Just Water

Just Water International Limited

2016

Annual Report

Directory

Directors

Tony Falkenstein (Executive Chairman)

Ian Malcolm (Non-Executive)

Brendan Wood (Independent)

Executive management

Tony Falkenstein

Chief Executive Officer

Eldon Roberts

Chief Operating Officer and Chief Financial Officer

Just Water New Zealand

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Penrose

Auckland 1061

New Zealand

Private Bag 92811

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Auckland 1642

New Zealand

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

Registered office and address for service

Unit 1, 36 Sale Street

Victoria Quarter Precinct

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P O Box 221

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Auckland 1140

New Zealand

Auditors

PricewaterhouseCoopers

JWI on the web

www.jwi.co.nz

www.justwater.co.nz

www.justwaterfilters.co.nz

www.aquacool.co.nz

Bankers

Bank of New Zealand Limited

Solicitors

Harmos Horton Lusk

Daniel Overton & Goulding

Share registry

Link Market Services

Level 7, Zurich House

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Just Water International Limited

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Tony Falkenstein

Ian Malcolm

Brendan Wood

Eldon Roberts

Chairman's and Chief Executive's review

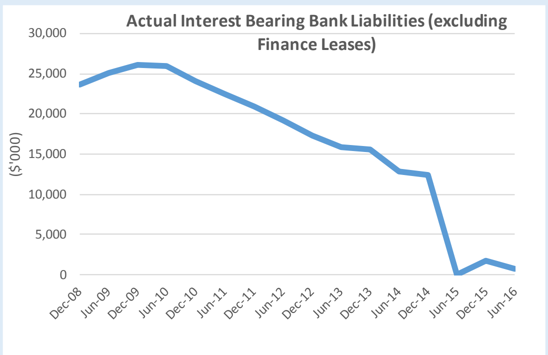
The directors of Just Water International Limited present the full year cash flow and profit results for the year ended 30 June 2016.

Cash flow

Rebuilding shareholder value is our key priority. Management continues to focus on initiatives to maximise the generation of cash flow from operations. There have been several opportunities explored during the year, but given the need to ensure on-going profitability and cash flow without putting undue risk to the current fundamentally sound business there were no acquisitions or major changes made during the year. We are pleased with the initial response from the trial of new consumer products in China which is discussed in further detail later in this report.

The Company generated $3.5 million surplus cash flow (2015: $2.6 million) from operations during the year.

At 30 June 2016, the company's net bank debt position showed a small debt of $0.06 million. This was after the purchase of a new building during the year for $3.3 million and refurbishment costs of about $0.4 million. The graph below represents actual net interest bearing liabilities for the Group.



It is noted that net interest bearing bank debt is expected to increase in the six months ending 31 December 2016 as the bulk of the new building renovation and plant upgrade and moving costs will be incurred during this period.

Consumer Products

The Company launched two new consumer products at SIAL in Shanghai, China in June 2016. SIAL is a major global food and beverage show, and attracted 6,500 exhibitors. Our two products, a Just Water 10 litre Cask and a bottled Manuka Honey beverage were both judged in the top 100 products at the show, with the Manuka Honey beverage receiving the overall show bronze award. The Company is in discussions with parties to distribute these products throughout China but as of the date of this report no agreements has been finalised.

Dividends

The directors continue to believe that the ability to fund research and development, new product ventures and pursuing suitable acquisitions is key to providing a sound business platform for an ongoing return for shareholders via growth. As such no dividend has been declared for the current year.

Results

	Continuing Operations		
	Current full-year $'000	Previous full-year $'000	% change
Operating Revenue	16,342	16,537	(1%)
EBITDA	4,345	4,043	7%
Depreciation & Amortisation	(2,025)	(2,243)	10%
EBIT	2,320	1,800	29%
Interest	(101)	(702)	86%
Net profit before tax	2,219	1,098	102%

The results are significantly improved as a result of further operating efficiencies realised during the year, reduced depreciation as a result of reduced capital expenditure over the past few years and a reduced interest charge due to the repayment of almost all debt from the proceeds of the sale of the Australian operations in May 2015. Despite revenue decreasing slightly for the year (2016: decrease 1.1%; 2015: decrease 4.7% from continuing operations) EBIT increased by $0.52 million as a result of the reasons noted above.

