Half-Year Report - For the six months ended 31 December 2005

Just Water

International Limited

DIRECTORY

DIRECTORS

Jim McLay (Independent)
Chairman

Renny Cunnack (Independent)

Phil Dash (Executive)

Tony Falkenstein (Executive)

Ian Malcolm (Non-Executive)

EXECUTIVE MANAGEMENT

Tony Falkenstein
Chief Executive
Just Water International Limited

Michael Fann
Chief Operating Officer
Just Water International Limited

Marlon Bridge
General Manager Finance and Administration
Just Water New Zealand

Brian Simpson
National Sales Manager
Just Water New Zealand

Raj Chaudhary
General Manager
Aqua-Cool Ltd

Phil Dash
Chief Executive
Clearwater Filter Systems (Aust) Pty Ltd

Jeff Horn
Finance Manager
Clearwater Filter Systems (Aust) Pty Ltd

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AUDITORS

PricewaterhouseCoopers

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www.justwater.co.nz

www.aquacool.co.nz

www.coolwater.co.nz

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JUST WATER NEW ZEALAND

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AQUA-COOL LTD

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Penrose
Auckland

PO Box 68-519
Newton
Auckland
New Zealand

Tel +64-9-580 0126
Fax +64-9-580 0122

Aqua-Cool Ltd is a subsidiary of Just Water International Limited

CLEARWATER FILTER SYSTEMS (AUST) PTY LTD

Unit 4, 6-8 McLauchlan Ave
Artarmon, Sydney
NSW 2064, Australia

Tel +61-2-9439-0544
Fax +61-2-9439-0355

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

BANKERS

Bank of New Zealand Limited
Westpac Banking Corporation Limited

SOLICITORS

Harmos Horton Lusk
Daniel Overton & Goulding

SHARE REGISTRY

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FIRST-HALF TO DECEMBER 2005

Dear Shareholder,

Just Water International Limited is pleased to present its half-year results for the six months to 31 December 2005. The accounts have been prepared on the basis of the new International Financial Reporting Standard (IFRS) which comes into force in New Zealand in 2007. There is no material net effect on revenue and EBIT, when compared with the previous standards.

Summary:

EBITDA:	$3.510 million, versus $2.939 million for the comparable half-year, an increase of 19 percent.
Revenue:	$12.202 million, versus $9.386 million for the comparable half-year, an increase of 30 percent.
NPAT:	$1.848 million, versus $1.646 million for the comparable half-year, an increase of 12 percent.
Net Dividend:	1.60 cents per share, versus 1.45 cents for the comparable half-year's interim dividend in the 2004 - 2005 financial year, an increase of ten percent.

Commentary:

Revenue of $12.202 million in the December half-year represents an increase of 30 percent on the previous year's half-year result. Clearwater Filter Systems (Aust) Pty Ltd, acquired late last year, contributed 4.3 percentage points of this increase in the two months since acquisition.

A fully-imputed interim dividend of 2.388 cents (net 1.60) was paid on 21 April 2006. This is a ten percent increase on the previous year's interim dividend.

The major event of the period was the acquisition of Australia's largest point-of-use drinking water company, Clearwater Filter Systems (Aust) Pty Ltd.

The acquisition of Clearwater added 18,000 dispensers to JWI's base of water-dispensers delivering ongoing income. JWI's New Zealand dispenser base has increased organically by 2,882 units in the first half of the year, compared with 3,374 in the whole of the previous year. In addition, 783 units were added to the Australian base in the two months following the acquisition. The JWI Group achieved 11 percent organic growth in the half. Total dispensers showed an excellent 62 percent increase for the six months.

The rate of organic growth of dispensers achieved in the first six months was similar to the 12-month growth last year. Although the directors are delighted with the result, they again point out to shareholders that this growth does not give immediate benefit to earnings, as many of the relevant costs are written off at the time of the dispenser installation, while the income is earned over the life of the rental agreement.

The directors and management continue to focus on unit dispenser growth as a key performance indicator which will translate into future earnings.

We are delighted with the organic growth of the New Zealand companies, but believe that, over future years, the major growth will come from Australia.

Since its acquisition, we have successfully assimilated Clearwater into our operations, and we believe we have the team to both continue and expand the growth of the Company.

We continue to seek international acquisition opportunities, but our major focus is in establishing the Australian base to handle future growth expectations.

The Company plans to introduce a Dividend Reinvestment Plan, whereby shareholders may elect to forego their rights to receive dividends or distributions in cash and instead receive fully-paid ordinary shares in Just Water International Limited. Details will be announced prior to the Annual Meeting in October 2006.

