Just Water International Limited

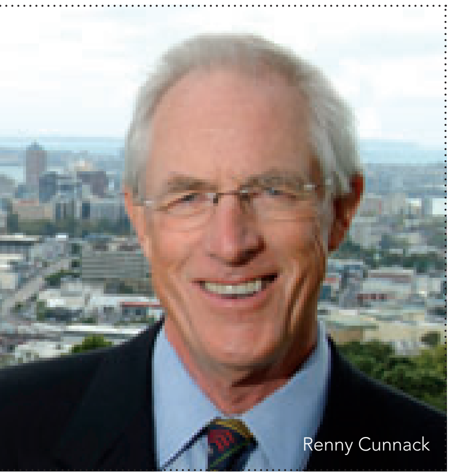
2006 Annual Report

Just Water

Just Water International Limited

Directory


Ian Malcolm


Renny Cunnack


Phil Dash

Directors
Jim McLay (Independent)
Chairman

Renny Cunnack (Independent)

Phil Dash (Non-Executive)

Tony Falkenstein (Executive)

Ian Malcolm (Non-Executive)

Executive Management
Tony Falkenstein
Chief Executive
Just Water International Limited

Michael Fann
Chief Operating Officer
Just Water International Limited

Ross Taylor
General Manager
Just Water New Zealand

Raj Chaudhary
General Manager
Aqua-Cool Limited

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

Registered Office and address for service
4th Floor
70 Shortland Street
Auckland

P O Box 221
Auckland
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
5 Charles Street
Mt Eden
Auckland

Private Bag 92811
Penrose
Auckland
New Zealand

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

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

Aqua-Cool Limited
114 Rockfield Road
Penrose
Auckland

PO Box 68-519
Newton
Auckland
New Zealand

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

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

Clearwater Filter Systems (Aust) Pty Limited
Unit 4, 6-8 McLachlan Avenue
Artarmon Sydney
NSW 2064
Australia

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

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

Bankers
Bank of New Zealand Limited
Westpac Banking Corporation Limited

Solicitors
Harmos Horton Lusk
Daniel Overton & Goulding

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

Tel +64-3 308 8887
Fax +64-3 308 1311

Contents

2006 AGM

The 2006 Annual Meeting of Shareholders of Just Water International Limited is to be held at 4.00pm on Thursday 26th October 2006 at the Sinclair Room, Level 5, Quay West Hotel, 8 Albert Street, Auckland.


Michael Fann


Raj Chaudhary


Ross Taylor


Andrew Boath

Chairman's and Chief Executive's review

Just Water International Limited
Results for the year ended 30 June 2006


Jim McLay

Just Water International Limited (JWI) earned $7.001 million before interest and tax (EBIT) for the year ended 30 June 2006, an increase of $1.835 million, or 36 percent, over the previous year.

JWI has declared a fully-imputed dividend of 1.98 cents per share, giving a total dividend of 3.58 cents, a 10 percent increase on the previous year's dividend.

The result included $1.302 million EBIT from JWI's Australian operations, predominantly Clearwater Filter Systems (Aust) Pty Limited (Clearwater), which was acquired in November 2005.

These EBIT results include a foreign exchange gain of $466,000, principally as a result of forward cover taken to pay for the Clearwater acquisition.

After-tax profit increased from $3.457 million to $3.991 million, an increase of 15 percent.

The results have been prepared in a manner that complies with New Zealand International Financial Reporting Standards, and gives a true and fair view of the matters to which the results relate.

JWI's base of water-coolers, excluding residential dispensers, has increased from 35,567 to 48,411, or 36 percent over the previous year. Residential dispensers included in the Clearwater acquisition amounted to 8,354 units. The Company believes that it is more relevant to highlight only commercial water-coolers, as residential dispensers are low value and this is not a sector on which the Company intends to focus for the future.


Tony Falkenstein

As foreshadowed last year, the Company has taken the opportunity to grow the business in Australia at a faster rate than in New Zealand, and acquired Clearwater.

Historically, Clearwater funded water-coolers using third-party financiers. From July 1, all rentals have been funded from Clearwater's own borrowings, as is done in the New Zealand business. The Company is focusing on the commercial market.

The anticipated growth and the change in the business model will result in significant borrowings in Australia, with a sizeable increase in costs. It is the board's belief that this strategy for high growth will result in higher long-term profitability. The strategy may restrict profits in the short-term. The key performance indicator for shareholders to watch will be the number of water-coolers.

In terms of acquisition growth, the Company is constantly looking at potential acquisitions both in New Zealand and internationally.

JWI's dividend of 1.98 cents per share represents a distribution of 64 percent of JWI's after-tax profits. The directors believe that, with the current plans for Australia, it is prudent to retain some of the increased earnings within the Company until the aggressive expansion tapers off.

Total revenue was $29.081 million, an increase of $8.818 million (44 percent) over the previous year. The Australian operations contributed $7.532 million to this revenue.

EBITDA of $8.846 million was an increase of 30 percent over 2005, while net profit before tax of $5.976 million increased by 18 percent.

The directors believe the result is pleasing in that, while management assimilated the November 2005 acquisition of Clearwater Filter Systems (Aust) Pty Limited, it continued to grow the New Zealand business. The directors wish to take this opportunity to thank staff for their excellent support in this time of change.

Jim McLay
Chairman

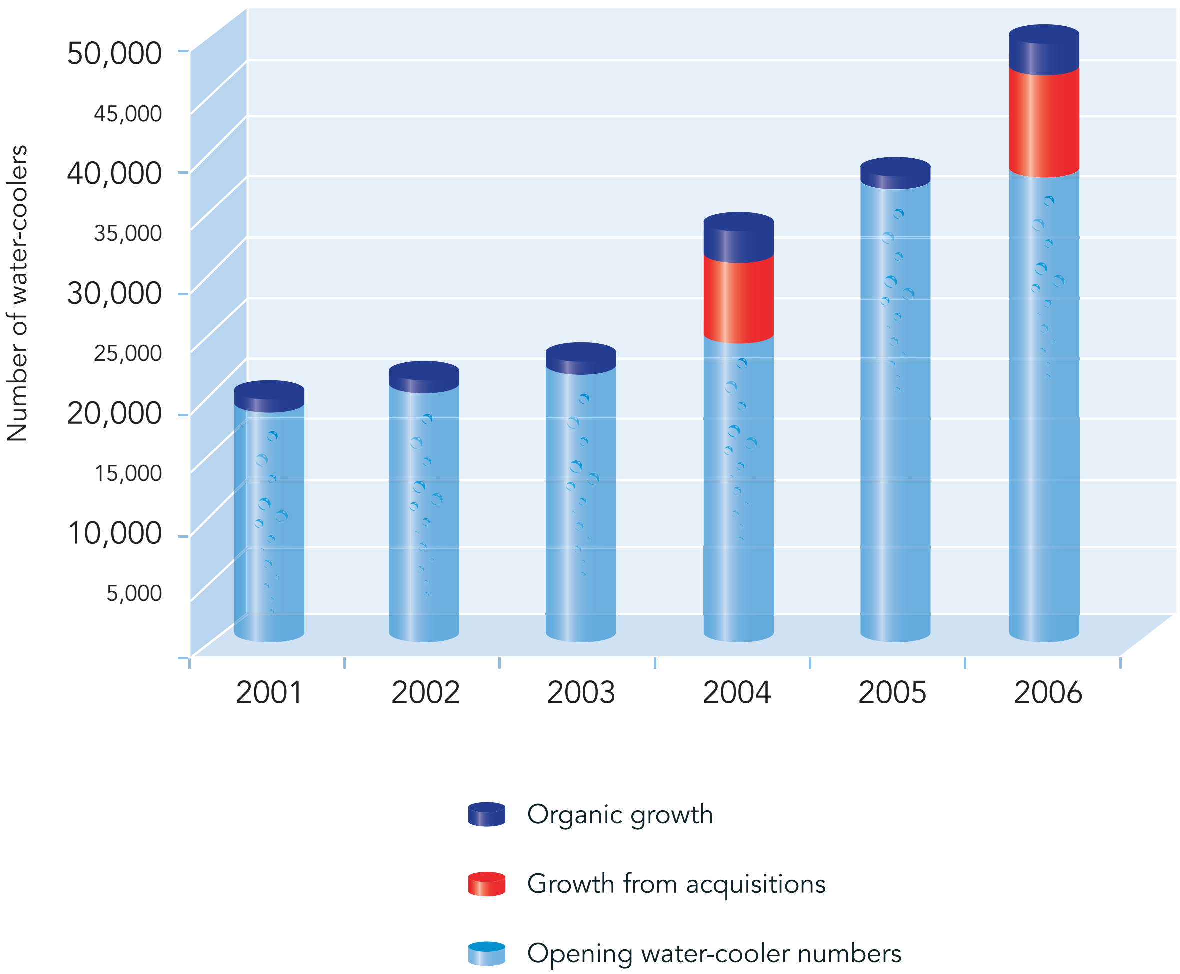
Tony Falkenstein
Chief Executive

JWI Group growth in water-coolers

Water-cooler numbers at 30 June

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

	New Zealand					Australia					
Year ended June	Opening cooler numbers	Growth from aquisitions	Organic growth	Closing coolers	% increase	Opening cooler numbers	Growth from aquisitions	Organic growth	Closing coolers	% increase	Total at year end
2000				17,256							17,256
2001	17,256	-	1,403	18,659	8.1%						18,659
2002	18,659	-	1,275	19,934	6.8%						19,934
2003	19,934	-	1,340	21,274	6.7%						21,274
2004	21,274	7,595	3,599	32,468	52.6%						32,468
2005	32,468	-	3,099	35,567	9.5%						35,567
2006	35,567	-	2,804	38,371	7.9%	-	9,147	893	10,040	9.8%	48,411



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

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 Aqua-Cool Limited and Clearwater Filter Systems (Aust) Pty Limited, which constitute the JWI Group. The board is responsible for the overall corporate governance of the Group.

The board comprises five directors (including the chairman).

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

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

Jim McLay (Chair)	Seven
Renny Cunnack	Seven
Phil Dash	Four*
Tony Falkenstein	Seven
Ian Malcolm	Seven

* Board member for part year only.

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;
- ensuring the business risks facing the Group have been identified and that adequate control, monitoring and reporting mechanisms are in place.

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 http://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.

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, a majority 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 four times during the financial year.

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

Ian Malcolm (Chair)	Four
Jim McLay	Four
Renny Cunnack	Four

ASB has fitted Just Water coolers in all branches for the benefit of customers and staff.

'That way all can have a quality refreshing drink on us.'

- Peter Meehan, ASB Bank

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 Chief Operating Officer, 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 remuneration committee at the date of this document consists solely of non-executive directors. It meets as required, and met twice in the financial year.

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

Renny Cunnack (Chair)	Two
Jim McLay	Two
Ian Malcolm	Two

Statutory report of the directors

The directors take pleasure in presenting to shareholders the third annual report and audited financial statements of Just Water International Limited (JWI) and Group covering the year ended 30 June 2006.

Business activities

JWI was incorporated in 1988 and changed its name from Just Water (NZ) Limited on 23 December 2003. 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. In November 2005 the Group acquired 100 percent of the shares in Clearwater Filter Systems (Aust) Pty Limited, an Australian company based in Sydney.