Purchase of building to house Head Office

In August 2015, the Company purchased a building to house its Head Office, Auckland bottling plant and Distribution centre. The purchase price was $3.3 million.

The building office has been gutted and renovated into a modern and dynamic working environment that will provide a platform to offer an enhanced customer experience. The Auckland bottling plant has been upgraded with the latest automation and safety equipment which is now world class. The Company is moving into the new building in September 2016.

Bank facilities and interest bearing debt

The Company has complied with all bank covenants during the year to 30 June 2016.

Expected Future Income Rental Streams

At 30 June 2016 there continued to be in excess of $80 million expected future rental income stream which is not recognised in the consolidated financial statements. Consistent with prior disclosures, expected future rental income streams have been calculated on the basis of the last month's rental income multiplied by the average customer life, which is in excess of seven years.

Audit

The Company's accounts have been audited and an unqualified audit opinion was given.

Share buyback programme

The directors announced a share buyback programme, which will continue through to the previously announced date of 20 February 2017.

The Company will buy up to 5% of the shares currently on issue by the Company.

Shareholders may approach the Company directly if they do wish to sell their shareholding.

Board

I would like to thank my fellow directors, Ian Malcolm and Brendan Wood. In accordance with the constitution, Ian Malcolm retires by rotation and being eligible offers himself for re-election.

Just Water Team

The directors wish to specifically acknowledge the support and commitment of the whole Just Water team in achieving this pleasing result for the year.

Yours sincerely

Tony Falkenstein

Chairman and Chief Executive

Group overview

Group Overview

Just Water International Limited (the Company) operates in New Zealand and is principally in the business of supplying water-coolers, drinking water and filters for the home and office.

The Company's base business is the supply of water-coolers and filters to businesses and organisations nationwide. Virtually all water-coolers derive a recurring income either from monthly rental, water sales or service maintenance agreements, if the customer owns the unit.

The Company started its business in 1989, supplying the Easi-Fill water-cooler and filter. Customers filter their own water into a 15 litre bottle, which is then placed on the cooler ready for drinking.

In 2001, the Company acquired an office water delivery company, Cool Water, and in 2005 also acquired Aqua-Cool, the largest water delivery company in New Zealand. The business predominantly supplies micro-filtered water and filtered mineral spring water to its customers. An increasing number of customers are taking its vitamin C enhanced water, VitaBlast©.

The Company also supplies point-of-use water-coolers under its brand name Direct Connect®. No bottle is required for these water-coolers, which are plumbed directly into the mains and water passes through a filter before reaching the water-cooler.

In 2008, Just Water launched a Home Delivery programme through its Aqua-Cool division. The business now has over 6,000 customers.

The Company also services water-coolers (which customers own) to Drinksafe™ International standards.

The Company has always sold water filters, generally for home use, and in the second half of 2011, it launched the 'Just Water Filter', which it is mainly selling online. The advantage of this filter is that it filters all the cold water coming through the standard kitchen mixer tap and therefore no ugly additional spout requiring a hole in the bench top is needed. As customers buy a new Just Water Filter, they automatically enter Just Water's Filter Replacement Programme, which gives the Company a recurring income from the sale of filter cartridges, and ensures continued water quality for customers.

Outlook:

Just Water International Ltd is an entrepreneurial company, which will continue actively seek out further growth opportunities.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Corporate governance statement

The board of Just Water International Limited (the 'Company') has been appointed by the shareholders to guide and monitor the business of the Group. The board is responsible for the overall corporate governance of the Group.

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

The board

Composition and responsibilities

At present the board comprises three directors (including the chairperson), of which two are non-executive directors. The Executive Director and Chairman is Tony Falkenstein. Having reviewed the position, the Company considers that the board comprises an appropriate mix of skills, expertise and independence.

