkenstein and Andrew Codling	2,000,000	2.235%
7	Anthony Edwin Falkenstein and Christopher Roy Saunders	2,000,000	2.235%
8	Anthony Edwin Falkenstein and Barry Harrison Spicer	2,000,000	2.235%
9	Anthony Edwin Falkenstein and Ian Donald Malcolm	1,268,000	1.417%
10	Heather Jeanette Falkenstein and Ian Donald Malcolm	1,268,000	1.417%
11	ACE Finance Limited	1,022,422	1.143%
12	Morris West Limited	1,002,116	1.120%
13	National Nominees New Zealand Limited	802,676	0.897%
14	Anthony Edwin Falkenstein	796,310	0.890%
15	J T Maxwell & Company Ltd	600,000	0.671%
16	Christopher Peter Huljich and Colin Gordon Powell	570,354	0.637%
17	Newburg Nominees Limited	510,601	0.571%
18	Clyde Christopher Cooper and Farida Clyde Cooper	500,000	0.559%
19	Anthony Henry Kandziora	500,000	0.559%
20	Custodial Services Limited	411,239	0.460%
Total		**75,695,592**	**84.598%**

EQUITY SECURITIES HELD AS AT 30 JUNE 2010

In accordance with NZAX Listing Rule 10.5.5(c) the following table identifies the equity securities in which each director has a relevant interest as at 30 June 2010.

DIRECTOR	NUMBER OF SHARES IN WHICH RELEVANT INTERESTS HELD
Anthony Edwin Falkenstein	62,081,365
Ian Donald Malcolm	55,829,606
Philip John Dash	5,634,320
Simone Justine Iles	162,050
Sir Donald Charles McKinnon	97,050

HOLDING RANGE AS AT 30 AUGUST 2010

RANGE OF EQUITY HOLDING	NUMBER OF HOLDERS	NUMBER OF SHARES HELD	%
1-1,000	279	58,870	0.066
1,001-5,000	238	651,464	0.728
5,001-10,000	137	1,061,862	1.187
10,001-100,000	229	6,774,814	7.571
100,001 and over	47	80,930,164	90.448
Totals	**930**	**89,477,174**	**100.000**

SUBSTANTIAL SECURITY HOLDERS

Section 26 of the Securities Market Act 1988 requires disclosure of the substantial security holders in Just Water International Limited. As at 30 August 2010, the substantial security holders were as follows:

SUBSTANTIAL SECURITY HOLDERS	NUMBER OF SHARES HELD	%
Anthony Edwin Falkenstein	62,081,365	69.38%
Ian Donald Malcolm	55,829,606	62.40%
The Harvard Group Limited	52,699,055	58.90%
Springfresh Marketing Pty Limited	5,654,320	6.32%

Notice of meeting

Notice is given that the Annual Meeting of Shareholders of Just Water International Limited (the "Company") will be held on **Thursday 28 October 2010 at 11:00 am in Carlaw Meeting Room 3, Ground Floor, New Zealand Institute of Chartered Accountants, 12-16 Nicholls Lane, Parnell, Auckland.**

BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions:

A. Resolution 1: Annual Report

The Annual Report of the Company for the year ended 30 June 2010, including the Auditors' Report, be received.

B. Resolution 2: Auditors' remuneration

The Company's board of directors be authorised to fix the auditors' remuneration.

C. Resolution 3: Re-election of director

Simone Justine Iles be re-elected as a director of the Company.

D. Resolution 4: Re-election of director

Ian Donald Malcolm be re-elected as a director of the Company.

E. Resolution 5: Issue of ordinary shares to directors in lieu of cash remuneration

The board is authorised to:

i) issue fully-paid ordinary shares in the Company to the directors of the Company (other than Tony Falkenstein and Ian Malcolm), who elect to receive them, at an aggregate issue price not exceeding the aggregate amount of directors' remuneration approved by shareholders, in lieu of those directors receiving their remuneration in cash, on the basis set out in the explanatory notes to the Notice of Meeting; and

ii) take all actions, do all things and execute all documents necessary or considered expedient by the board to give effect to such issue of shares,

such ordinary shares when issued to rank equally in all respects with the then issued ordinary shares in the Company, except they will not rank for any dividend in respect of the Company's financial year ended 30 June 2010.

F. General business:

To transact such other business as may properly be brought before the meeting in accordance with the Company's constitution.

Explanatory notes in relation to the proposed resolutions are set out on the following pages.