Consolidated financial results

This financial year, the JWI Group has increased profitability before interest and tax by 36 percent over the previous year with earnings before interest and tax (EBIT) of $7.001 million (2005: $5.166 million). This was achieved on a turnover of $29.081 million (2005: $20.263 million), an increase of 44 percent. The June 2006 year included $7.532 million of revenue and $1.302 million EBIT from JWI's Australian operations, predominantly Clearwater Filter Systems (Aust) Pty Limited, which was acquired in November 2005. Had this acquisition not occurred, the New Zealand operation would have earned EBIT of $5.991 million, an increase of 16 percent over 2005.

Shareholders' equity at 30 June 2006 totaled $19.265 million (2005 $14.312 million), an increase of 35 percent. Total assets were $40.532 million (2005: $16.645 million). Total interest-bearing borrowings increased from $0.250 million to $4.469 million.

JWI adopted IFRS in the preparation of these financial statements and some adjustments have been made to 2005 figures as a result of this early adoption. Full details of these adjustments are included in the notes to the financial statements.

Dividend

A fully-imputed interim net dividend of $2.316 million was paid during the year. (2005: $0.965 million). This dividend was paid as a final 2005 dividend in October 2005 of 2.672 cents gross per share, and an interim 2006 dividend in April 2006 of 2.388 cents (gross) per share. A final dividend for the 2006 financial year of 2.955 cents (gross) per share, fully imputed, totaling $1.446 million net, is planned for payment on 6 October 2006, with the shares going ex-dividend on 29 September 2006. This totals 5.242 cents per share fully-imputed dividend in respect of the June 06 year earnings, which is 10.5 percent above the dividend in respect of the June 05 year.

Donations

The JWI Group believes that good citizenship of corporations and individuals can make a real difference in the community. For eleven 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, $20,895 (2005: $29,269) 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.

Remuneration of directors

Directors' remuneration paid during the year was as follows:

	GROUP		PARENT	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
J K McLay (Chairman)	50	33	50	33
I D Malcolm	25	22	25	22
J R Cunnack	25	22	25	22
P J Dash – appointed December 2005 – Salary	96	-	-	-
A E Falkenstein (executive director) – Salary	120	60	120	60

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	2006	2005
100-110	3	2
120-130	-	1
130-140	2	1
140-150	1	1
150-160	1	1
160-170	1	-
170-180	1	-
330-340	-	1
340-350	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 the JWI Group has transacted with organisations in which a director has an interest has been carried out on a commercial arms-length basis. This specifically included the following interests:

- During the year the JWI Group leased premises for $42,000 (2005: $40,000) from Amante Limited, a company of which Ian Malcolm is a director, and Tony Falkenstein is a director and shareholder.
- During the year the Clearwater Filter Systems (Aust) Pty Limited (Clearwater) leased premises for $66,589 (2005: nil) from Springfresh Marketing Pty Limited, a company of which Phil Dash is a director and shareholder. Clearwater also leased premises for $27,295 (2005: nil) from Dash Family Trust Staff Superannuation Fund, of which Phil Dash is a Trustee and Beneficiary.
- Mabee Halstead & Kiddle Limited, of which Ian Malcolm is a director and shareholder, provided accounting compliance and accounting services to the Group during the financial year to the value of $125,000 (2005: $48,000).
- Axis Direct Limited, of which Ian Malcolm is a director and shareholder, supplied computer hardware and network support services to the Group during the financial year to the value of $9,725 (2005: $45,000)

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 as disclosed in the Prospectus in June 2004, and some non-executive directors have agreed to take their 2006/07 directors fees by way of equity, such shares being planned for issue in November 2006 subject to approval by the shareholders.
- In November 2005 Red Eagle Corporation Limited (Red Eagle), of which Tony Falkenstein is a director and a shareholder, transferred 43,170,000 ordinary shares to the Edwin Trust, the Jeanette Trust and the Leonard Trust as part of a restructuring process of Red Eagle Corporation Limited. The Edwin, Jeanette and Leonard Trusts then transferred 40,000,000 ordinary shares to ASB Nominees Limited as bare trustee for The Harvard Group Limited, of which Tony Falkenstein is a director and a indirect shareholder. This restructuring left ultimate shareholding unchanged from prior to this restructure.
- In March 2006 the Malcolm Education & Lifestyle Trust, of which Ian Donald Malcolm is a trustee and beneficiary, exercised 40,000 options, each option conferring the right to subscribe for one ordinary share in Just Water International Limited at $0.60 per share.
- In March 2006 The Cunnack Company, of which John Renfree Cunnack is a director and shareholder, exercised 40,000 options, each option conferring the right to subscribe for one ordinary share in Just Water International Limited at $0.60 per share.
- In March 2006 James Kenneth McLay exercised 60,000 options, each option conferring the right to subscribe for one ordinary share in Just Water International Limited at $0.60 per share.
- In April 2006 Ian Donald Malcolm executed an off-market share transfer of 71,455 ordinary shares to the Malcolm Education & Lifestyle Trust.

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 continue to be pleased with the state of affairs of Just Water International Limited and thank the management and staff for their continued dedication, support and positiveness during the year.

For and on behalf of the board:

Jim McLay
Chairman

Tony Falkenstein
Chief Executive

30 August 2006

Auditors' report

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
PricewaterhouseCoopers Tower
188 Quay Street
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Facsimile +64 9 355 8001
Direct Phone +64 9 355 8171
Direct Fax +64 9 355 8026

Auditors' Report
To the shareholders of Just Water International Limited

We have audited the financial statements on pages 10 to 45. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 June 2006 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 14 to 20.

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 2006 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 capacity as auditors.

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 10 to 45:

- (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 2006 and their financial performance and cash flows for the year ended on that date.

Our audit was completed 8 September 2006 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants Auckland

Financial statements 2005/2006

JUST WATER INTERNATIONAL LIMITED
INCOME STATEMENT
FOR YEAR ENDED 30 JUNE 2006

	NOTE	GROUP YEAR ENDED 30 JUNE 2006 $'000	GROUP YEAR ENDED 30 JUNE 2005 $'000	PARENT YEAR ENDED 30 JUNE 2006 $'000	PARENT YEAR ENDED 30 JUNE 2005 $'000
Revenue	8	28,588	19,953	13,265	12,270
Other operating income	9	493	310	933	783
Income		**29,081**	**20,263**	**14,198**	**13,053**
Employee costs		(10,192)	(7,254)	(4,841)	(4,243)
Changes in inventories of finished goods and consumables		(4,754)	(2,562)	(1,258)	(1,420)
Other expenses		(5,289)	(3,616)	(2,667)	(2,203)
Earnings before interest, tax, depreciation and amortisation	10	**8,846**	**6,831**	**5,432**	**5,187**
Depreciation	18	(1,610)	(1,660)	(807)	(1,015)
Amortisation	19	(235)	(5)	(7)	(5)
Earnings before interest and tax		**7,001**	**5,166**	**4,618**	**4,167**
Interest expense	10	(1,025)	(102)	(279)	(101)
Profit before income tax		**5,976**	**5,064**	**4,339**	**4,066**
Income tax expense	11	(1,985)	(1,607)	(1,439)	(1,347)
Profit attributable to shareholders of the company		**3,991**	**3,457**	**2,900**	**2,719**
Earnings per share for profit attributable to the shareholders of the company					
Basic earnings per share (cents)		5.8	5.2	4.2	4.1
Diluted earnings per share (cents)		5.7	5.1	4.1	4.0
Dividend per share (cents)		3.4	1.5	3.4	1.5

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

JUST WATER INTERNATIONAL LIMITED
BALANCE SHEET
AS AT 30 JUNE 2006

	NOTE	GROUP YEAR ENDED 30 JUNE 2006 $'000	GROUP YEAR ENDED 30 JUNE 2005 $'000	PARENT YEAR ENDED 30 JUNE 2006 $'000	PARENT YEAR ENDED 30 JUNE 2005 $'000
ASSETS					
Current assets					
Cash and cash equivalents	12	1,092	231	1	84
Trade and other receivables	13	3,613	2,131	6,976	7,173
Current tax receivables	16	425	-	118	-
Inventories	14	1,904	1,183	806	778
Derivative financial instruments	15	507	-	507	-
Total current assets		7,541	3,545	8,408	8,035
Non-current assets					
Property, plant and equipment	18	10,647	7,830	5,264	4,917
Investment in subsidiaries	26	-	-	10,179	1,802
Intangible assets	19	22,135	5,184	47	13
Deferred tax asset	17	209	86	-	-
Total non-current assets		32,991	13,100	15,490	6,732
Total assets		40,532	16,645	23,898	14,767
LIABILITIES					
Current liabilities					
Interest-bearing liabilities	21	4,469	250	4,527	250
Trade and other payables	20	9,638	1,691	1,734	821
Current tax liabilities		-	64	-	98
Deferred income		3,892	328	-	-
Total current liabilities		17,999	2,333	6,261	1,169
Non-current liabilities					
Deferred income		3,197	-	-	-
Deferred tax liabilities	17	71	-	65	19
Total non-current liabilities		3,268	-	65	19
Total liabilities		21,267	2,333	6,326	1,188
Net assets		19,265	14,312	17,572	13,579
EQUITY					
Share capital	22	12,524	9,115	12,524	9,115
Retained earnings		6,872	5,197	5,048	4,464
Reserves		(131)	-	-	-
Total equity		19,265	14,312	17,572	13,579

For and on behalf of the board:

Jim McLay
Chairman
30 August 2006

Ian Malcolm
Director

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

Financial statements 2005/2006

JUST WATER INTERNATIONAL LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

	NOTE	SHARE CAPITAL $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	RETAINED EARNINGS $'000	TOTAL EQUITY $'000
GROUP					
Balance at 1 July 2004		9,115	-	2,705	11,820
Total recognised income for the year		-	-	3,457	3,457
Dividend paid	23	-	-	(965)	(965)
Balance at 30 June 2005		**9,115**	**-**	**5,197**	**14,312**
Issue of options	22	14	-	-	14
Issue of ordinary shares	22	3,395	-	-	3,395
Foreign currency translation reserve		-	(131)	-	(131)
Total recognised income for the year		-	-	3,991	3,991
Dividend paid	23	-		(2,316)	(2,316)
Balance at 30 June 2006		**12,524**	**(131)**	**6,872**	**19,265**
PARENT					
Balance at 1 July 2004		9,115	-	2,710	11,825
Total recognised income for the year		-	-	2,719	2,719
Dividend paid	23	-	-	(965)	(965)
Balance at 30 June 2005		**9,115**	**-**	**4,464**	**13,579**
Issue of options	22	14	-	-	14
Issue of ordinary shares	22	3,395	-	-	3,395
Total recognised income for the year		-	-	2,900	2,900
Dividend paid	23	-		(2,316)	(2,316)
Balance at 30 June 2006		**12,524**	**-**	**5,048**	**17,572**

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 2006

	NOTE	GROUP YEAR ENDED 30 JUNE 2006 $'000	GROUP YEAR ENDED 30 JUNE 2005 $'000	PARENT YEAR ENDED 30 JUNE 2006 $'000	PARENT YEAR ENDED 30 JUNE 2005 $'000
Cashflows from operating activities					
Cash generated from operations		7,408	5,392	4,516	3,372
Interest paid		(271)	(102)	(279)	(101)
Interest received		27	34	457	507
Income tax paid		(2,699)	(1,334)	(1,701)	(1,096)
Net cash generated from operating activities	28	4,465	3,990	2,993	2,682
Cash flows from investing activities					
Acquisition of subsidiary, net of cash acquired	26	(4,410)	-	(4,758)	-
Purchases of property, plant and equipment		(3,022)	(2,974)	(1,187)	(1,761)
Proceeds from sale of property, plant and equipment		287	1,087	34	1,087
Purchases of intangible assets		(14)	(19)	(40)	(18)
Loan repayments received from related parties		-	-	550	200
Net cash used in investing activities		(7,159)	(1,906)	(5,401)	(492)
Cash flows from financing activities					
Proceeds from issuance of ordinary shares		364	-	364	-
Proceeds from borrowings		4,087	-	4,150	-
Repayment of borrowings		-	(2,150)	-	(2,150)
Deferred income		1,420	42	-	-
Dividends paid to company's shareholders	23	(2,316)	(965)	(2,316)	(965)
Net cash used in financing activities		3,555	(3,073)	2,198	(3,115)
Net (decrease) / increase in cash, cash equivalents and bank overdrafts		861	(989)	(210)	(925)
Cash and cash equivalents at the beginning of the financial year		231	1,220	84	1,009
Cash and cash equivalents at the end of year	12	1,092	231	(126)	84

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

Financial statements 2005/2006

JUST WATER INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

1. GENERAL INFORMATION

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

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

In August 2005 the subsidiary JW Victoria was acquired.