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

A E Falkenstein	7
I D Malcolm	7
B Wood	7

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 the Company and its controlled entities are properly managed. The function of the board includes responsibility for:

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

Independence of directors

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

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

Based on the above assessments, the Company considers that Brendan Wood is an independent director.

Tony Falkenstein is considered not to be independent as he is an associate of a substantial security holder, namely The Harvard Group Limited.

Ian Malcolm is considered not to be independent as he is an associate of a substantial security holder, namely The Harvard Group Limited.

Code of Ethics

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

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

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

Management of the Group

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

Constitution

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; and
- not to utilise the “Pre Break Disclosure” provisions of the NZAX Listing Rules which would otherwise enable the Company to issue and buy back shares and enter into major transactions after making an announcement to the market, in place of seeking shareholder approval, where it would otherwise be required.

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

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

Audit committee

The function of the audit committee is to:

- assist the board in carrying out its responsibilities under the Companies Act 1993 and the Financial Reporting Act 2013 in respect of the group financial accounting practices, policies, and controls;
- to review and make appropriate enquiry into the audit of the consolidated financial statements.

The audit committee’s role includes:

- a particular focus on the qualitative aspects of financial reporting to shareholders;
- company processes for the management of business/ financial risk;
- compliance with significant applicable legal, ethical and regulatory requirements;
- 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 Principles it comprises:

- solely of non-executive directors, at least 50% of whom are independent;
- at least one director who has the appropriate financial knowledge for the role; and
- a chairperson who is a non-executive director and who is not the chairperson of the board.

The audit committee meets as required, and met thrice during the financial year.

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

I D Malcolm	3
B Wood	3

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 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; and
- comply with the provisions of the NZX Listing Rules and any other relevant legal requirements.

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

The fees payable to non-executive directors are determined by the remuneration committee, with the current total maximum remuneration payable to the directors of the Company being $130,000 per annum as approved by ordinary resolution at the 2006 annual meeting of shareholders. The Company pays its non-executive directors in cash.

The remuneration committee at the date of this document comprises solely of non-executive directors.

The remuneration committee meets as required, and met once during the financial year.

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

I D Malcolm	1
B Wood	1

Reporting and continuous disclosure obligations

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

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

Risk management

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

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

Shareholder relations

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

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

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

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

Stakeholder interests

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

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

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

Statutory report of the directors

The directors present to shareholders the twelfth annual report and audited consolidated financial statements of Just Water International Limited (JWI) and Group since floating on the NZAX in May 2004, covering the year ended 30 June 2016.

Business activities

The Group's sole business activities during the financial year continued unchanged, being the rental and supply of equipment, predominantly point-of-use water-coolers and bottled drinking water to customers in New Zealand..

Consolidated financial results

The JWI Group net earnings before income tax, from continuing operations, was $2.2 million compared with $1.1 million 2015. This was achieved on a turnover of $16.3 million (2015: $16.5 million).

Shareholders' equity at 30 June 2016 totaled $12.7 million (2015: $11.2 million), an increase of 13 percent. Total assets were $16.3 million (2015: $13.6 million). Total interest-bearing liabilities decreased from $0.8 million to $0.7 million.

The Australian entities in the JWI Group were sold effective 1 May 2015. The proceeds of the sale were applied against interest bearing liabilities.

Dividend

No dividend was paid during the year (2015: nil). The directors have agreed that no dividend will be declared for the 2016 financial year.

Donations

During the year ended 30 June 2016 the JWI Group made donations totaling $1,379 supporting the Breast Cancer Research Trust to increase breast care awareness in communities across New Zealand (2015: $23,427).

Directors

The persons holding office as directors of the Company as at 30 June 2016 were as follows:

Tony Falkenstein

Ian Malcolm

Brendan Wood

Remuneration of directors

Directors' remuneration paid during the year as follows:

	2016 $'000	2015 $'000
P Connell (retired December 2014	0	73
I D Malcolm (appointed December 2014)	40	20
S J Iles (retired December 2014)	0	13
B H Rosenberg (retired December 2014)	0	13
B Wood (appointed December 2014)	12	6

Executive directors do not receive director's fees.