The New Zealand summer has been excellent, and this has had a positive effect on our growth since 31 December; similarly Australia is looking to meet its budgeted growth.

The Company looks forward to maintaining its strong position in the New Zealand and Australian markets, while continuing to explore other opportunities. However, the directors continue to take a conservative approach to any business acquisition opportunities.

The Company acknowledges its shareholders and thanks them for their continued support. In the past year, informal shareholders' meetings have been held in Hamilton, Wellington, Whangarei and Christchurch, as well as the Annual Meeting in Auckland. These meetings are opportunities for shareholders to meet their directors and senior management, and to share ideas about where the Company is focusing.

Yours sincerely

Jim McLay
Chairman

Tony Falkenstein
Chief Executive

Jim Mclay, Chairman,
Just Water International Limited

Tony Falkenstein, Chief Executive,
Just Water International Limited

Just Water International Limited
Consolidated Income Statement (Unaudited)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

	GROUP 6 MONTHS ENDED 31 DECEMBER 2005 $'000	GROUP 6 MONTHS ENDED 31 DECEMBER 2004 $'000
Rental & sales	12,185	9,198
Interest income	7	-
Net foreign exchange gain	10	58
Gain on sale of property, plant and equipment	-	130
Income	**12,202**	**9,386**
Employee benefits costs	(4,540)	(3,513)
Materials and supplies	(1,689)	(1,267)
Other expenses	(2,463)	(1,667)
Earnings before interest, tax, depreciation & amortisation	**3,510**	**2,939**
Depreciation and amortisation expense	(782)	(796)
Earnings before interest & tax	**2,728**	**2,143**
Interest expense	(247)	(55)
Profit before income tax	**2,481**	**2,088**
Income tax expense	(633)	(442)
Profit attributable to shareholders of the company	**1,848**	**1,646**
Earnings per share for profit attributable to the shareholders of the company		
Basic earnings per share (cents)	2.6	2.5
Diluted earnings per share (cents)	2.6	2.4

The accompanying Notes are an integral part of, and should be read in conjunction with, this "Consolidated Income Statement".

Just Water International Limited
Consolidated Balance Sheet (Unaudited)

AS AT 31 DECEMBER 2005

	NOTE	GROUP AS AT 31 DECEMBER 2005 $'000	GROUP AS AT 31 DECEMBER 2004 $'000	GROUP AS AT 30 JUNE 2005 $'000
Equity				
Share capital	4.1	12,210	9,115	9,115
Retained earnings		5,963	4,511	5,305
Other reserves		(1)	-	-
Total equity		**18,172**	**13,626**	**14,420**
Current liabilities				
Borrowings	5	5,619	800	250
Trade and other payables	5	15,383	2,552	2,020
Derivative financial instruments		38	-	-
Income tax payable		345	83	63
Total current liabilities		**21,385**	**3,435**	**2,333**
Non-current liabilities				
Term borrowings		52	-	-
Revenue in advance		179	-	-
Total non-current liabilities		**231**	**-**	**-**
Total equity and liabilities		**39,788**	**17,061**	**16,753**
Non-current assets				
Property, plant and equipment		10,694	7,422	7,818
Other intangible assets		1,250	23	23
Goodwill	5	20,145	5,172	5,173
Deferred tax asset		607	253	194
Total non-current assets		**32,696**	**12,870**	**13,208**
Current assets				
Cash and cash equivalents		1,483	638	231
Trade and other receivables		3,657	2,024	2,131
Inventories		1,952	1,529	1,183
Total current assets		**7,092**	**4,191**	**3,545**
Total assets		**39,788**	**17,061**	**16,753**

For and on behalf of the board:

Jim McLay
Chairman

Ian Malcolm
Director

13 April 2006

The accompanying Notes are an integral part of, and should be read in conjunction with, this "Consolidated Balance Sheet".

Just Water International Limited
Consolidated Statement of Changes in Equity (Unaudited)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

	SHARE CAPITAL $'000	OTHER RESERVES $'000	RETAINED EARNINGS $'000	TOTAL EQUITY $'000
Balance at 1 July 2004	9,115	-	2,865	11,980
Total recognised income for the period	-	-	1,646	1,646
Dividend paid	-	-	-	-
Balance at 31 December 2004	**9,115**	**-**	**4,511**	**13,626**
Total recognised income for the period	-	-	1,759	1,759
Dividend paid	-	-	(965)	(965)
Balance at 30 June 2005	**9,115**	**-**	**5,305**	**14,420**
Issue of options	14	-	-	14
Issue of ordinary shares	3,081	-	-	3,081
Foreign currency translation reserve	-	(1)	-	(1)
Total recognised income for the period	-	-	1,848	1,848
Dividend paid	-		(1,190)	(1,190)
Balance at 31 December 2005	**12,210**	**(1)**	**5,963**	**18,172**

The accompanying Notes are an integral part of, and should be read in conjunction with, this "Consolidated Statement of Changes in Equity".