In November 2005 the subsidiary Clearwater was acquired.

These consolidated financial statements have been approved for issue by the board of directors on 29 August 2006.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of compliance

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). The Group has designated itself as a profit-orientated entity for the purposes of complying with NZ IFRS.

Application of NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards

These financial statements are the first Just Water International Limited financial statements to be prepared in accordance with NZ IFRS. NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

The accounting policies are not consistent with those used in the June 2005 financial report, as the financial statements of Just Water International Limited until 30 June 2005 had been prepared in accordance with previous New Zealand Financial Reporting Standards (NZ FRS). NZ FRS differs in certain respects from NZ IFRS. When preparing the Just Water International Limited financial statements for the year ended 30 June 2006 management has amended certain accounting and valuation methods applied in the NZ FRS financial statements to comply with NZ IFRS. In complying with NZ IFRS these financial statements are also in compliance with IFRS. Reconciliations and descriptions of the effect of transition from previous NZ FRS to NZ IFRS on the Company's equity and its net income are given in note 31.

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.

NZ IFRS 1 requires the application of the Groups' accounting policies under IFRS retrospectively at the date of transition, being 1 June 2004, with the exception of a number of permitted exemptions. The Group has taken advantage of the business combinations exemptions in that Business combinations prior to the NZ IFRS transition date (1 June 2004) have not been restated.

2.2.3. Historical cost convention

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

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 2006 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 those entities (including special purpose entities) over which the Company 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 Company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that 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, irrespective of the extent of any minority 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 acquisition is less than the fair value 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 companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. 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 that are not classified as held-for-sale investments are accounted for at cost.

2.4. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

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.

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 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 statements.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences of non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in equity.

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 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.

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. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences is 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.

2.6. 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 Company. Revenue is recognised as follows:

2.6.1. 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.

2.6.2. Service income

Service income shown in the income statement comprises amounts received and receivable by the Company 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 sheet date in the ordinary course of business.

2.6.3. Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company 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 loans is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.6.4. Dividend income

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

2.6.5. Deferred income

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

2.7. Income tax

The income tax expense recognised for the period is the estimated tax payable in respect of income in the current period.

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the national 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 income statement 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 other long-term payables. 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 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 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 income statement 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.

2.10. Impairment of 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. Collectibility 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 income statement.

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

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 Company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and 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 each reporting date.

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 sheet 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 sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

2.14.3. 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 and ability to hold to maturity.

2.14.4. Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, 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.

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

Available-for-sale financial assets and financial assets 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 in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold, 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.

2.15. 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 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
- Plant and equipment	4 – 6 years
- Buildings	50 years

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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 sheet date.

The directors reviewed the estimated useful life of water coolers and assessed their useful lives to be eight years. Previously the useful life of a cooler was five years. The effect of this change in estimate has been a reduced depreciation charge for the year of $331,364.

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 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.

2.16. Intangible assets
2.16.1. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company'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 by each secondary reporting segment.

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

2.16.2. Research and development

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the period of the expected benefit, which varies from three to five years.

2.16.3. 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. Other acquired patents, trademarks, brands and licences are amortised over their anticipated useful lives of 10 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.

2.17. 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 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 of 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.

2.18. 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 usually paid within 30 days of recognition.

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 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.

2.20. Employee benefits

2.20.1. 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 reporting date are recognised in other payables in respect of employees' services up to the reporting 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.

2.20.2. 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 reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

2.20.3. 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 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.

2.20.4. 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 Company's shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.20.5. 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.

2.21. 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.

3. EARNINGS PER SHARE

3.1.1. Basic earnings per share

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

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. CRITICAL ACCOUNTING ESTIMATES

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

4.1. Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment.

4.2. Income Taxes

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

5. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk and cash flow interest-rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

5.1. Foreign exchange risk

The Group is exposed to foreign exchange risk arising from transactions denominated in foreign currencies. The Group's policy is to manage foreign exchange risk to ensure that changes in foreign exchange rates do not materially impair the Group's profitability or cashflows. The Group uses forward contracts to manage its foreign exchange risk on material future commercial transactions.

5.2. Credit risk

The Group incurs credit risk from transactions with trade receivables and financial institutions in the normal course of its business. The Group manages its exposure to credit risk through its credit policy, which restricts exposure to individual trade receivables. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group does not have any significant concentrations of credit risk.

5.3. Interest-rate risk

The Group's interest-rate risk arises from short-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Company to fair value interest-rate risk. Company policy is to borrow short-term in accordance with cash flow to minimise risk.

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

The following new standards, amendments and interpretations to existing standards have been published that are mandatory to the Group's accounting periods beginning on or after 1 January 2006 or later periods but which the Group has not early adopted, as follows:

6.1. IAS 39 (amendment), The fair value option (effective from 1 January 2006)

This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss.

Management considered this amendment to IAS 39 and does not expect this to have a material impact on the operating results of the Group.

6.2. IAS 39 and IFRS 4 (amendment), Financial guarantee contracts (effective from 1 January 2006)

This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value and subsequently measured at the higher of:

(a) The unamortised balance of the related fees received and deferred, and

(b) the expenditure required to settle the commitment at the balance sheet date.

Management considered this amendment to IAS 39 and does not expect this to have a material impact on the operating results of the Group.

6.3. IFRS 7, Financial instruments: disclosures, and a complementary amendment to IAS 1, Presentation of financial statements – capital disclosures (effective from 1 January 2007)

IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital.

Management considered this amendment and does not expect this to have a material impact on the operating results of the Group.

6.4. IFRIC 4, Determining whether an arrangement contains a lease (effective from 1 January 2006)

IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether:

(a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and

(b) the arrangement conveys a right to use the asset.

Management is currently assessing the impact of IFRIC 4 on the Group's operations and does not expect this to have a material impact on the operating results of the Group.

7. SEGMENT INFORMATION

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

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

	NOTE	NEW ZEALAND 2006 $'000	AUSTRALIA 2006 $'000	ELIMINATIONS 2006 $'000	GROUP TOTAL 2006 $'000
Rental income	8	13,141	3,029	-	16,170
Sales and service income	8	7,972	4,446	-	12,418
Other operating income	9	761	57	(325)	493
Income		21,874	7,532	(325)	29,081
Earnings before interest, tax, depreciation and amortisation	10	7,366	1,772	(292)	8,846
Depreciation	18	1,365	245	-	1,610
Amortisation	19	10	225	-	235
Earnings before interest and tax		5,991	1,302	(292)	7,001
Interest expense	10	290	1,027	(292)	1,025
Profit before income tax		5,701	275	-	5,976
Income tax expense	11	1,887	98	-	1,985
Profit attributable to shareholders of the company		3,814	177	-	3,991
Total tangible assets		20,516	5,746	(7,865)	18,397
Total assets		25,755	22,642	(7,865)	40,532
Total liabilities		6,563	19,641	(4,937)	21,267
Total cost to acquire assets to be used for more than one period		814	2,032	-	2,846

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7. SEGMENT INFORMATION CONTINUED

	NOTE	NEW ZEALAND 2005 $'000	AUSTRALIA 2005 $'000	ELIMINATIONS 2005 $'000	GROUP TOTAL 2005 $'000
Rental income	8	11,993	-	-	11,993
Sales and service income	8	7,960	-	-	7,960
Other operating income	9	310	-	-	310
Income		**20,263**	-	-	**20,263**
Earnings before interest, tax, depreciation and amortisation	10	**6,831**	-	-	**6,831**
Depreciation	18	1,660	-	-	1,660
Amortisation	19	5	-	-	5
Earnings before interest and tax		**5,166**	-	-	**5,166**
Interest expense	10	102	-	-	102
Profit before income tax		**5,064**	-	-	**5,064**
Income tax expense	11	1,607	-	-	1,607
Profit attributable to shareholders of the company		**3,457**	-	-	**3,457**
Total tangible assets		11,461	-	-	11,461
Total assets		16,645	-	-	16,645
Total liabilities		2,333	-	-	2,333
Total cost to acquire assets to be used for more than one period		1,226	-	-	1,226

8. REVENUE

	GROUP YEAR ENDED 30 JUNE 2006 $'000	GROUP YEAR ENDED 30 JUNE 2005 $'000	PARENT YEAR ENDED 30 JUNE 2006 $'000	PARENT YEAR ENDED 30 JUNE 2005 $'000
Rental income	16,170	11,993	9,920	8,965
Sales and service income	12,418	7,960	3,345	3,305
Total income	**28,588**	**19,953**	**13,265**	**12,270**

9. OTHER OPERATING INCOME

	GROUP YEAR ENDED 30 JUNE 2006 $'000	GROUP YEAR ENDED 30 JUNE 2005 $'000	PARENT YEAR ENDED 30 JUNE 2006 $'000	PARENT YEAR ENDED 30 JUNE 2005 $'000
Net gain on disposal of property, plant and equipment	-	114	-	114
Net gain on foreign currency derivatives not qualifying as hedges	507	-	507	
Foreign exchange gains (net)	(41)	162	(31)	162
Interest income	27	34	457	507
Total	493	310	933	783

10. EXPENSES

	GROUP YEAR ENDED 30 JUNE 2006 $'000	GROUP YEAR ENDED 30 JUNE 2005 $'000	PARENT YEAR ENDED 30 JUNE 2006 $'000	PARENT YEAR ENDED 30 JUNE 2005 $'000
Classification of expenses by function				
Directors' fees	100	77	100	77
Interest and finance changes	1,025	102	279	101
Net loss on disposal of property, plant and equipment	49	-	-	-
Rental expense relating to operating leases	745	458	159	149
Research and development	-	10	-	5
Auditors' fees				
Audit services provided by principal auditors				
Statutory audit	80	63	42	41
Other assurance fees	42	-	-	-
Employee costs				
Wages and salaries	10,178	7,254	4,827	4,243
Share options granted to directors and employees	14	-	14	-
Total employee costs	*10,192*	*7,254*	*4,841*	*4,243*