Other remuneration of directors

	2016 $'000	2015 $'000
A E Falkenstein (CEO Management Fees)	240	100
P Connell (Consultants Fees)	0	4
I D Malcolm (Accountancy Fees)	8	37

Some of the above are paid to companies on behalf of the named directors, further details of these are disclosed in note 24.

Remuneration of employees

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

	GROUP	
$'000	2016	2015
100-110	7	6
121-130	-	4
131-140	1	-
141-150	1	-
231-240	1	1
251-260	-	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 consolidated financial statements.

Interests register

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

During the year ended 30 June 2016 the JWI Group has transacted with organisations in which a director has an interest. These transactions have been carried out on a commercial arms-length basis and are as follows:

- MHK Chartered Accountants Limited, a company of which Ian Malcolm is a director and a shareholder, provided accounting compliance and accounting services to the JWI Group during the financial year to the value of $7,550 (2015: $36,753).
- Pure SEO Limited, a company of which Tony Falkenstein and Ian Malcolm are directors and indirect shareholders, provided internet search engine optimisation services to the Just Water Group during the financial year to the value of $19,800 (2015: $42,300).
- Daniel Overton & Goulding, a partnership of which Brendan Wood is a partner, provided legal services to the Just Water Group during the year to the value of $1,785 (2015: $1,769).
- The Harvard Group Ltd, a company of which Tony Falkenstein and Ian Malcolm are directors and indirect shareholders, charged management fees for Tony Falkenstein to the Just Water Group during the financial year to the value of $240,000 (2015: $100,000).

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

There were no acquisitions and disposals of equity securities by directors of the JWI Group during the year ended 30 June 2016 other than in the course of The Harvard Group takeover offer.

Directors' loans

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

Directors' insurance

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

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

For and on behalf of the board:

Tony Falkenstein

Chairman and Chief Executive

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Independent Auditors' Report

to the shareholders of Just Water International Limited

Report on the Financial Statements

Our opinion

In our opinion the consolidated financial statements of Just Water International Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2016, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

Just Water International Limited consolidated financial statements comprise:

- the statement of financial position as at 30 June 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the area of agreed upon procedures for half year financial statements. The provision of this other service has not impaired our independence as auditors of the Group.

Information other than the financial statements and auditor's report

The directors are responsible for the other information. The other information comprises the Chairman and CEO's report. Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the directors for the consolidated financial statements

The directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page5.aspx

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Keren Blakey.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
26 August 2016

Auckland

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Just Water International Limited

Consolidated statement of comprehensive income
For the year ended 30 June 2016

	NOTE	GROUP YEAR ENDED 30 JUNE 2016 $'000	GROUP YEAR ENDED 30 JUNE 2015 $'000
Continuing operations			
Revenue	8	16,251	16,526
Other operating income	9	91	11
Income		**16,342**	**16,537**
Employee costs	10	(6,236)	(6,890)
Changes in inventories of finished goods and consumables		37	(112)
Purchases of finished goods and consumables	14	(1,192)	(1,235)
Other expenses	10	(4,606)	(4,257)
Earnings before interest, tax, depreciation, amortisation		**4,345**	**4,043**
Depreciation	7	(1,434)	(1,654)
Amortisation	7	(591)	(589)
Earnings before interest and tax		**2,320**	**1,800**
Interest expense		(101)	(702)
Earnings before income tax		**2,219**	**1,098**
Income tax expense	11	(691)	(367)
Earnings after income tax from continuing operations		**1,528**	**731**
Discontinued operations			
Net earnings after tax from discontinued operations	7, 27	-	678
Gain on sale from discontinued operations	27	-	221
Earnings after income tax from discontinued operations		**-**	**899**
Earnings after income tax		**1,528**	**1,630**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations		-	(405)
Total comprehensive income		**1,528**	**1,225**
Earnings per share for profit attributable to the shareholders of the Parent			
Basic and diluted earnings per share (cents)			
From continuing operations	30	1.7	0.8
From discontinued operations	30	-	0.8
From profit for the year		1.7	1.6