Explanatory notes to resolutions

Each of the resolutions to be considered at the Annual Meeting is an ordinary resolution. An ordinary resolution means a resolution that is approved by a simple majority of the votes of those shareholders entitled to vote and voting on the resolution.

Resolution 1: Annual Report

The Annual Report for 2010, having been made available or circulated by the share registry, will be tabled for discussion and questions.

Resolution 2: Auditors' remuneration

PricewaterhouseCoopers are automatically reappointed as the Company's Auditor under section 200 of the Companies Act 1993. This resolution authorises the board to fix the fees and expenses of the Auditor.

Resolutions 3 and 4: Re-election of directors

Two directors, Simone Justine Iles and Ian Donald Malcolm, retire by rotation in accordance with the Company's constitution, and being eligible, offer themselves for re-election at the Annual Meeting.

Simone has spent many years in the marketing, direct marketing and advertising industries in both the NZ and UK markets. She currently holds the position of Head of Consumer Fixed and Converged Marketing for Telecom. Simone is concurrently the Chairman of the Marketing Association where she has held a number of executive positions over the last eight years.

Ian has been on the board of the Company at the time of and subsequent to the listing of the Company on the NZAX in 2004. He is in public practice as a Chartered Accountant with Mabee Halstead & Kiddle Ltd, a long-established and well-respected chartered accounting firm in Central Auckland, and has extensive industry knowledge as well as experience in the finance and ICT industries.

The board unanimously recommends shareholders vote in favour of the re-election of Simone Iles and Ian Malcolm.

Resolution 5: Issue of ordinary shares to directors in lieu of cash remuneration

The current total aggregate remuneration payable to directors of the Company in New Zealand, as approved by ordinary resolution at the 2006 annual meeting of shareholders of the Company, is $130,000.

The issue of ordinary shares to directors as remuneration is required to be approved by an ordinary resolution of shareholders pursuant to NZAX Listing Rules 3.4.1 and 7.3.7.

The directors are of the opinion that having their remuneration related to Company performance over time is consistent with their commitment to the Company and their goal to create long-term value for shareholders.

The number of shares issued to each director will be determined by the board:

(a) by dividing the aggregate amount of the relevant director's remuneration elected to be taken in shares by the issue price for each share. The issue price of each share will be determined by the board and will be equal to the Volume Weighted Average Price ("VWAP") of the Company's ordinary shares traded through, or trades included as reported on, the NZAX Market over the 20 business days immediately before the date that the issue occurs; and

(b) on other terms not inconsistent with this resolution and the NZAX Listing Rules as deemed appropriate by the board.

The ordinary shares to be issued to directors will rank equally in all respects with the then issued ordinary shares in the Company, except they shall not rank for any dividend in respect of the Company's financial year ended 30 June 2010. There are no restrictions on the transfer of the shares by directors.

The directors eligible to receive shares under this resolution are Sir Don McKinnon, Simone Iles and Phil Dash, and any director who is subsequently appointed. Tony Falkenstein as executive director does not receive directors' fees. Ian Malcolm has advised that, due to Takeovers Code requirements, he has elected not to receive directors' fees by way of shares.

Should Sir Don McKinnon, Simone Iles and Phil Dash elect to receive all of their directors' fees by way of shares, then the maximum number of shares that may be issued to these directors under this resolution, at a VWAP of $0.17, would be 611,764. The actual number of shares that are issued will depend on the price of each share as determined in accordance with paragraph (a) above and the amount of directors' fees elected to be taken in cash by each director.

For example, at a VWAP of $0.17 per share (being the last sale price per share as at the close of business on 10 September 2010), the maximum number of shares which could be issued to each director, and in aggregate, would be as follows:

DIRECTOR	NUMBER OF SHARES
Sir Don McKinnon	305,882
Phil Dash	152,941
Simone Iles	152,941
Total	611,764

The above numbers may change depending on the price at which the shares are issued (refer to paragraph (a) above).

The shares will be issued to directors after the end of each half-year period to which the remuneration relates. If any director ceases to be a director prior to 31 December 2010 or 30 June 2011, the fees paid to that director (in the form of newly-issued shares) will be proportionate to the period (in months, rounded up to the nearest month) for which the director has held office.

VOTING RESTRICTIONS

The directors of the Company referred to in the explanatory notes to Resolution 5 as being eligible to receive shares under that resolution, and any person who is an "Associated Person" of any of those directors (as that term is defined in the NZAX Listing Rules), cannot vote on Resolution 5.