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11. INCOME TAX EXPENSE

	GROUP YEAR ENDED 30 JUNE 2006 $'000	GROUP YEAR ENDED 30 JUNE 2005 $'000	PARENT YEAR ENDED 30 JUNE 2006 $'000	PARENT YEAR ENDED 30 JUNE 2005 $'000
Current tax	1,729	1,693	1,393	1,420
Deferred tax (note 17)	256	(86)	46	(73)
	1,985	**1,607**	**1,439**	**1,347**
Income tax expense is attributable to:				
Profit before income tax expense	5,976	5,064	4,339	4,066

The tax in the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

Tax calculated at domestic tax rates applicable to profits in the respective countries	1,964	1,671	1,432	1,341
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Income not assessable for tax	-	(15)	-	(15)
Expenses not deductible for tax	21	5	7	4
Prior period adjustments	-	(54)	-	17
Income tax expense	**1,985**	**1,607**	**1,439**	**1,347**

Imputation credit account

Balance at beginning of year	1,151	155	745	40
Resident withholding tax on interest received	14	4	14	4
Income tax paid	2,076	1,543	1,611	1,251
Refunds received	(26)	(65)	-	(65)
Other	4	28	(10)	29
Imputation credits attached to dividends paid	(1,140)	(474)	(1,140)	(474)
Imputation credits lost due to shareholding continuity	-	(40)	-	(40)
Balance at end of year	**2,079**	**1,151**	**1,220**	**745**
Imputation credit available to shareholders of the parent company				
Through the parent	1,220	745	1,220	745
Through subsidiaries	859	406	-	-

12. CASH AND CASH EQUIVALENTS

	GROUP AS AT 30 JUNE 2006 $'000	GROUP AS AT 30 JUNE 2005 $'000	PARENT AS AT 30 JUNE 2006 $'000	PARENT AS AT 30 JUNE 2005 $'000
Cash at bank and in hand	4	2	1	1
Short-term bank deposits	1,088	229	-	83
	1,092	231	1	84
Cash and bank overdrafts include the following for the purposes of the cash flow statement:				
Cash and cash equivalents	1,092	231	1	84
Bank overdrafts (see note 21)	-	-	(127)	-
	1,092	231	(126)	84

13. TRADE AND OTHER RECEIVABLES

	GROUP AS AT 30 JUNE 2006 $'000	GROUP AS AT 30 JUNE 2005 $'000	PARENT AS AT 30 JUNE 2006 $'000	PARENT AS AT 30 JUNE 2005 $'000
Trade receivables	3,567	1,935	1,120	967
Provision for doubtful receivables	(57)	(42)	(8)	(24)
Net trade receivables	3,510	1,893	1,112	943
Related-party receivables	-	-	5,790	5,994
Prepayments	103	238	74	236
Trade and other receivables	3,613	2,131	6,976	7,173

Bad and doubtful trade receivables

The Company has recognised a loss of $65,998 (2005: $87,447) in respect of bad and doubtful trade receivables during the year ended 30 June 2006. The loss has been included in 'other expenses ' in the income statement.

14. INVENTORIES

	GROUP AS AT 30 JUNE 2006 $'000	GROUP AS AT 30 JUNE 2005 $'000	PARENT AS AT 30 JUNE 2006 $'000	PARENT AS AT 30 JUNE 2005 $'000
Finished Goods	1,189	908	639	571
Consumables	715	275	167	207
	1,904	1,183	806	778

Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2006 amounted to $127,817 (2005: $71,530). The expense has been included in 'changes in inventories of finished goods and consumables' in the income statement.

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15. DERIVATIVE FINANCIAL INSTRUMENTS

	GROUP AS AT 30 JUNE 2006 $'000	GROUP AS AT 30 JUNE 2005 $'000	PARENT AS AT 30 JUNE 2006 $'000	PARENT AS AT 30 JUNE 2005 $'000
Current asset				
Forward foreign exchange contracts	507	-	507	-

Foreign exchange forward contract

The notional principal amounts of forward contracts at 30 June 2006 was AUD$3,500,000 (2005: nil). The Group has exposure to foreign currency risk as a result of the deferred consideration on the acquisition of Clearwater Filter Systems (Aust) Pty Limited (refer note 26).

16. CURRENT TAX RECEIVABLES

	GROUP AS AT 30 JUNE 2006 $'000	GROUP AS AT 30 JUNE 2005 $'000	PARENT AS AT 30 JUNE 2006 $'000	PARENT AS AT 30 JUNE 2005 $'000
Excess of tax paid for current period over amount due	425	-	118	-

17. 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 2006 $'000	GROUP AS AT 30 JUNE 2005 $'000	PARENT AS AT 30 JUNE 2006 $'000	PARENT AS AT 30 JUNE 2005 $'000
Deferred tax asset/(liability)				
Beginning of the year	86	-	(19)	(92)
Acquisition of subsidiary (note 26)	276	-	-	-
Income statement charge (note 11)	(256)	86	(46)	73
Exchange differences	32	-	-	-
End of the year	138	86	(65)	(19)

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:

Deferred tax assets: GROUP	TAX LOSSES RECOGNISED $'000	ACCRUALS $'000	OTHER $'000	TOTAL $'000
At 1 July 2004	(6)	35	2	31
Charged/(credited) to the income statement	-	33	18	51
At 30 June 2005	(6)	68	20	82
Acquisition of subsidiary	559	65	-	624
Charged/(credited) to the income statement	(165)	37	(2)	(130)
Exchange differences	32	-	-	32
At 30 June 2006	420	170	18	608

Deferred tax liabilities: GROUP	CUSTOMER CONTRACTS $'000	ACCELERATED DEPRECIATION $'000	OTHER $'000	TOTAL $'000
At 1 July 2004	-	(31)	-	(31)
Charged/(credited) to the income statement	-	35	-	35
At 30 June 2005	-	4	-	4
Acquisition of subsidiary	(348)	-	-	(348)
Charged/(credited) to the income statement	67	(193)	-	(126)
At 30 June 2006	(281)	(189)	-	(470)

Deferred tax assets: PARENT	TAX LOSSES RECOGNISED $'000	ACCRUALS $'000	OTHER $'000	TOTAL $'000
At 1 July 2004	-	46	(16)	30
Charged/(credited) to the income statement	-	4	15	20
Charged to equity	-	-	-	-
Exchange differences	-	-	-	-
At 30 June 2005	-	50	(1)	50
Acquisition of subsidiary	-	-	-	-
Charged/(credited) to the income statement	-	27	-	27
Exchange differences	-	-	-	-
At 30 June 2006	-	77	(1)	77

Deferred tax liabilities: PARENT	CUSTOMER CONTRACTS $'000	ACCELERATED DEPRECIATION $'000	OTHER $'000	TOTAL $'000
At 1 July 2004	-	(122)	-	(122)
Charged/(credited) to the income statement	-	53	-	53
Charged to equity	-	-	-	-
Exchange differences	-	-	-	-
At 30 June 2005	-	(69)	-	(69)
Acquisition of subsidiary	-	-	-	-
Charged/(credited) to the income statement	-	(65)	(8)	(73)
At 30 June 2006	-	(134)	(8)	(142)

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18. PROPERTY, PLANT AND EQUIPMENT

	LAND AND BUILDINGS $'000	LEASEHOLD IMPROVEMENTS $'000	RENTAL EQUIPMENT $'000	MOTOR VEHICLES $'000	OFFICE EQUIPMENT $'000	PLANT AND EQUIPMENT $'000	FURNITURE AND FITTINGS $'000	TOTAL $'000
GROUP								
As at 1 July 2004								
Cost or valuation	2,255	246	5,252	444	944	377	77	9,595
Accumulated depreciation and impairment	(13)	(51)	(1,195)	(115)	(535)	(139)	(28)	(2,076)
Net book amount	**2,242**	**195**	**4,057**	**329**	**409**	**238**	**49**	**7,519**
Year ended 30 June 2005								
Opening net book amount	2,242	195	4,057	329	409	238	49	7,519
Additions [N1]	-	149	2,762	180	279	587	31	3,988
Disposals [N1]	(970)	-	(1,044)	(3)	-	-	-	(2,017)
Impairment charge	-	-	-	-	-	-	-	-
Depreciation charge	(4)	(33)	(1,206)	(109)	(224)	(74)	(10)	(1,660)
Closing net book amount	**1,268**	**311**	**4,569**	**397**	**464**	**751**	**70**	**7,830**
As at 30 June 2005								
Cost or valuation	1,285	395	6,969	621	1,223	964	110	11,567
Accumulated depreciation and impairment	(17)	(84)	(2,400)	(224)	(759)	(213)	(40)	(3,737)
Net book amount	**1,268**	**311**	**4,569**	**397**	**464**	**751**	**70**	**7,830**
Year ended 30 June 2006								
Opening net book amount	1,268	311	4,569	397	464	751	70	7,830
Additions [N1]	-	42	3,978	315	256	222	17	4,830
Acquisition of business (refer note 26)	-	153	1,539	162	41	87	12	1,994
Disposals [N1]	-	-	(2,061)	(289)	(25)	(18)	(4)	(2,397)
Impairment charge	-	-	-	-	-	-	-	-
Depreciation charge	(11)	(40)	(1,065)	(137)	(232)	(111)	(14)	(1,610)
Closing net book amount	**1,257**	**466**	**6,960**	**448**	**504**	**931**	**81**	**10,647**
As at 30 June 2006								
Cost or valuation	1,285	590	9,003	789	1,494	1,254	135	14,550
Accumulated depreciation and impairment	(28)	(124)	(2,043)	(341)	(990)	(323)	(54)	(3,903)
Net book amount	**1,257**	**466**	**6,960**	**448**	**504**	**931**	**81**	**10,647**

	LAND AND BUILDINGS $'000	LEASEHOLD IMPROVEMENTS $'000	RENTAL EQUIPMENT $'000	MOTOR VEHICLES $'000	OFFICE EQUIPMENT $'000	PLANT AND EQUIPMENT $'000	FURNITURE AND FITTINGS $'000	TOTAL $'000
PARENT								
As at 1 July 2004								
Cost or valuation	2,255	213	3,314	165	670	101	47	6,765
Accumulated depreciation and impairment	(13)	(49)	(935)	(46)	(462)	(97)	(21)	(1,623)
Net book amount	**2,242**	**164**	**2,379**	**119**	**208**	**4**	**26**	**5,142**
Year ended 30 June 2005								
Opening net book amount	2,242	164	2,379	119	208	4	26	5,142
Additions [N1]	-	12	2,031	74	164	-	11	2,292
Disposals [N1]	(970)	-	(529)	(3)	-	-	-	(1,502)
Impairment charge	-	-	-	-	-	-	-	-
Depreciation charge	(4)	(17)	(809)	(48)	(130)	(1)	(6)	(1,015)
Closing net book amount	**1,268**	**159**	**3,072**	**142**	**242**	**3**	**31**	**4,917**
As at 30 June 2005								
Cost or valuation	1,285	226	4,816	236	834	101	57	7,555
Accumulated depreciation and impairment	(17)	(67)	(1,744)	(94)	(592)	(98)	(26)	(2,638)
Net book amount	**1,268**	**159**	**3,072**	**142**	**242**	**3**	**31**	**4,917**
Year ended 30 June 2006								
Opening net book amount	1,268	159	3,072	142	242	3	31	4,917
Additions [N1]	-	11	2,086	78	136	8	6	2,325
Acquisition of business	-	-	-	-	-	-	-	-
Disposals [N1]	-	-	(1,137)	(11)	(23)	-	-	(1,171)
Impairment charge	-	-	-	-	-	-	-	-
Depreciation charge	(11)	(16)	(587)	(53)	(131)	(2)	(7)	(807)
Closing net book amount	**1,257**	**154**	**3,434**	**156**	**224**	**9**	**30**	**5,264**
As at 30 June 2006								
Cost or valuation	1,285	238	4,343	283	950	109	63	7,271
Accumulated depreciation and impairment	(28)	(84)	(909)	(127)	(726)	(100)	(33)	(2,007
Net book amount	**1,257**	**154**	**3,434**	**156**	**224**	**9**	**30**	**5,264**