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

Just Water International Limited

Consolidated balance sheet
As at 30 June 2016

	NOTE	GROUP AS AT 30 JUNE 2016 $'000	GROUP AS AT 30 JUNE 2015 $'000
ASSETS			
Current assets			
Cash and cash equivalents	12	13	841
Trade and other receivables	13	1,871	1,702
Current tax receivables		-	28
Inventories	14	376	413
Deferred tax asset	15	344	162
Total current assets		**2,604**	**3,146**
Non-current assets			
Property, plant and equipment	16	7,316	3,707
Intangible assets	18	5,338	5,425
Deferred tax asset	15	503	463
Other receivables	13	39	281
Other assets	17	515	605
Total non-current assets		**13,711**	**10,481**
Total assets		**16,315**	**13,627**
LIABILITIES			
Current liabilities			
Interest bearing liabilities	20	247	159
Trade and other payables	19	2,259	1,462
Current tax payable		420	-
Deferred income		194	166
Total current liabilities		**3,120**	**1,787**
Non-current liabilities			
Interest bearing liabilities	20	446	619
Total non-current liabilities		**446**	**619**
Total liabilities		**3,566**	**2,406**
Net assets		**12,749**	**11,221**
EQUITY			
Share capital	21	22,523	22,523
Accumulated losses		(9,774)	(11,302)
Total equity		**12,749**	**11,221**

or and behalf of the Board

Tony Falkenstein
Chairman and Chief Executive

Ian Malcolm
Director

26 August 2016

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

Just Water International Limited

Consolidated statement of changes in equity
For the year ended 30 June 2016

	NOTE	SHARE CAPITAL $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	ACCUMULATED LOSSES $'000	TOTAL EQUITY $'000
GROUP					
Balance at 1 July 2014		**22,493**	**(1,658)**	**(12,932)**	**7,903**
Profit after tax		-	-	1,630	1,630
Other comprehensive income		-	(405)	-	(405)
Discontinued operations		-	2,063	-	2,063
Total comprehensive income/(loss) for the period		**-**	**1,658**	**1,630**	**3,288**
Shares issued	21	30	-	-	30
Balance at 30 June 2015		**22,523**	**-**	**(11,302)**	**11,221**
Profit after tax		-	-	1,528	1,528
Total comprehensive income for the period		**-**	**-**	**1,528**	**1,528**
Balance at 30 June 2016		**22,523**	**-**	**(9,774)**	**12,749**

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

Consolidated cash flow statement
For the year ended 30 June 2016

	NOTE	GROUP YEAR ENDED 30 JUNE 2016 $'000	GROUP YEAR ENDED 30 JUNE 2015 $'000
Cash flows from operating activities			
Receipts from customers		16,245	23,222
Interest received		6	5
Payments to suppliers and employees		(11,209)	(17,775)
Interest paid		(101)	(730)
Income tax paid		(465)	(642)
Purchases of non-current assets held for rental		(930)	(1,498)
Net cash generated from operating activities	28	**3,546**	**2,582**
Cash flows from investing activities			
Purchases of property, plant and equipment		(4,263)	(200)
Proceeds from sale of property, plant and equipment		5	7
Proceeds from disposal of subsidiary	27	-	10,874
Purchases of intangible assets		(31)	(274)
Net cash used in / (from) investing activities		**(4,289)**	**10,407**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		-	30
Proceeds from borrowings		2,000	4,785
Repayment of borrowings		(2,162)	(16,866)
Net cash used in financing activities		**(162)**	**(12,051)**
Net decrease / (increase) in cash, cash equivalents and bank overdrafts		**(905)**	**938**
Cash and cash equivalents at the beginning of the financial year		841	(99)
Exchange gains/(losses) on cash and bank overdrafts		-	2
Cash and cash equivalents at the end of period	12	**(64)**	**841**

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

1. GENERAL INFORMATION

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

The Group comprised JWI and its division Just Water New Zealand, and its wholly-owned subsidiaries (refer to Notes 26 and 27).