Instructions regarding proxies

1. All shareholders are entitled to attend and, subject to the restrictions described in the section entitled "Voting Restrictions" set out in the explanatory notes to the Notice of Meeting, to vote at the meeting.
2. A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of the shareholder.
3. A proxy need not be a shareholder of the Company.
4. The chairman of the meeting is willing to act as proxy for any shareholder who may wish to appoint him for that purpose.
5. If the proxy form is returned without a direction as to how the proxy should act on a resolution, the proxy will exercise his or her discretion as to whether to vote and, if so, how. However, a proxy will be prohibited from exercising discretionary proxies given to him or her in respect of a resolution in which that proxy is disqualified from voting (refer to the section entitled "Voting Restrictions" for disqualified persons). In such instances, the proxy is only able to exercise proxies where the shareholder has provided him or her with an express instruction as to how to exercise that shareholder's vote. Express instructions exclude instructions that give the proxy discretion to exercise that shareholder's vote as the proxy sees fit.
6. Joint holders must all sign the proxy form.
7. If the proxy is signed under a power of attorney, this must be produced for noting by the Company, if not already noted. A certificate of non-revocation of the power of attorney must be attached.
8. A company that is a shareholder may appoint a person to attend the meeting and vote on its behalf, in the same manner as that in which it could appoint a proxy. A proxy granted by a company or other body corporate must be signed by a duly authorised officer or attorney who has express or implied authority to do so.
9. Completed proxies must be received by the Company's Share Registrar no later than 11:00am on Tuesday 26 October 2010 at the following address:

The Share Registrar
Just Water International Limited
c/o Link Market Services
PO Box 384
Ashburton 7740
New Zealand

By order of the board.

Sir Don McKinnon
Chairman

Notes

Proxy form

CSN Holder Number: FAX RETURN +64 3 308 1311

I/We

(Name)

of

(Place)

being a shareholder of **Just Water International Limited** (the "**Company**"), hereby

appoint of

(Name) (Place)

or failing that person of

(Name) (Place)

as my/our proxy to vote for me/us on my/our behalf at the Annual Meeting of the Company to be held in the **Carlaw Meeting Room 3, Ground Floor, New Zealand Institute of Chartered Accountants, 12-16 Nicholls Lane, Parnell, Auckland on Thursday 28 October 2010 at 11:00 am**, and at any adjournment thereof.

Unless otherwise directed as below, the proxy will vote as he or she thinks fit (unless the proxy is prohibited from exercising discretionary proxies given to them in respect of the resolution), or abstain from voting. A proxy will be prohibited from exercising discretionary proxies given to him or her in respect of a resolution in which that proxy is interested or disqualified from voting (refer to the section in the attached Notice of Meeting entitled "Voting Restrictions" for disqualified persons). In such instances, the proxy is only able to exercise proxies where the shareholder has provided him or her with an express instruction as to how to exercise that shareholder's vote. Express instructions exclude instructions that give the proxy discretion to exercise that shareholder's vote as the proxy sees fit. Should the shareholder(s) wish to direct the proxy how to vote, the following should be completed:

RESOLUTIONS:	FOR	AGAINST
1. Annual Report The Annual Report of the Company for the year ended 30 June 2010, including the Auditors' Report, be received.	☐	☐
2. Auditors' remuneration The Company's board of directors be authorised to fix the auditors' remuneration.	☐	☐
3. Election of director Simone Justine Iles be re-elected as a director of the Company.	☐	☐
4. Re-election of director Ian Donald Malcolm be re-elected as a director of the Company.	☐	☐
5. Issue of ordinary shares to directors in lieu of cash remuneration The board is authorised to: i) issue fully-paid ordinary shares in the Company to the directors of the Company (other than Tony Falkenstein and Ian Malcolm), who elect to receive them, at an aggregate issue price not exceeding the aggregate amount of directors' remuneration approved by shareholders, in lieu of those directors receiving their remuneration in cash, on the basis set out in the explanatory notes to the Notice of Meeting; and ii) take all actions, do all things and execute all documents necessary or considered expedient by the board to give effect to such issue of shares, such ordinary shares when issued to rank equally in all respects with the then issued ordinary shares in the Company except they will not rank for any dividend in respect of the Company's financial year ended 30 June 2010.	☐	☐

Signed this _______ day of _______________ **2010**

_______________ Signature _______________ Signature

Note: Completed proxies must be received by the Company's Share Registrar no later than 11.00am on Tuesday 26 October 2010 at the following address:

The Share Registrar, Just Water International Limited, c/o Link Market Services, PO Box 384, Ashburton 7740, New Zealand

Notes

Just Water

Just Water International Limited