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

19. INTANGIBLE ASSETS

	SOFTWARE $'000	GOODWILL $'000	INTELLECTUAL PROPERTY $'000	PATENTS AND TRADEMARKS $'000	CUSTOMER CONTRACTS $'000	TOTAL $'000
GROUP						
As at 1 July 2004						
Cost or valuation	53	5,171	-	-	-	5,224
Accumulated amortisation and impairment	(49)	-	-	-	-	(49)
Net book amount	**4**	**5,171**	**-**	**-**	**-**	**5,175**
Year ended 30 June 2005						
Opening net book amount	4	5,171	-	-	-	5,175
Additions	14	-	-	-	-	14
Disposals	-	-	-	-	-	-
Impairment charge	-	-	-	-	-	-
Amortisation charge	(5)	-	-	-	-	(5)
Closing net book amount	**13**	**5,171**	**-**	**-**	**-**	**5,184**
As at 30 June 2005						
Cost or valuation	67	5,171	-	-	-	5,238
Accumulated amortisation and impairment	(54)	-	-	-	-	(54)
Net book amount	**13**	**5,171**	**-**	**-**	**-**	**5,184**
Year ended 30 June 2006						
Opening net book amount	13	5,171	-	-	-	5,184
Additions	6	-	-	60	-	66
Acquisition of business (refer note 26)	34	15,840	-	87	1,159	17,120
Disposals	-	-	-	-	-	-
Impairment charge	-	-	-	-	-	-
Amortisation charge	(7)	-	-	(5)	(223)	(235)
Closing net book amount	**46**	**21,011**	**-**	**142**	**936**	**22,135**
As at 30 June 2006						
Cost or valuation	107	21,011	-	147	1,159	22,424
Accumulated amortisation and impairment	(61)	-	-	(5)	(223)	(289)
Net book amount	**46**	**21,011**	**-**	**142**	**936**	**22,135**

	SOFTWARE $'000	GOODWILL $'000	INTELLECTUAL PROPERTY $'000	PATENTS AND TRADEMARKS $'000	CUSTOMER CONTRACTS $'000	TOTAL $'000
PARENT						
As at 1 July 2004						
Cost or valuation	53	-	-	-	-	53
Accumulated amortisation and impairment	(49)	-	-	-	-	(49)
Net book amount	**4**	**-**	**-**	**-**	**-**	**4**
Year ended 30 June 2005						
Opening net book amount	4	-	-	-	-	4
Additions	14	-	-	-	-	14
Disposals	-	-	-	-	-	-
Impairment charge	-	-	-	-	-	-
Amortisation charge	(5)	-	-	-	-	(5)
Closing net book amount	**13**	**-**	**-**	**-**	**-**	**13**
As at 30 June 2005						
Cost or valuation	67	-	-	-	-	67
Accumulated amortisation and impairment	(54)	-	-	-	-	(54)
Net book amount	**13**	**-**	**-**	**-**	**-**	**13**
Year ended 30 June 2006						
Opening net book amount	13	-	-	-	-	13
Additions	4	-	-	37	-	41
Acquisition of business	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Impairment charge	-	-	-	-	-	-
Amortisation charge	(7)	-	-	-	-	(7)
Closing net book amount	**10**	**-**	**-**	**37**	**-**	**47**
As at 30 June 2006						
Cost or valuation	70	-	-	37	-	107
Accumulated amortisation and impairment	(60)	-	-	-	-	(60)
Net book amount	**10**	**-**	**-**	**37**	**-**	**47**

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 segment-level summary of the goodwill allocation is presented below.

	GROUP YEAR ENDED 30 JUNE 2006 $'000	GROUP YEAR ENDED 30 JUNE 2005 $'000	PARENT YEAR ENDED 30 JUNE 2006 $'000	PARENT YEAR ENDED 30 JUNE 2005 $'000
New Zealand	5,171	5,171	-	-
Australia	15,840	-	-	-
	21,011	**5,171**	**-**	**-**

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period. The growth rate 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 16.5 percent.

The value-in-use calculation supports the carrying amount of the recorded goodwill at year end.

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20. TRADE AND OTHER PAYABLES

	GROUP AS AT 30 JUNE 2006 $'000	GROUP AS AT 30 JUNE 2005 $'000	PARENT AS AT 30 JUNE 2006 $'000	PARENT AS AT 30 JUNE 2005 $'000
Trade payables	1,201	526	361	167
Related-party payables	471	-	879	-
Accrued expenses and provisions	1,141	1,165	494	654
Deferred payment (note 26)	6,825	-	-	-
	9,638	1,691	1,734	821

21. INTEREST-BEARING LIABILITIES

	GROUP AS AT 30 JUNE 2006 $'000	GROUP AS AT 30 JUNE 2005 $'000	PARENT AS AT 30 JUNE 2006 $'000	PARENT AS AT 30 JUNE 2005 $'000
Current				
Bank overdraft	-	-	127	-
Commercial bills	4,400	250	4,400	250
Other loans	69	-	-	-
Total current interest-bearing liabilities	4,469	250	4,527	250

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

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

	6 MONTHS OR LESS	6-12 MONTHS	OVER 1 YEAR	TOTAL
Group				
At 30 June 2006				
Bank overdraft	-	-	-	-
Commercial bills	4,400	-	-	4,400
Other loans	69	-	-	69
At 30 June 2005				
Bank overdraft	-	-	-	-
Commercial bills	250	-	-	250
Other loans	-	-	-	-
Parent				
At 30 June 2006				
Bank overdraft	127	-	-	127
Commercial bills	4,400	-	-	4,400
Other loans	-	-	-	-
At 30 June 2005				
Bank overdraft	-	-	-	-
Commercial bills	250	-	-	250
Other loans	-	-	-	-

21. INTEREST-BEARING LIABILITIES CONTINUED

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

	GROUP AS AT 30 JUNE 2006 $'000	GROUP AS AT 30 JUNE 2005 $'000	PARENT AS AT 30 JUNE 2006 $'000	PARENT AS AT 30 JUNE 2005 $'000
Bank overdraft	-	-	10.13%	-
Commercial bills	8.90%	8.50%	8.90%	8.50%
Other loans	6.80%	-	-	-

22. SHARE CAPITAL

	30 JUNE 2006 SHARES	30 JUNE 2005 SHARES	30 JUNE 2006 $'000	30 JUNE 2005 $'000
Ordinary shares, issued and fully-paid	70,353,766	66,436,400	12,524	9,115

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 2004	66,436,400	9,115
Fair value of options issued to directors and employees	-	-
Ordinary shares on issue as at 30 June 2005	**66,436,400**	**9,115**
Shares issued		
- Tranche 1 payment (refer note 26)	3,367,545	3,031
- Share options exercised	440,000	264
- Share issued in lieu of directors' fees	109,821	100
Fair value of options issued to directors and employees	-	14
Ordinary shares on issue as at 30 June 2006	**70,353,766**	**12,524**

The Group issued 3,367,545 shares on 31 October 2005 to the shareholders of Clearwater as part of the purchase consideration for 100 percent of its ordinary share capital (note 26). The ordinary shares issued have the same rights as the others shares in issue. The fair value of the shares issued amounted to $3.031m.

The Group issued 109,821 shares in November 2005 to the directors of Just Water International Limited in lieu of directors' fees for the year, to the value of $100,000.

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22. SHARE CAPITAL CONTINUED

Share options are granted to directors and to selected employees. The exercise price of the granted options is as below. Employee share options are able to be exercised over a period of time which varies per employee with a final exercise date 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.

On 21 December 2005 the Company issued 200,000 options to senior executives at a exercise price of $1.00 per option (2005: nil).

	Parent and Group 2006		Parent and Group 2005	
	Average exercise price in $ per share	Options (thousands)	Average exercise price in $ per share	Options (thousands)
At 1 July	0.60	1,440	0.60	1,440
Granted	1.00	200		-
Forfeited		-		-
Exercised	0.60	(440)		-
Lapsed		-		-
At 30 June	**0.67**	**1,200**	**0.60**	**1,440**

All options are exercisable on grant date. Options exercised in 2006 resulted in 440,000 ordinary shares (2005: nil) being issued at $0.60 each (2005: 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	2006	2005
29/06/2007	0.60	1,000	1,440
29/06/2007	1.00	200	-

Fair value of share options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2006 was 6.96 cents per option (2005: nil). The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest-rate for the term of the option.

The fair value of options granted during the period determined using the Black-Scholes valuation model was $13,936 (2005: nil). The significant inputs into the model were share price of $0.90 (2005: nil) at the grant date, exercise price shown above, standard deviation of expected share price returns of 30 percent (2005: nil), dividend yield of five percent (2005: nil), option life disclosed above, and annual risk-free interest-rate of six percent (2005: nil). 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.

23. DIVIDENDS

	GROUP YEAR ENDED 30 JUNE 2006 $'000	GROUP YEAR ENDED 30 JUNE 2005 $'000	PARENT YEAR ENDED 30 JUNE 2006 $'000	PARENT YEAR ENDED 30 JUNE 2005 $'000
Ordinary shares				
Final dividend for the year ended 30 June 2005 of 1.79 cents (2004: nil) per fully-paid share paid on 7 October 2005 (2004: nil)	1,190	-	1,190	-
Interim dividend for the year ended 30 June 2006 of 1.6 cents (2005: 1.45 cents) per fully-paid share paid on 21 April 2006 (2005: 1 April 2005)	1,126	965	1,126	965

Imputed dividends

The dividends are fully imputed. Supplementary dividends of $14,663 (2005: $1,290) 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 to pay a final dividend of 1.98 cents per ordinary share, a total of $1,445,700. The dividend will be paid on 6 October 2006 to all shareholders on the Company's register at the close of business on 29 September 2006.

24. COMMITMENTS

Capital commitments

The Group and the Parent company have no capital commitments as at 30 June 2006 (2005: nil).

Lease commitments: Company as lessee

Operating leases

The Company leases various offices and warehouses under non-cancellable operating leases expiring within two to eight years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.
The Company also leases various plant and machinery under cancellable operating leases. The Company 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 2006 $'000	GROUP AS AT 30 JUNE 2005 $'000	PARENT AS AT 30 JUNE 2006 $'000	PARENT AS AT 30 JUNE 2005 $'000
Within one year	770	363	97	132
Later than one year but not later than five years	689	600	56	247
Later than five years	2	-	2	-
Commitments not recognised in the financial statements	1,461	963	155	379

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25. RELATED PARTIES

The Group and Parent has related-party transactions with its subsidiaries 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.

The Parent has a number of loans and advances outstanding from subsidiaries and other related parties at balance date. These advances do not have fixed repayment terms.

During the year the JWI Group leased premises for $42,000 (2005: $42,000) from Amante Limited, a company of which Ian Malcolm is a director and Tony Falkenstein a director and shareholder.