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

These consolidated financial statements have been approved for issue by the board of directors on 26 August 2016. The board of directors have the power to amend the consolidated financial statements.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Statement of compliance

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

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

2.2 Basis of preparation

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

2.2.2 Historical cost convention
The consolidated financial statements have been prepared under the historical cost convention.

2.2.3 Going concern
The consolidated financial statements have been prepared on a going concern basis. As at 30 June 2016 the Group had negative working capital. The directors assessed the financial performance of the Group including forecast cash flows and are satisfied that the going concern assumption remains appropriate.

SPECIFIC ACCOUNTING POLICIES

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

2.3 Consolidation

2.3.1 Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Just Water International Limited ('Company') as at 30 June 2016 and the results of all subsidiaries for the year then ended.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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

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

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

2.5 Foreign currency translation

2.5.1 Functional and presentation currency

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

2.5.2 Transaction and balances

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

2.5.3 Group companies

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

2.6 Revenue recognition

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

2.6.1 Sales income

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

2.6.2 Rental income

Rental income relates to the rental of water-coolers to customers. Rental income is recognised over the period of rental contracts, including any rent free periods.

2.6.3 Service income

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

2.6.4 Interest income

Interest income is recognised on an accruals basis using the effective interest method.

2.6.5 Dividend income

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

2.6.6 Deferred Income

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

2.7 Income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated 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. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not 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 Group 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 other comprehensive income are also recognised directly in other comprehensive income.

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

Current tax asset of one entity in the 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 statements of comprehensive income have been prepared so that all components are stated exclusive of GST. All items in the balance sheets are stated net of GST, with the exception of receivables and payables, which include GST invoiced. All items in the cash flow statements are stated exclusive of GST.

2.9 Leases

2.9.1 The Group is the lessee

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

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

2.9.2 The Group is the lessor

Assets leased to third parties under operating leases are included in PPE in the balance sheets. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term. Initial costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and depreciated over the lease term on the same basis as the lease income.

2.10 Impairment of non-financial assets

Intangible and tangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill which has an indefinite useful life is not subject to amortisation and is 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 cost of disposal 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 sheets.

2.12 Trade receivables

Trade receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Evidence of impairment may include a worsened ageing and indications that the debtors are experiencing significant financial difficulty, default or delays in payments. 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 movement in the provision is recognised in the profit and loss component of the statements of comprehensive income.

2.13 Inventories

Inventories consist of cooler equipment held for sale, finished goods and consumables. Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis for consumables and individual purchase cost basis for coolers.

2.14 Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset.

2.14.1 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 Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as noncurrent assets. Loans and receivables include cash and cash equivalents and receivables in the balance sheets.

Loans and receivables 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 statements of comprehensive income in the period in which they arise.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

2.15 Property, plant and equipment

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

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

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

Leasehold improvements	5-12 years
Rental Equipment	2-8 years
Office equipment	3-11 years
Motor vehicles	4-5 years
Plant and machinery	4-7 years
Buildings	50 years

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

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

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

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

2.16 Intangible assets

2.16.1 Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business 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.

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

Amortisation is charged to the profit and loss component of the statements of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance date or where there are indicators of impairment

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

2.17 Share capital

Ordinary shares are classified as equity.

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

2.18 Trade and other payables

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

2.19 Borrowings

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

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

2.20 Cash flow statement

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

2.21 Employee benefits

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

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

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

2.22 Dividends

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

2.23 Comparatives

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

2.24 Capitalised commission

Initial commission costs incurred in negotiating and arranging cooler rental contracts are capitalised and recognised as an expense over the average cooler rental contract term. Capitalised commission is amortised over a period of two or three years dependent upon the type of customer contract.

3. EARNINGS PER SHARE

3.1 Basic earnings per share

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

3.2 Diluted earnings per share

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.16.1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 18).

4.2 Deferred tax

The utilisation of the deferred tax asset relating to temporary differences is dependent on future tax profits in excess of the profits arising from the reversal of existing taxable temporary differences. Income tax losses are reviewed annually for each tax jurisdiction to ensure it is probable that these losses will be utilised based on current forecasts. If it is not probable they will be utilised, the losses are de-recognised (note 15).