Just Water International Limited
Consolidated Statement of Cash Flows (Unaudited)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

	NOTE	GROUP 6 MONTHS ENDED 31 DECEMBER 2005 $'000	GROUP 6 MONTHS ENDED 31 DECEMBER 2004 $'000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		11,964	9,038
Interest received		7	-
Cash was applied to:			
Payments to suppliers and employees		(8,092)	(6,506)
Interest paid		(247)	(55)
Taxation expense paid		(723)	(460)
Net GST paid		(772)	(376)
Net cash inflow/(outflow) from operating activities	**6**	**2,137**	**1,641**
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		73	1,143
Cash was applied to:			
Purchase of property, plant and equipment		(1,023)	(1,766)
Acquisition of subsidiaries		(4,370)	-
Net cash inflow/(outflow) re investing activities		**(5,320)**	**(623)**
Cash flows from financing activities			
Cash was provided from:			
Proceeds from borrowings		5,575	-
Share capital raised		50	-
Cash was applied to:			
Dividends paid to shareholders		(1,190)	-
Repayment of borrowings		-	(1,600)
Net cash inflow/(outflow) from financing activities		**4,435**	**(1,600)**
Net increase/(decrease) in cash held		**1,252**	**(582)**
Add cash balance at beginning of year		231	1,220
Cash balance at end of year		**1,483**	**638**
Comprises :			
Bank balances		1,483	638

The accompanying Notes are an integral part of, and should be read in conjunction with, this "Consolidated Statement of Cash Flows".

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005 (UNAUDITED)

1. GENERAL INFORMATION

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

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

In October 2004 the business of Cool Water Company Limited (Cool Water) was merged into Aqua-Cool.

In August 2005 the subsidiary JW Victoria was acquired.

In November 2005 the subsidiary Clearwater was acquired.

These consolidated interim financial statements have been approved for issue by the Board of Directors on 13 April 2006.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of Compliance

These interim consolidated financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting and are covered by NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) because they are part of the period covered by the Group's first annual NZ IFRS financial statements for the year ended 30 June 2006. The consolidated interim financial statements do not include all of the information required for full annual financial statements.

The accounting policies are not consistent with those used in the June 2005 financial report, as the June 2005 financial statements were prepared in accordance with New Zealand Financial Reporting Standards (NZ FRS). An explanation of how the transition to IFRS has affected the reported balance sheet, profit and loss and cash flows for comparative periods is provided in Note 3. The principal accounting policies adopted in the preparation of the financial report are set out as below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.2. Basis of preparation

These Financial Statements are prepared and presented in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993.

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

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

These interim consolidated financial statements have been prepared on the basis of NZ IFRS standards and International Financial Reporting Interpretations Council (IFRIC) interpretations in issue that are effective or available for early adoption at the Group's first NZ IFRS interim annual reporting date, 31 December 2005. Based on these NZ IFRS and IFRIC's, the Board of Directors has made assumptions about the accounting policies expected to be adopted when the first NZ IFRS annual financial statements are prepared for the year ended 30 June 2006.

The NZ IFRS that will be effective or available for early adoption in the annual financial statements for the year ended 30 June 2006 are still subject to change and to the issue of additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this interim financial information will be determined only when the first NZ IFRS financial statements are prepared as at 30 June 2006.

The Group financial statements consolidate the financial statements of subsidiaries using the purchase method and include the results of associates using the equity method.

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

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 that 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 from the Group. They are de-consolidated from the date on which control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, regardless of the extent of any majority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the Groups share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

All significant intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Financial Statements *(continued)*

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005 (UNAUDITED)

2.4. Foreign currency translation

2.4.1. 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 of the parent.

2.4.2. 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 such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. 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 as recognised in the income statement.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of their fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity from 1 July 2005.

2.4.3. 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 income statement 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 (cumulative translation adjustment).

Exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity on consolidation. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

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.

2.5. Property, Plant and Equipment

Items of Property, Plant and Equipment (PPE) are shown at cost less subsequent depreciation and impairment, except for Land, which is shown at cost less 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 income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

-	Rental equipment	8 years
-	Motor vehicles	4 - 5 years
-	Office equipment	7 - 11 years
-	Plant and equipment	4 - 6 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.

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 amount. These are included in the income statement. 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.