During the year the Clearwater Filter Systems (Aust) Pty Limited (Clearwater) leased premises for $66,589 (2005: nil) from Springfresh Marketing Pty Limited, a company of which Phil Dash is a director and shareholder. Clearwater also leased premises for $27,295 (2005: nil) from Dash Family Trust Staff Superannuation Fund, of which Phil Dash is a Trustee and Beneficiary.

Mabee Halstead & Kiddle Limited, a company of which Ian Malcolm is a director, provided accounting compliance and accounting services to the Group during the financial year to the value of $125,000 (2005: $48,000)

Axis Direct Limited, a company of which Ian Malcolm is a director, supplied computer hardware and network support services to the Just Water Group during the financial year to the value of $9,725 (2005: $45,000)

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

	GROUP 30 JUNE 2006 $'000	GROUP 30 JUNE 2005 $'000	PARENT 30 JUNE 2006 $'000	PARENT 30 JUNE 2005 $'000
Trade receivables				
Aqua-Cool Limited	-	-	5,381	5,994
Just Water Victoria Pty Limited	-	-	409	-
	-	-	5,790	5,994
Trade payables				
Texel Holdings Limited	471	-	222	-
Just Water Limited Partnership	-	-	608	-
Clearwater Filter Systems (Aust) Pty Limited	-	-	49	-
	471	-	879	-

Key management compensation is as follows:

	GROUP 30 JUNE 2006 $'000	GROUP 30 JUNE 2005 $'000	PARENT 30 JUNE 2006 $'000	PARENT 30 JUNE 2005 $'000
Short-term benefits	1,475	972	768	550
Other long-term benefits	21	-	-	-
Termination benefits	16		16	
Share-based payments	14	-	14	-
	1,526	972	798	550

26. BUSINESS COMBINATIONS

On 31 October 2005, the Group acquired 100 percent of the share capital in Clearwater Filter Systems (Aust) Pty Limited (Clearwater), a water-cooler rental company operating in Australia. The shares in Clearwater are held by Just Water Limited Partnership (JWLP), a Limited Partnership registered in Victoria, Australia, with Just Water Australia Pty Limited as the General Partner (99 percent) and JWA Holdings Limited as the Limited Partner (one percent). JWA Holdings Limited is a New Zealand company incorporated in 2004, previously a non-trading company (Just C Limited, name changed 26 September 2005) and is a 100 percent subsidiary of Just Water International Limited. Just Water Australia Pty Limited is an Australian company and is also a 100 percent subsidiary of Just Water International Limited.

The acquired business contributed revenues of $7.244m and net profit after tax of $0.424m to the Group for the period from 1 November 2005 to 30 June 2006. If the acquisition had occurred on 1 July 2005 the acquired business would have contributed revenues of $10.471m and net profit after tax of $0.723m.

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

	$'000
Purchase consideration:	
- Cash paid	4,474
- Direct costs relating to the acquisition	235
- Fair value of shares issued (see note 22)	3,031
- Deferred payment	4,095
- Fair value of shares to be issued with Tranche 2 payment	2,730
Total purchase consideration	**14,565**
Fair value of net assets acquired	(1,005)
Goodwill arising on acquisition	**15,570**

The deferred payment relates to Tranche 2 cash to be paid in September 2006. The payment has been discounted to its net present value using a discount rate of 7.75 percent. Discount is amortised in the income statement over the settlement period.

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.

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

	Fair value $'000	Acquiree's carrying amount $'000
Cash and cash-equivalents	259	259
Property, plant and equipment	1,715	1,715
Inventories	609	609
Receivables and prepayments	1,062	1,062
Future tax benefit	276	276
Acquired intangible assets	107	107
Customer contracts	1,159	-
Payables	(745)	(745)
Unearned income	(5,315)	(5,315)
Hire purchase liabilities	(132)	(132)
Net liabilities acquired	**(1,005)**	**(2,164)**

Reconciliation to statement of cash flows

Cash paid (including direct costs relating to the acquisition)	4,709
less cash and cash equivalents acquired	(259)
	4,450

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26. BUSINESS COMBINATIONS CONTINUED

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. The acquired business contributed revenues of $0.263m and net loss after tax of $0.061m to the Group for the period from 1 September 2005 to 30 June 2006.

If the acquisition had occurred on 1 July 2005 the acquired business would have contributed revenues of $0.298m and net loss after tax of $0.067m.

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

	$'000
Purchase consideration:	
Cash paid	19
Total purchase consideration	**19**
Fair value of net assets acquired	(252)
Goodwill arising on acquisition	**271**

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

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

	Fair value $'000	Acquiree's carrying amount $'000
Cash and cash-equivalents	60	60
Property, plant and equipment	46	46
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 liabilities acquired	**(252)**	**(252)**

Reconciliation to Statement of Cash Flows	
Cash paid	19
less cash and cash equivalents acquired	(60)
	(41)

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 pre-invoiced by Clearwater and previously treated as revenue under Australian pre-IFRS reporting, now recognised as unearned income under NZ IFRS.

Investment in subsidiaries at Parent level	
Investment in Aqua-Cool Limited	1,802
Just Water Australia Pty Limited	47
Investment in JWA Holdings Limited	8,330
Total investments	**10,179**

Reconciliation to statement of cash flows	
Investments acquired in current year	
Shares in JWA Holdings Limited	8,330
less JWI shares issued in lieu of cash payment	(3,031)
less unpaid share capital	(588)
Shares in Just Water Victoria Pty Limited	47
	4,758

27. 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 % 2006	2005
Aqua-Cool Limited	New Zealand	Ordinary	100	100
Cool Water Company Limited	New Zealand	Ordinary	100	100
JWA Holdings Limited	New Zealand	Ordinary	100	-
Just Water Australia Pty Limited	Australia	Ordinary	100	100
Just Water Victoria Pty Limited	Australia	Ordinary	100	-
Clearwater Filter Systems (Aust) Pty Limited	Australia	Ordinary	100	-

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

	GROUP 30 JUNE 2006 $'000	GROUP 30 JUNE 2005 $'000	PARENT 30 JUNE 2006 $'000	PARENT 30 JUNE 2005 $'000
Profit for the year	3,991	3,457	2,900	2,719
Adjustments for				
Tax	(265)	101	(169)	105
Depreciation	1,610	1,660	807	1,015
Amortisation	235	5	7	5
(Profit)/loss on sale of property, plant and equipment	49	(114)	-	(114)
Fair value gains on derivative financial instruments	(507)	-	(507)	-
Share options issued	14	-	14	-
Provision for doubtful debts	15	4	(16)	14
Changes in working capital (excluding the effects of acquisition)				
Inventories	(104)	(452)	(28)	(234)
Trade and other receivables	(501)	(268)	(926)	(430)
Trade and other payables	(72)	(403)	911	(398)
Cash generated from operations	4,465	3,990	2,993	2,682

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

Net book amount	336	973	34	973
(Profit)/loss on sale of property, plant and equipment	(49)	114	-	114
Proceeds from sale of property, plant and equipment	287	1,087	34	1,087

Non-cash transactions
The principal non-cash transaction was the issue of shares as consideration for the acquisition of Clearwater (refer to note 26).

29. EVENTS OCCURRING AFTER BALANCE SHEET DATE

There were no material events occurring after balance date (2005: nil).

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30. EARNINGS PER SHARE

	GROUP YEAR ENDED 30 JUNE 2006 $'000	GROUP YEAR ENDED 30 JUNE 2005 $'000	PARENT YEAR ENDED 30 JUNE 2006 $'000	PARENT YEAR ENDED 30 JUNE 2005 $'000
Basic earnings per share				
Profit from operations attributable to the ordinary equity holders of the company	3,991	3,457	2,900	2,719
Diluted earnings per share				
Profit from operations attributable to the ordinary equity holders of the company	3,991	3,457	2,900	2,719

Reconciliations of earnings used in calculating earnings per share

	GROUP YEAR ENDED 30 JUNE 2006 CENTS	GROUP YEAR ENDED 30 JUNE 2005 CENTS	PARENT YEAR ENDED 30 JUNE 2006 CENTS	PARENT YEAR ENDED 30 JUNE 2005 CENTS
Basic earnings per share	5.8	5.2	4.2	4.1
Diluted earnings per share	5.7	5.1	4.1	4.0
Weighted average number of shares				

	GROUP YEAR ENDED 30 JUNE 2006 CENTS	GROUP YEAR ENDED 30 JUNE 2005 CENTS	PARENT YEAR ENDED 30 JUNE 2006 CENTS	PARENT YEAR ENDED 30 JUNE 2005 CENTS
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	69,048	66,436	69,048	66,436
Adjustments for calculation of diluted Options	1,200	1,440	1,200	1,440
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	70,248	67,876	70,248	67,876

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.

31. EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRS

Reconciliation of equity reported under previous New Zealand Financial Reporting Standards (NZ FRS) to equity under New Zealand equivalents to IFRSs (NZ IFRS)

Reconciliation of balance sheet

		AT THE DATE OF TRANSITION TO NZ IFRS: 1 JULY 2004			AT THE END OF THE LAST REPORTING PERIOD UNDER NZ IFRS: 30 JUNE 2005		
			GROUP			GROUP	
	Note	NZ FRS $'000	EFFECT OF TRANSITION TO NZ IFRS $'000	NZ IFRS $'000	NZ FRS $'000	EFFECT OF TRANSITION TO NZ IFRS $'000	NZ IFRS $'000
ASSETS							
Current assets							
Cash and cash equivalents		1,220	-	1,220	231	-	231
Trade and other receivables		1,863	-	1,863	2,131	-	2,131
Current tax receivables		123	-	123	-	-	-
Inventories		731	-	731	1,183	-	1,183
Total current assets		3,937	-	3,937	3,545	-	3,545
Non-current assets							
Property, plant and equipment		7,488	-	7,488	7,830	-	7,830
Investment in subsidiaries		-	-	-	-	-	-
Intangible assets	e	5,172	-	5,172	4,922	262	5,184
Deferred tax asset	d	46	(46)	-	24	62	86
Total non-current assets		12,706	(46)	12,660	12,776	324	13,100
Total assets		16,643	(46)	16,597	16,321	324	16,645
LIABILITIES							
Current liabilities							
Interest-bearing liabilities		2,400	-	2,400	250	-	250
Trade and other payables	c	1,967	124	2,091	1,568	123	1,691
Current tax liabilities	d	-	-	-	64	-	64
Deferred income		286	-	286	328	-	328
Total current liabilities		4,653	124	4,777	2,210	123	2,333
Net assets		11,990	(170)	11,820	14,111	201	14,312
EQUITY							
Share capital	a	9,008	107	9,115	9,008	107	9,115
Retained earnings	b	2,982	(277)	2,705	5,103	94	5,197
Total equity		11,990	(170)	11,820	14,111	201	14,312

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31. EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRS CONTINUED