4.3 Receivables

Management regularly reviews the receivables ledger and makes provision against those balances that management believes are not collectible (note 13).

4.4 Income taxes

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Deferred income tax is determined using the tax rate (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made (note 11).

4.5 Coolers

Management regularly reviews the status of cooler rental agreements and provide for coolers where these are deemed not recoverable from customers (note 16).

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

There are no new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2015 that have a material impact on the consolidated financial statements.

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2016 or later periods, but which the Group has not early adopted. These standards are not expected to significantly affect the Group. The Group is yet to assess the full impact of these standards and intends to adopt these as soon as they become effective.

6.1 NZ IFRS 16: Leases (effective from periods beginning on or after 1 January 2019)

NZ IFRS 16, 'Leases', replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting for leases under NZ IFRS 16 is almost the same as NZ IAS 17. However, because the guidance on the definition of a lease has been updated (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.

The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, 'Revenue from Contracts with Customers. The Group intends to adopt NZ IFRS 16 on its effective date and has yet to assess its full impact.

6.2 NZIFRS 15: Revenue from contracts with customers (effective date: periods beginning on or after 1 January 2018)

NZ IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The group intends to adopt NZ IFRS 15 on its effective date and is currently assessing its full impact. This standard is not expected to significantly impact the Group.

6.3 NZIFRS 9: Financial instruments (effective date: periods beginning on or after 1 January 2018)

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

7. SEGMENT INFORMATION

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

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

The Group is organised into two reportable operating segments, namely New Zealand and Australia (2015), reflecting the different geographical markets within which the Group operates. During 2015 the Group disposed of its Australian segment (note 27). The operations of the entities disposed have been reflected as discontinued operations.

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

	NOTE	CONTINUING OPERATIONS NEW ZEALAND 30 JUNE 2016 $'000	DISCONTINUED OPERATIONS 30 JUNE 2016 $'000	TOTAL GROUP 30 JUNE 2016 $'000
External rental income	8	9,303	-	9,303
External sales and service income	8	6,948	-	6,948
Other operating income	9	91	-	91
			-	
Income		**16,342**	**-**	**16,342**
Employee costs	10	(6,236)	-	(6,236)
Other trading expenses		(5,761)	-	(5,761)
Earnings before interest, tax, depreciation and amortisation		**4,345**	**-**	**4,345**
Depreciation	16	(1,434)	-	(1,434)
Amortisation	17,18	(591)	-	(591)
Earnings before interest and tax		**2,320**	**-**	**2,320**
Interest expense		(101)	-	(101)
Earnings before income tax		**2,219**	**-**	**2,219**
Income tax expense	11	(691)	-	(691)
Earnings attributable to shareholders		**1,528**	**-**	**1,528**
Total assets		16,315	-	16,315
Total liabilities		3,566	-	3,566
Total additions to non-current assets excluding financial instruments and deferred tax assets		5,607	-	5,607

7 SEGMENT INFORMATION CONTINUED

		CONTINUING OPERATIONS NEW ZEALAND 30 JUNE 2015 $'000	DISCONTINUED OPERATIONS 30 JUNE 2015 $'000	TOTAL GROUP 30 JUNE 2015 $'000
External rental income	8	9,684	4,513	14,197
External sales and service income	8	6,842	2,324	9,166
Other operating income	9	11	1	12
Income		**16,537**	**6,838**	**23,375**
Employee costs	10	(6,890)	(2,682)	(9,572)
Other trading expenses		(5,604)	(2,582)	(8,186)
Earnings before interest, tax, depreciation, amortisation		**4,043**	**1,574**	**5,617**
Depreciation	16	(1,654)	(611)	(2,265)
Amortisation	17,18	(589)	(182)	(771)
Earnings before interest and tax		**1,800**	**781**	**2,581**
Interest expense		(702)	(28)	(730)
Earnings before income tax		**1,098**	**753**	**1,851**
Income tax expense	11	(367)	(75)	(442)
Earnings attributable to shareholders		**731**	**678**	**1,409**
Total assets		13,627	-	13,627
Total liabilities		2,406	-	2,406
Total additions to non-current assets excluding financial instruments and deferred tax assets		1,047	451	1,498