2.6. Intangible Assets

2.6.1. Goodwill

All business combinations are accounted for by applying the purchase method. 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 subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

Goodwill is tested annually for impairment and reviewed at each reporting date or where there are indicators of impairment. Goodwill 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 by each primary reporting segment.

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

Notes to the Financial Statements *(continued)*

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005 (UNAUDITED)

2.6.2. 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 brands is recognised in the income statement as an expense as incurred.

Amortisation is charged to the income statement 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 sheet date or where there are indicators of impairment. Customer contracts that arose on the acquisition of Clearwater are amortised based on the anticipated revenues in respect of these contracts, resulting in amortisation reducing over this period. Other acquired patents, trademarks, brands and licences are amortised over their anticipated useful lives of ten years.

Software assets, licences 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.

2.6.3. Research and Development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as Intangible Assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have a finite useful life and that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding five years.

2.7. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. 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 purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.8. Investments

Financial fixed assets include investments in companies other than subsidiaries and associates, financial receivables held for investment purposes, treasury shares and other securities. Financial fixed assets are initially recorded at cost, including additional direct charges. A permanent impairment is provided as a direct reduction of the securities account.

The Group classifies its investments in the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

2.8.1. Financial Assets at fair value through profit or loss

This category has two sub-categories:

- Financial assets held for trading
- 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. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

2.8.2. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

2.8.3. Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention to hold to maturity. The Group did not hold any investments in this category during the year.

2.8.4. Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchase and sale of investments are recognised on trade date, the date on which the Group commits to purchase or sell the assets. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets

Notes to the Financial Statements *(continued)*

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005 (UNAUDITED)

at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The Group did not hold any investments in this category during the year.

2.9. Inventories

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

2.10. 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. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the 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 income statement.

2.11. Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.12. 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 process, net of tax.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net or income taxes), is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any direct attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.13. 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 income statement 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 sheet date.

2.14. Deferred Income Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.15. Employee Benefits

2.15.1. Share-based Plans

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 other reserve equity over the vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.15.2. Short-term Employee Benefits

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

2.16. Provisions

A provision is recognised when:

- The Group has a present legal or constructive obligation as a result of past events.
- It is more likely than not that an outflow of resources will be required to settle the obligation.
- The amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering

Notes to the Financial Statements *(continued)*

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005 (UNAUDITED)

the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability.

2.17. Revenue Recognition

Revenue comprises the fair value of 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:

2.17.1. Sales and Rental Income

Sales and rental income shown in the income statement comprise the amounts received and receivable by the company for goods supplied to customers in the ordinary course of business.

2.17.2. 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.

2.17.3. Dividend Income

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

2.18. Leases

2.18.1. 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. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rent obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement 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 PPE acquired under finance lease is depreciated over the shorter of the asset's useful life and the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.18.2. The Group is the Lessor

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

2.19. Dividend Distribution

Dividend distribution to the Company's Shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are declared by the Company's directors.

2.20. Interim Measurement Note

2.20.1. Current Income Tax

Current income tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2.20.2. Costs

Costs that incur unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

3. EARNINGS PER SHARE

3.1.1. Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued during the period.

3.1.2. Diluted earnings per share

Diluted earnings per share adjust 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. RECONCILIATION BETWEEN PREVIOUS NZ FRS AND NZ IFRS

This note includes reconciliations of equity and profit or loss for comparative periods reported under NZ FRS to those reported for those periods under NZ IFRS.

In preparing these interim consolidated financial statements in accordance with NZ IFRS 1, the Company has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of NZ IFRS.

The Company has elected to apply the following optional exemptions from full retrospective application.

Business combinations exemption

Just Water has applied the business combinations exemption in NZ IFRS 1. Business combinations that took place prior to the 1 July 2004 transition date have not been restated.

Reconciliation between previous NZ FRS and NZ IFRS

RECONCILIATION OF BALANCE SHEET AS AT 1 JULY 2004

	NOTE	NZ FRS	EFFECT OF TRANSITION TO NZ IFRS	NZ IFRS
Equity				
Share capital	a	9,008	107	9,115
Retained earnings	b	2,982	(117)	2,865
Total equity		**11,990**	**(10)**	**11,980**
Current liabilities				
Commercial bills		2,400	-	2,400
Bank overdraft		-	-	-
Employee entitlements	c	487	124	611
Payables and accruals		1,728	-	1,728
Provisions		38	-	38
Provision for taxation		-	-	-
Total current liabilities		**4,653**	**124**	**4,777**
Total equity and liabilities		**16,643**	**114**	**16,757**
Non-current assets				
Property, plant and equipment		7,488	-	7,488
Deferred tax asset	d	46	114	160
Intangible assets	e	5,172	-	5,172
Total non-current assets		**12,706**	**114**	**12,820**
Current assets				
Cash and bank balances		1,220	-	1,220
Receivables and prepayments		1,863	-	1,863
Inventories		731	-	731
Provision for taxation		123	-	123
Total current assets		**3,937**	**-**	**3,937**
Total assets		**16,643**	**114**	**16,757**