Reconciliation of balance sheet

		AT THE DATE OF TRANSITION TO NZ IFRS: 1 JULY 2004			AT THE END OF THE LAST REPORTING PERIOD UNDER NZ IFRS: 30 JUNE 2005		
			PARENT			PARENT	
	Note	NZ FRS $'000	EFFECT OF TRANSITION TO NZ IFRS $'000	NZ IFRS $'000	NZ FRS $'000	EFFECT OF TRANSITION TO NZ IFRS $'000	NZ IFRS $'000
ASSETS							
Current assets							
Cash and cash equivalents		1,007	-	1,007	84	-	84
Trade and other receivables		6,957	-	6,957	7,173	-	7,173
Current tax receivables		81	-	81	-	-	-
Inventories		544	-	544	778	-	778
Total current assets		8,589	-	8,589	8,035	-	8,035
Non-current assets							
Property, plant and equipment		5,145	-	5,145	4,917	-	4,917
Investment in subsidiaries		1,802	-	1,802	1,802	-	1,802
Intangible assets	e	-	-	-	13	-	13
Deferred tax asset	d	23	(115)	(92)	2	(21)	(19)
Total non-current assets		6,970	(115)	6,855	6,734	(21)	6,713
Total assets		15,559	(115)	15,444	14,769	(21)	14,748
LIABILITIES							
Current liabilities							
Interest-bearing liabilities		2,400	-	2,400	250	-	250
Trade and other payables	c	1,135	84	1,219	739	82	821
Provision for taxation	d	-	-	-	60	38	98
Total current liabilities		3,535	84	3,619	1,049	120	1,169
Net assets		12,024	(199)	11,825	13,720	(141)	13,579
EQUITY							
Share capital	a	9,008	107	9,115	9,008	107	9,115
Retained earnings	b	3,016	(306)	2,710	4,712	(248)	4,464
Total equity		12,024	(199)	11,825	13,720	(141)	13,579

31. EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRS CONTINUED

Reconciliation of income statement

		FOR THE YEAR ENDED: 30 JUNE 2004			FOR THE YEAR ENDED: 30 JUNE 2005		
			GROUP			GROUP	
	Note	NZ FRS $'000	EFFECT OF TRANSITION TO NZ IFRS $'000	NZ IFRS $'000	NZ FRS $'000	EFFECT OF TRANSITION TO NZ IFRS $'000	NZ IFRS $'000
Revenue		13,137	-	13,137	19,953	-	19,953
Other operating income		95	-	95	310	-	310
Income		**13,232**	**-**	**13,232**	**20,263**	**-**	**20,263**
Employee costs		(5,078)	-	(5,078)	(7,254)	-	(7,254)
Changes in inventories of finished goods and consumables		(1,818)	-	(1,818)	(2,562)	-	(2,562)
Other expenses		(1,870)	-	(1,870)	(3,616)	-	(3,616)
Earnings before interest, tax, depreciation and amortisation		**4,466**	**-**	**4,466**	**6,831**	**-**	**6,831**
Depreciation		1,220	-	1,220	1,660	-	1,660
Amortisation	e	73	(73)	-	267	(262)	5
Earnings before interest and tax		**3,173**	**73**	**3,246**	**4,904**	**262**	**5,166**
Interest expense		219	-	219	102	-	102
Profit before income tax		**2,954**	**73**	**3,027**	**4,802**	**262**	**5,064**
Income tax expense	d	764	46	810	1,714	(107)	1,607
Profit attributable to shareholders of the company		**2,190**	**27**	**2,217**	**3,088**	**369**	**3,457**
Earnings per share for profit attributable to the shareholders of the company							
Basic earnings per share (cents)		3.3		3.3	4.6		5.2
Diluted earnings per share (cents)		3.2		3.3	4.5		5.1
Dividend per share (cents)		2.4		2.4	1.5		1.5

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31. EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRS CONTINUED

Reconciliation of income statement

		FOR THE YEAR ENDED: 30 JUNE 2004			FOR THE YEAR ENDED: 30 JUNE 2005		
		PARENT			PARENT		
	Note	NZ FRS $'000	EFFECT OF TRANSITION TO NZ IFRS $'000	NZ IFRS $'000	NZ FRS $'000	EFFECT OF TRANSITION TO NZ IFRS $'000	NZ IFRS $'000
Revenue		10,654	-	10,654	12,270	-	12,270
Other operating income		203	-	203	783	-	783
Income		**10,857**	**-**	**10,857**	**13,053**	**-**	**13,053**
Employee costs		(3,512)	-	(3,512)	(4,243)	-	(4,243)
Changes in inventories of finished goods and consumables		(1,160)	-	(1,160)	(1,420)	-	(1,420)
Other expenses		(2,171)	-	(2,171)	(2,203)	-	(2,203)
Earnings before interest, tax, depreciation and amortisation		**4,014**	**-**	**4,014**	**5,187**	**-**	**5,187**
Depreciation		863	-	863	1,020	-	1,020
Amortisation	e	-	-	-	-	-	-
Earnings before interest and tax		**3,151**	**-**	**3,151**	**4,167**	**-**	**4,167**
Interest expense		219	-	219	101	-	101
Profit before income tax		**2,932**	**-**	**2,932**	**4,066**	**-**	**4,066**
Income tax expense	d	727	115	842	1,404	(57)	1,347
Profit attributable to shareholders of the company		**2,205**	**(115)**	**2,090**	**2,662**	**57**	**2,719**
Earnings per share for profit attributable to the shareholders of the company							
Basic earnings per share (cents)		3.3		3.1	4.0		4.1
Diluted earnings per share (cents)		3.2		3.1	3.9		4.0
Dividend per share (cents)		2.4		2.4	1.5		1.5

31. EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRS CONTINUED

Explanation of material adjustments to the cash flow statement

		FOR THE YEAR ENDED: 30 JUNE 2004			FOR THE YEAR ENDED: 30 JUNE 2005		
			GROUP			GROUP	
	Note	NZ FRS $'000	EFFECT OF TRANSITION TO NZ IFRS $'000	NZ IFRS $'000	NZ FRS $'000	EFFECT OF TRANSITION TO NZ IFRS $'000	NZ IFRS $'000
Profit for the year		2,190	27	2,217	3,088	369	3,457
Adjustments for							
Tax	d	515	46	561	157	(56)	101
Depreciation		1,147	-	1,147	1,660	-	1,660
Amortisation	e	73	(73)	-	267	(262)	5
(Profit)/loss on sale of property, plant and equipment		19	-	19	(114)	-	(114)
Provision for doubtful debts		25	-	25	4	-	4
Changes in working capital (excluding the effects of acquisition)							
Inventories		(20)	-	(20)	(452)	-	(452)
Trade and other receivables		(1,198)	-	(1,198)	(268)	-	(268)
Trade and other payables	c	1,216	(124)	1,092	(280)	(123)	(403)
Net cash flow from operating activities		3,967	(124)	3,843	4,062	(72)	3,990

			PARENT			PARENT	
	Note	NZ FRS $'000	EFFECT OF TRANSITION TO NZ IFRS $'000	NZ IFRS $'000	NZ FRS $'000	EFFECT OF TRANSITION TO NZ IFRS $'000	NZ IFRS $'000
Profit for the year		2,205	(115)	2,090	2,662	57	2,719
Add/(less) non-cash items							
Tax	d	580	115	695	162	(57)	105
Depreciation		863	-	863	1,015	-	1,015
Amortisation	e	-	-	-	5	-	5
(Profit)/loss on sale of property, plant and equipment		46	-	46	(114)	-	(114)
Provision for doubtful debts		3	-	3	14	-	14
Changes in working capital (excluding the effects of acquisition)							
Inventories		167	-	167	(234)	-	(234)
Trade and other receivables		(870)	-	(870)	(430)	-	(430)
Trade and other payables	c	98	(84)	14	(314)	(84)	(398)
Net cash flow from operating activities		3,092	(84)	3,008	2,766	(84)	2,682

Financial statements 2005/2006

32. 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.

	PARENT and GROUP 1 JULY 2004 $'000	PARENT and GROUP 30 JUNE 2005 $'000
Fair value of options issued to directors and employees	107	107

b. RETAINED EARNINGS

	GROUP 1 JULY 2004 $'000	GROUP 30 JUNE 2005 $'000	PARENT 1 JULY 2004 $'000	PARENT 30 JUNE 2005 $'000
Employee benefits - share options	(107)	(107)	(107)	(107)
Employee benefits - sick leave	(124)	(123)	(84)	(82)
Deferred tax asset	(46)	62	(115)	(59)
Goodwill	-	262	-	-
Net impact on equity	(277)	94	(306)	(248)

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.

	GROUP 1 JULY 2004 $'000	GROUP 30 JUNE 2005 $'000	PARENT 1 JULY 2004 $'000	PARENT 30 JUNE 2005 $'000
Provision for sick leave	124	123	84	82

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.

	GROUP 12 MONTHS ENDED 30 JUNE 2004 $'000	GROUP 12 MONTHS ENDED 30 JUNE 2005 $'000	PARENT 12 MONTHS ENDED 30 JUNE 2004 $'000	PARENT 12 MONTHS ENDED 30 JUNE 2005 $'000
Income statement increase/(decrease)				
Profit for the period	46	(107)	115	(57)
	GROUP AS AT 30 JUNE 2005 $'000	**GROUP AS AT 30 JUNE 2004 $'000**	**PARENT AS AT 30 JUNE 2004 $'000**	**PARENT AS AT 30 JUNE 2005 $'000**
Balance sheet increase/(decrease)				
Equity	(46)	62	(115)	(59)
Total assets	(46)	62	(115)	(59)
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:

	GROUP ONLY 12 MONTHS ENDED 30 JUNE 2004 $'000	12 MONTHS ENDED 30 JUNE 2005 $'000
Income statement increase/(decrease)		
Profit for the period	73	262
	AS AT 30 JUNE 2004 $'000	**AS AT 30 JUNE 2005 $'000**
Balance sheet increase/(decrease)		
Equity	73	262
Total assets	73	262
Total liabilities	-	-

Statutory disclosures in relation to shareholders

TOP 20 LARGEST HOLDINGS LIST
AS AT TUESDAY 15 AUGUST 2006

	HOLDER NAME	TOTAL	%
1	ASB Nominees Limited as bare trustees for The Harvard Group Limited	40,000,000	56.86
2	Anthony Edwin Falkenstein and Ian Donald Malcolm	3,268,000	4.65
3	Springfresh Marketing Pty Limited	3,199,168	4.55
4	Anthony Edwin Falkenstein and Christopher Roy Saunders	2,000,000	2.84
5	Anthony Edwin Falkenstein and Barry Harrison Spicer	2,000,000	2.84
6	New Zealand Central Securities Depository Limited	1,796,665	2.55
7	Heather Jeanette Falkenstein and Ian Donald Malcolm	1,268,000	1.80
8	ACE Finance Limited	832,730	1.18
9	Yada Holdings No 1 Limited	634,000	.90
10	Anthony Henry Kandziora	500,000	.71
11	Morris West Limited	470,000	.67
12	Custodial Services Limited	359,265	.51
13	Rajesh Kumar Chaudhary	311,599	.44
14	Ian Donald Malcolm, Pamela Joy Malcolm and Barbara Kay Astill	311,455	.44
15	Jillian Dawn Reid and Ian Donald Malcolm	300,000	.43
16	J T Maxwell & Company Limited	250,000	.36
17	Rainer Huebner and Shanti Huebner	240,000	.34
18	Eugenie Masfen-Yan, Raphael William Wai-Ming Yan and Peter Hanbury Masfen	240,000	.34
19	Giffney & Jones	220,850	.31
20	Stephen C Montgomery and Charlotte V Montgomery	210,000	.30
TOTAL		**58,411,732**	**83.03**

EQUITY SECURITIES HELD AS AT 30 JUNE 2006

In accordance with NZAX Listing Rule 1.5.3 the following table identifies the equity securities in which each director has a relevant interest as at 30 June 2006.

DIRECTOR	IN OWN NAME AND BENEFICIAL INTEREST	AS INDEPENDENT TRUSTEE	TOTAL EQUITY SECURITIES HELD AT 30 JUNE 2005
Anthony Edwin Falkenstein	44,536,000	4,634,000	49,170,000
Philip John Dash	3,199,168	-	3,199,168
Ian Donald Malcolm	311,455	4,836,000	5,147,455
James Kenneth McLay	200,911	-	200,911
John Renfree Cunnack	111,455	-	111,455

HOLDING RANGE AS AT 28 AUGUST 2006

RANGE OF EQUITY HOLDING	NUMBER OF HOLDERS	NUMBER OF SHARES HELD	%
1-1,000	328	101,451	0.15
1,001-5,000	326	1,037,054	1.47
5,001-10,000	214	1,880,844	2.67
10,001-100,000	230	7,164,018	10.18
100,001 and over	32	60,170,399	85.53
Totals	**1,130**	**70,353,766**	**100.00**

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 15 August 2006, the substantial security holders were as follows:

SUBSTANTIAL SECURITY HOLDER	NUMBER OF SHARES HELD	%
Anthony Edwin Falkenstein through holdings in The Harvard Group Limited and various trusts	49,170,000	69.89

Notice of meeting

Notice is given that the Annual Meeting of Shareholders of Just Water International Limited will be held in the **Sinclair Room, Level 5, Quay West Hotel, 8 Albert Street, Auckland City, on Thursday 26 October 2006 at 4.00pm.** Shareholders are invited to join the directors after the meeting for refreshments.

BUSINESS

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

A. Resolution 1: Annual Report
That the Annual Report of Just Water International Limited for the year ended 30 June 2006, including the Auditors' Report, be received.

B. Resolution 2: Auditors' remuneration
That the Company's board of directors be authorised to fix the auditors' remuneration.

C. Resolution 3: Re-election of director
That James Kenneth McLay be re-elected as a director of the Company.

D. Resolution 4: Re-election of director
That John Renfree Cunnack be re-elected as a director of the Company.

E. Resolution 5: Election of director
That Philip John Dash be elected as a director of the Company.

F. Resolution 6: Increase in directors' remuneration
That the remuneration payable to the directors of the Company and its subsidiaries for their services (but not for services as managing director) of:
- i) NZ$130,000 per annum (plus GST as applicable) to the directors of the Company taken together (being an increase of NZ$30,000 per annum); and in addition
- ii) A$25,000 per annum (plus GST as applicable) to Philip Dash as Australian director of a subsidiary (being an increase of A$25,000 per annum),

be approved.

G. Resolution 7: Issue of ordinary shares to directors in lieu of cash remuneration
That the board is authorised to:
- i) issue fully-paid ordinary shares in the Company to any person who, immediately following the 2006 Annual Meeting, holds office as a director of the Company, at an aggregate issue price not exceeding the aggregate amount of directors' remuneration approved by shareholders, in lieu of the directors receiving their remuneration in cash, on the terms 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 shall not rank for any dividend in respect of the Company's financial year ended 30 June 2006.

H. 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 below (see page 50).

WAIVER FROM NZAX

On 14 June 2006 the Company obtained a waiver from NZAX Listing Rule 7.3.5 of Appendix 1 to the extent required to allow the Company to issue shares to associated persons (Springfresh Marketing Pty Limited, the Dash Family Trust and Coulsdon Future Investments Pty Limited) of a director of the Company, Philip Dash. Pursuant to the terms of an agreement for sale and purchase of shares in Clearwater Filter Systems (Aust) Pty Limited and Clearwater Filter Systems Franchising (Aust) Pty Limited ("Clearwater Agreement"), which was entered into prior to Philip Dash being appointed as a director of the Company, the Company had a contractual obligation to issue a second tranche of shares to associated persons of Philip Dash. The NZX waiver was granted on the condition that prior to the Company proceeding with the issue of the second tranche of shares, the Company deliver to NZX a certificate signed by all the Company's directors (other than Philip Dash) that Philip Dash was excluded from discussions of the Company's board relating to the Clearwater Agreement, such certificate was provided.

Proxy form

I/We ....
(Name)

of ....
(Place)

being a shareholder of **Just Water International Limited,** 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 Sinclair Room, Level 5, Quay West Hotel, 8 Albert Street, Auckland City on **Thursday 26 October 2006 at 4pm**, 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. Should the shareholder(s) wish to direct the proxy how to vote, the following should be completed:

Resolutions:	For	Against
1. Annual Report That the Annual Report of Just Water International Limited for the year ended 30 June 2006, including the Auditors' Report, be received.	☐	☐
2. Auditors' remuneration That the Company's board of directors be authorised to fix the auditors' remuneration.	☐	☐
3. Re-election of director That James Kenneth McLay be re-elected as a director of the Company.	☐	☐
4. Re-election of director That John Renfree Cunnack be re-elected as a director of the Company.	☐	☐
5. Election of director That Philip John Dash be elected as a director of the Company.	☐	☐
6. Increase in directors' remuneration That the remuneration payable to the directors of the Company and its subsidiaries for their services (but not for services as managing director) of: i) NZ$130,000 per annum (plus GST as applicable) to the directors of the Company taken together (being an increase of NZ$30,000 per annum); and in addition ii) A$25,000 per annum (plus GST as applicable) to Philip Dash as Australian director of a subsidiary (being an increase of A$25,000 per annum), be approved.	☐	☐
7. Issue of ordinary shares to directors in lieu of cash remuneration That the board is authorised to: i) issue fully-paid ordinary shares in the Company to any person who, immediately following the 2006 Annual Meeting, holds office as a director of the Company, at an aggregate issue price not exceeding the aggregate amount of directors' remuneration approved by shareholders, in lieu of the directors receiving their remuneration in cash, on the terms 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 shall not rank for any dividend in respect of the Company's financial year ended 30 June 2006.	☐	☐

Signed this .... day of .... 2006 Signature ....

Explanatory notes

Each of the resolutions to be considered at the Annual Meeting are ordinary resolutions. 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 question.

Resolution 1: Annual Report
The Annual Report for 2006, having been circulated by the share registry, is 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, 4 and 5: Re-election and election of directors
Two directors, James Kenneth McLay (Hon. Jim McLay) and John Renfree Cunnack (Renny Cunnack), retire by rotation and offer themselves for re-election at the Annual Meeting.

The Hon. Jim McLay CNZM, QSO, LLB practised as a barrister and was in New Zealand Parliament 1975 – 1987 where he held, at various times, the positions of Deputy Prime Minister, Attorney General, Minister of Justice and Leader of the Opposition. He currently holds the position of Chairman of Macquarie New Zealand Limited, Pharmacybrands Limited (owner of the Unichem, AMCAL, Dispensary First and Smart Pharmacy retail pharmacy brands) and Macquarie Goodman (NZ) Limited. He has been Chairman of the Company since it was floated in 2004.

Renny Cunnack MA is an English-born Oxford graduate and is now an Australian citizen with a long career in advertising, working for Ogilvy & Mather for 23 years in London, New York, New Zealand and Australia. He was chairman of Ogilvy & Mather in Australia, a regional director for Australia and New Zealand, and on the international boards of The Ogilvy Group and Ogilvy & Mather Worldwide. He has previously been managing director of ATV Channel 10 television in Melbourne and has been a director of the Company since it was floated in 2004.

Philip Dash has been founder and CEO of two private companies over the last 22 years, taking them from start up to become industry leaders in their respective fields. Philip Dash was appointed as a director of the Company by the board after the acquisition of the Australian companies Clearwater Filter Systems (Aust) Pty Limited and Clearwater Filter Systems Franchising (Aust) Pty Limited in November 2005 and offers himself for election. Philip Dash was the founder, and previously CEO, of Clearwater Filter Systems (Aust) Pty Limited.

The board unanimously recommends shareholders vote in favour of the re-election of the Hon. Jim McLay and Renny Cunnack and the election of Philip Dash.

Resolution 6: Increase in directors' remuneration
In accordance with the NZAX Listing Rules ("Rules"), any increase in the maximum aggregate fees payable to directors of the Company requires shareholder approval.

It is proposed to increase the sum available for payment of directors' fees to a maximum of NZ$130,000 per annum (plus GST) for directors of the Company. This allows for a CPI increase of 4% and in addition a director's fee for an additional director, Philip Dash, who was appointed to the board of the Company after the acquisition of Clearwater Filter Systems (Aust) Pty Limited and Clearwater Filter Systems Franchising (Aust) Pty Limited. Philip Dash was the founder of Clearwater Filter Systems (Aust) Pty Limited and was previously the CEO.

It is proposed that Philip Dash also receives an additional fee of A$25,000 from Clearwater Filter Systems (Aust) Pty Limited. Philip Dash will therefore receive director fees from both the Company and its subsidiary, Clearwater Filter Systems (Aust) Pty Limited.

In addition to the growth of the Company since its listing, meeting the requirements associated with the Company's NZAX listing has resulted in a significant increase in the demands on the directors. Reflecting movements in best practice corporate governance, the responsibilities and time commitments of directors have also grown considerably over that time.

It is also important that the Company is able to attract and retain the services of the best directors available. The Company must accordingly offer remuneration commensurate with that which will attract and retain quality directors.

Based on an exchange rate of NZ$1.00 = A$0.8754 as at 15 September 2006, the maximum amount of directors' fees (but not for services as managing director) which may be paid is NZ$158,558 (plus GST as applicable). This amount may increase or decrease depending on changes in the exchange rate.

Resolution 7: Issue of ordinary shares to directors in lieu of cash remuneration
All directors have elected to receive their remuneration as directors in the form of ordinary shares issued by the Company. No cash remuneration will be paid by the Company to directors in their non-executive capacities.

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 by the issue price for each share. The issue price of each share will be determined by the board and will not be less than the Volume Weighted Average Price ("VWAP") per share of the Company's ordinary shares traded through, or trades included as reported on, the NZAX Market in the 20 trading days immediately following the date of the Annual Meeting; and

(b) on other terms not inconsistent with resolution 7 deemed appropriate by the board.

If any director ceases to be a director prior to 30 June 2007, the fees paid to that director (in the form of newly-issued shares) will be deemed to have accrued on a monthly basis and that director will be required to repay to the Company, in cash, a pro rated amount of the aggregate issue price of the new shares issued to that director in lieu of cash remuneration.

VOTING RESTRICTIONS

Neither the Hon. Jim McLay, Renny Cunnack, Philip Dash, Ian Malcolm, nor any person who is an Associated Person (as that term is defined in the Rules) of such person may vote on Resolutions 6 and 7.

PROXIES

1. All shareholders are entitled to attend and 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, when appointed as a proxy, a director (including the Chairman) will be prohibited from exercising discretionary proxies given to him or her in respect of a resolution in which that director is interested or disqualified from voting. Directors are only able to exercise proxies where the shareholder has provided the director with an express instruction as to how to exercise that shareholder's vote. Express instructions exclude instructions that give the proxy holder a discretion to exercise that shareholder's vote as the proxy holder 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. Companies appointing a proxy must do so under the signature of two directors or have an authority produced for noting by the Company.
9. Completed proxies must be received by the Company's Share Registrar no later than 4.00pm on Tuesday 24 October 2006 at the following address:

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

By order of the board.

Hon. Jim McLay
Chairman

Just Water

Just Water International Limited


Just Water
Just the best!
Just Water
Just the best!

Just Water
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Just Water is proud to be a major sponsor of the New Zealand Kidney Foundation

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For more information please contact the
New Zealand Kidney Foundation on **0800 KIDNEY (54369)**