Reconciliation between previous NZ FRS and NZ IFRS (continued)

RECONCILIATION OF BALANCE SHEET AS AT 31 DECEMBER 2004

	NOTE	NZ FRS	EFFECT OF TRANSITION TO NZ IFRS	NZ IFRS
Equity				
Share capital	a	9,008	107	9,115
Retained earnings	b	4,382	129	4,511
Total equity		**13,390**	**236**	**13,626**
Current liabilities				
Commercial bills		800	-	800
Bank overdraft		-	-	-
Employee entitlements	c	106	124	230
Payables and accruals		2,322	-	2,322
Provisions		-	-	-
Provision for taxation		83	-	83
Total current liabilities		**3,311**	**124**	**3,435**
Total equity and liabilities		**16,701**	**360**	**17,061**
Non-current assets				
Property, plant and equipment		7,422	-	7,422
Deferred tax asset	d	21	232	253
Intangible assets	e	5,067	128	5,195
Total non-current assets		**12,510**	**360**	**12,870**
Current assets				
Cash and bank balances		638	-	638
Receivables and prepayments		2,024	-	2,024
Inventories		1,529	-	1,529
Provision for taxation		-	-	-
Total current assets		**4,191**	**-**	**4,191**
Total assets		**16,701**	**360**	**17,061**

Reconciliation between previous NZ FRS and NZ IFRS (continued)

RECONCILIATION OF BALANCE SHEET AS AT 30 JUNE 2005

	NOTE	NZ FRS	EFFECT OF TRANSITION TO NZ IFRS	NZ IFRS
Equity				
Share capital	a	9,008	107	9,115
Retained earnings	b	5,103	202	5,305
Total equity		**14,111**	**309**	**14,420**
Current liabilities				
Commercial bills		250	-	250
Bank overdraft		-	-	-
Employee entitlements	c	591	123	714
Payables and accruals		1,306	-	1,306
Provisions		-	-	-
Provision for taxation		63	-	63
Total current liabilities		**2,210**	**123**	**2,333**
Total equity and liabilities		**16,321**	**432**	**16,753**
Non-current assets				
Property, plant and equipment		7,819	-	7,819
Deferred tax asset	d	24	170	194
Intangible assets	e	4,933	262	5,195
Total non-current assets		**12,776**	**432**	**13,208**
Current assets				
Cash and bank balances		231	-	231
Receivables and prepayments		2,131	-	2,131
Inventories		1,183	-	1,183
Provision for taxation		-	-	-
Total current assets		**3,545**	**-**	**3,545**
Total assets		**16,321**	**432**	**16,753**

Reconciliation between previous NZ FRS and NZ IFRS (continued)

RECONCILIATION OF INCOME STATEMENT
6 MONTHS ENDED 31 DECEMBER 2004

	NOTE	NZ FRS	EFFECT OF TRANSITION TO NZ IFRS	NZ IFRS
Income				
Rental & sales		9,198	-	9,198
Interest income		-	-	-
Net foreign exchange gain		58	-	58
Gain on sale of property, plant & equipment		130	-	130
Revenue		**9,386**	**-**	**9,386**
Earnings before interest, tax, depreciation & amortisation		**2,939**	**-**	**2,939**
Depreciation		796	-	796
Earnings before interest, tax & amortisation		**2,143**	**-**	**2,143**
Interest expense		55	-	55
Earnings before tax & amortisation		**2,088**	**-**	**2,088**
Amortisation	e	128	(128)	-
Earnings before tax		**1,960**	**128**	**2,088**
Taxation expense	d	560	(118)	442
Net surplus		**1,400**	**246**	**1,646**
Net profit attributable to parent shareholders		1,400	246	1,646

Reconciliation between previous NZ FRS and NZ IFRS (continued)

RECONCILIATION OF INCOME STATEMENT 12 MONTHS ENDED 30 JUNE 2005

	NOTE	NZ FRS	EFFECT OF TRANSITION TO NZ IFRS	NZ IFRS
Income				
Rental & sales		19,953	-	19,953
Interest income		34	-	34
Net foreign exchange gain		162	-	162
Gain on sale of property, plant & equipment		114	-	114
Revenue		**20,263**	**-**	**20,263**
Earnings before interest, tax, depreciation & amortisation		**6,828**	**-**	**6,828**
Depreciation		1,663	-	1,663
Earnings before interest, tax & amortisation		**5,165**	**-**	**5,165**
Interest expense		102	-	102
Earnings before tax & amortisation		**5,063**	**-**	**5,063**
Amortisation	e	262	(262)	-
Earnings before tax		**4,801**	**262**	**5,063**
Taxation expense	d	1,715	(56)	1,659
Net surplus		**3,086**	**318**	**3,404**
Net profit attributable to parent shareholders		3,086	318	3,404

Reconciliation between previous NZ FRS and NZ IFRS (continued)

EXPLANATION OF MATERIAL ADJUSTMENTS TO THE CASH FLOW STATEMENT 6 MONTHS ENDED 31 DECEMBER 2004

	NOTE	NZ FRS	EFFECT OF TRANSITION TO NZ IFRS	NZ IFRS
Net surplus after income tax		1,400	246	1,646
Add/(less) non-cash items				
Depreciation		796	-	796
Amortisation of goodwill	e	128	(128)	-
Increase/(decrease) in estimated doubtful debts		19	-	19
Movements in provisions		(38)	-	(38)
Movement in deferred tax		25	136	161
Add/(less) movements in working capital items				
Payables and accruals		384	-	384
Employee entitlements	c	(172)	(124)	(296)
Related party payables		-	-	-
Receivables and prepayments		(179)	-	(179)
Related party receivables		-	-	-
Inventory		(798)	-	(798)
Provision for tax		76	-	76
Items classified as investing activities				
Net loss/(gain) on sale of property, plant and equipment		(130)	-	(130)
Net cash flow from operating activities		**1,511**	**130**	**1,641**

Reconciliation between previous NZ FRS and NZ IFRS (continued)

EXPLANATION OF MATERIAL ADJUSTMENTS TO THE CASH FLOW STATEMENT 12 MONTHS ENDED 30 JUNE 2005

	NOTE	NZ FRS	EFFECT OF TRANSITION TO NZ IFRS	NZ IFRS
Net surplus after income tax		3,086	318	3,404
Add/(less) non-cash items				
Depreciation		1,663	-	1,663
Amortisation of goodwill	e	262	(262)	-
Increase/(decrease) in estimated doubtful debts		4	-	4
Movements in provisions		(38)	-	(38)
Movement in deferred tax		22	(56)	(34)
Add/(less) movements in working capital items				
Payables and accruals		(422)	-	(422)
Employee entitlements	c	104	(124)	(20)
Related party payables		-	-	-
Receivables and prepayments		(272)	-	(272)
Related party receivables		-	-	-
Inventory		(452)	-	(452)
Provision for tax		186	-	186
Items classified as investing activities				
Net loss/(gain) on sale of property, plant and equipment		(114)	-	(114)
Net cash flow from operating activities		**4,029**	**(124)**	**3,905**

NOTES TO THE RECONCILIATIONS

a. SHARE CAPITAL

The adjustment under NZ IFRS relates to the 1,440,000 options that were issued to directors and senior executives just prior to JWI being listed on the stock exchange. Under NZ IFRS the options are fair valued at their grant date and recognised over the vesting period. These options do not included any vesting conditions and were exercisable on grant date.

	1 JULY 2004 UNAUDITED $'000	31 DECEMBER 2004 UNAUDITED $'000	30 JUNE 2005 UNAUDITED $'000
Fair value of options issued to directors and employees	107	107	107

b. RETAINED EARNINGS

	1 JULY 2004 UNAUDITED $'000	31 DECEMBER 2004 UNAUDITED $'000	30 JUNE 2005 UNAUDITED $'000
Employee benefits - share options	(107)	(107)	(107)
Employee benefits - sick leave	(124)	(124)	(124)
Deferred tax asset	114	232	170
Goodwill	-	128	262
Net impact on equity	**(117)**	**129**	**201**

c. EMPLOYEE BENEFITS

The adjustment under NZ IFRS relates to a provision for sick leave which has been calculated for employees where it is likely that they will use in excess of their annual entitlement.

	1 JULY 2004 UNAUDITED $'000	31 DECEMBER 2004 UNAUDITED $'000	30 JUNE 2005 UNAUDITED $'000
Provision for sick leave	124	124	124

d. DEFERRED TAX

Under NZ FRS the Company accounted for the tax effect of timing differences using the liability method.

Under NZ IFRS deferred tax is the tax expected to be payable or recoverable on all differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

The effect of the following changes on the restatement of the financial statements from NZ FRS to NZ IFRS is summarised as follows:

- Recognition of a deferred tax asset on fair value adjustments to assets and liabilities acquired on pre-transition business combinations.
- Recognition of a deferred tax asset on employee benefits provisions.
- Recognition of a deferred tax liability/(asset) on fair value gains/(losses) on financial instruments.
- Recognition of a deferred tax asset following the fair value assessment of goodwill items and subsequent reversal of goodwill amortisation.

NOTES TO THE RECONCILIATIONS *(continued)*

d. DEFERRED TAX *(continued)*

	6 MONTHS ENDED 31 DECEMBER 2004 UNAUDITED $'000	6 MONTHS ENDED 30 JUNE 2005 UNAUDITED $'000
Income Statement Increase/(Decrease)		
Profit for the period	118	56

	AS AT 31 DECEMBER 2004 UNAUDITED $'000	AS AT 30 JUNE 2005 UNAUDITED $'000	AS AT 30 JUNE 2004 UNAUDITED $'000
Balance Sheet Increase/(Decrease)			
Equity	232	170	114
Total assets	232	170	114
Total liabilities	-	-	-

e. INTANGIBLE ASSETS

Under NZ FRS the Company amortised goodwill on a straight-line basis over its useful life or 20 years.

On the application of NZ IFRS goodwill is no longer amortised but rather subject to an annual impairment test. Any impairment losses are recognised through the income statement. Goodwill previously amortised under NZ FRS from 1 July 2004 has been reversed.

The effect of reversing this goodwill amortisation in the transition from NZ FRS to NZ IFRS is summarised below:

	6 MONTHS ENDED 31 DECEMBER 2004 UNAUDITED $'000	6 MONTHS ENDED 30 JUNE 2005 UNAUDITED $'000
Income Statement Increase/(Decrease)		
Profit for the period	128	262

	AS AT 31 DECEMBER 2004 UNAUDITED $'000	AS AT 30 JUNE 2005 UNAUDITED $'000	AS AT 30 JUNE 2004 UNAUDITED $'000
Balance Sheet Increase/(Decrease)			
Equity	128	262	-
Total assets	128	262	-
Total liabilities	-	-	-

f. FUTURE CHANGES TO NZ IFRS

Future development of those standards (where early adoption is permissible, or as a result of any interpretation) prior to the issue of the first full financial statements under NZ IFRS may result in other adjustments.

Users of the financial report should note that further developments in NZ IFRS (for example, the release of further pronouncements approved by the ASRB), if any, may result in changes to the accounting policy decisions made by the directors to date, and, consequently, the NZ IFRS impacts outlined above.

f. FUTURE CHANGES TO NZ IFRS *(continued)*

The directors may, at any time until the completion of the first full NZ IFRS-compliant financial report, elect to revisit, and where considered necessary, revise the accounting policies applied therefore impacting the anticipated adjustments outlined above.

4. EQUITY

4.1. SHARE CAPITAL

	NUMBER OF SHARES	SHARE CAPITAL $'000
Ordinary shares on issue 1 July 2004, 31 December 2004 and 30 June 2005	66,436,400	9,008
Issue of shares in lieu of directors' fees	109,821	50
Issue of shares for purchase of Clearwater	3,367,545	3,031
Issue of director and executive share options	-	121
Ordinary shares on issue as at 31 December 2005	**69,913,766**	**12,210**

All ordinary shares rank equally with one vote attached to each fully-paid ordinary share.

4.2. SHARE OPTIONS

Prior to the initial public offering the sole shareholder of JWI, Red Eagle Corporation Limited, by shareholder's resolution approved the offer and issue of 1,850,000 options to senior executives and 140,000 options to directors of the JWI Group. These options are exercisable by 30 June 2007 and may be issued to senior executives or directors at any time on or before 6 May 2007. The amount recognised in equity does not change even if these options are not exercised by the end of the vesting period.

	NUMBER	EXERCISE PRICE	EXERCISE DATE	EXPIRY DATE
Options issued as at balance date	1,440,000	60 cents	Anytime before 30 June 2007	30 June 2007
	200,000	100 cents	Anytime before 30 June 2007	30 June 2007

At balance date there were 1,640,000 options on issue (2005: 1,440,000). There are no vesting conditions on any of these options.

5. BUSINESS COMBINATIONS

On 31 October 2005, the Group acquired 100 percent of the share capital in Clearwater Filter Systems (Aust) Pty Limited, a water-cooler rental company operating in Australia.

Details of the net assets acquired and goodwill are as follows:

Purchase consideration:

- Cash paid	4,474
- Direct costs relating to the acquisition	245
- Fair value of shares issued	3,031
- Tranche 2 cash to be paid in November 2006	3,826
- Fair value of shares to be issued with Tranche 2 payment	2,551
	14,127
Fair value of net assets acquired	(530)
Goodwill	**14,657**

The goodwill is attributable to the high profitability of the acquired business. The fair value of the shares issued was based on the published share price.

NOTES TO THE RECONCILIATIONS *(continued)*

5. BUSINESS COMBINATIONS *(continued)*

The assets and liabilities arising from the acquisition are as follows:

	FAIR VALUE	ACQUIREE'S CARRYING AMOUNT
Cash and cash-equivalents	259	259
Property, plant and equipment	2,285	2,285
Inventories	609	609
Receivables and prepayments	1,062	1,062
Future tax benefit	187	187
Acquired intangible assets	101	101
Customer contracts	1,159	-
Payables	(745)	(745)
Unearned income	(5,315)	(5,315)
Hire purchase liabilities	(132)	(132)
Net assets acquired	**(530)**	**(1,689)**

Cash outflow on acquisition	4,719
Cash outflow on Tranche 2 payment to take place November 2006	3,826
	8,545

On 31 August 2005, the Group acquired 100 percent of the share capital in Just Water Victoria Pty Limited, a water-cooler rental company operating in Australia.

Details of the net assets acquired and goodwill are as follows :

Purchase consideration:	
- Cash paid	23
	23
Fair value of net assets acquired	(252)
Goodwill	**275**

The goodwill is attributable to the profitability of the acquired business.

The assets and liabilities arising from the acquisition are as follows:

	FAIR VALUE	ACQUIREE'S CARRYING AMOUNT
Cash and cash equivalents	60	60
Property, plant and equipment	46	6
Inventories	8	8
Receivables and prepayments	49	49
Future tax benefit	-	-
Acquired intangible assets	44	44
Customer contracts	-	-
Payables	(74)	(74)
Unearned income	(26)	(26)
Related company advances	(359)	(359)
Net assets acquired	**(252)**	**(252)**

Cash outflow on acquisition	**23**

The material movements in the balance sheet in respect of borrowings, trade and other payables and goodwill have arisen due to these Australian acquisitions. Trade and other payables are largely unearned income which was preinvoiced by Clearwater and previously treated as revenue under Australian pre-IFRS reporting, now recognised as unearned income under NZ IFRS.

6. RECONCILIATION OF NET SURPLUS AFTER TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	GROUP 6 MONTHS ENDED 31 DECEMBER 2005 $'000	GROUP 6 MONTHS ENDED 31 DECEMBER 2004 $'000
Net surplus	**1,848**	**1,646**
Add/(less) non-cash items and non-operating items		
Depreciation and amortisation	782	796
Unrealised foreign exchange loss	27	-
Movements in provisions for doubtful debts	(17)	19
Movements in provisions	-	(38)
Movement in deferred tax	(413)	(92)
Movements in working capital items		
(Increase)/decrease in receivables	(1,526)	(179)
(Increase)/decrease in inventories	(769)	(798)
Increase in payables and accruals	1,923	211
Increase in provision for tax	282	206
Items classified as investing activities		
Net loss/(gain) on sale of property, plant and equipment	-	(130)
Net cash flow from operating activities	**2,137**	**1,641**

7. SEGMENT INFORMATION

The Group's primary reporting format is by business segment which is defined as being the bottled water, point-of-use water-cooler and branded packaged water industry.

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

NOTES TO THE RECONCILIATIONS *(continued)*

7. SEGMENT INFORMATION *(continued)*

	NEW ZEALAND 6 MONTHS ENDED 31 DECEMBER 2005 $'000	AUSTRALIA 4 MONTHS ENDED 31 DECEMBER 2005 $'000	GROUP TOTAL 6 MONTHS ENDED 31 DECEMBER 2005 $'000
Rental & sales	10,298	1,887	12,185
Interest income	7	-	7
Net foreign exchange gain	10	-	10
Gain on sale of property, plant and equipment	-	-	-
Revenue	**10,315**	**1,887**	**12,202**
Earnings before interest, tax, depreciation & amortisation	**3,032**	**478**	**3,510**
Depreciation and amortisation expense	651	131	782
Earnings before interest & tax	**2,381**	**347**	**2,728**
Interest expense	21	226	247
Operating profit before taxation	**2,360**	**121**	**2,481**
Taxation expense	586	47	633
Net profit	**1,774**	**74**	**1,848**
Total assets	33,235	6,554	39,789
Total liabilities	14,913	6,702	21,615
Total cost to acquire assets to be used for more than one period	1,021	2	1,023

8. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

8.1. Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

8.1.a. Estimated Impairment of Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3e.

8.1.b. Income Taxes

The Group is subject to income taxes in two different jurisdictions. Significant judgment is required in determining the worldwide 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.


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