8. REVENUE

	GROUP YEAR ENDED 30 JUNE 2016 $'000	GROUP YEAR ENDED 30 JUNE 2015 $'000
Rental income	9,303	9,684
Sales income	6,090	5,936
Service income	858	906
Total revenue from continuing operations	**16,251**	**16,526**
Discontinued operations	-	6,837
Total revenue	**16,251**	**23,363**

9. OTHER OPERATING INCOME

	GROUP YEAR ENDED 30 JUNE 2016 $'000	GROUP YEAR ENDED 30 JUNE 2015 $'000
Foreign exchange gains - realised	8	8
Interest income	6	3
Rent received	77	-
Total other operating income from continuing operations	**91**	**11**
Discontinued operations	-	1
Total other operating income	**91**	**12**

10. EXPENSES

	GROUP YEAR ENDED 30 JUNE 2016 $'000	GROUP YEAR ENDED 30 JUNE 2015 $'000
Continuing operations	11,997	12,494
Discontinued operations	-	5,264
Total expenses	**11,997**	**17,758**
Included in other expenses		
Directors' fees	52	125
Donations	1	2
Net loss on disposal of property, plant and equipment and intangibles	92	85
Operating lease payments	556	605
Employee costs		
Wages and salaries	6,236	6,699
Restructuring costs	-	191
Total employee costs	**6,236**	**6,890**
Auditors' fees		
During the year the following fees were paid or payable for services provided by the Group's auditors, PricewaterhouseCoopers		
Assurance services		
Audit of the consolidated financial statements	104	166
Half-year agreed upon procedures	9	12
Total assurance services	**113**	**178**
Other services		
Transactional advisory services	-	8
Total other services	**-**	**8**
Total remuneration to auditor	**113**	**186**
Audit fees paid to audit the Shareholders Register (Grant Thornton)	2	1

11. INCOME TAX EXPENSE

	GROUP YEAR ENDED 30 JUNE 2016 $'000	GROUP YEAR ENDED 30 JUNE 2015 $'000
Current tax	913	426
Deferred tax (note 15)	(222)	(59)
Income tax expense from continuing operations	**691**	**367**
Income tax expense from discontinued operations	-	75
Income tax expense	**691**	**442**

The current income tax in New Zealand for the year was calculated using the rate of 28% (2015: 28%).

The 2015 income tax in Australia was 30% (2015: 30%).

Income tax expense is attributable to:

Profit before income tax expense	2,219	1,098
Tax calculated at domestic tax rates applicable to profits in the respective countries	621	307
Expenses not deductible for tax purposes	6	3
Prior period adjustments	64	57
Income tax expense	**691**	**367**
Imputation credit account		
Balance at end of year	**3,785**	**3,223**
Imputation credits		
Imputation credits available for subsequent reporting periods based on a tax rate of 28% (2015: 28%)	3,785	3,223

The above amounts represent the balance of the imputation account as at the end of the reporting period, adjusted for:

a) Imputation credits that will arise from the payment of the amount of the provision for income tax;
b) Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
c) Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

12. CASH AND CASH EQUIVALENTS

	GROUP AS AT 30 JUNE 2016 $'000	GROUP AS AT 30 JUNE 2015 $'000
Cash in hand	2	2
Short-term bank deposits	11	839
Total cash and cash equivalents	**13**	**841**

Cash and bank equivalents include the following for the purposes of the cash flow statements:

Cash and cash equivalents	13	841
Bank overdrafts (see note 20)	(77)	-
Total cash and bank overdraft	**(64)**	**841**

13. TRADE AND OTHER RECEIVABLES

	GROUP AS AT 30 JUNE 2016 $'000	GROUP AS AT 30 JUNE 2015 $'000
Trade receivables	1,908	1,636
Provision for doubtful receivables	(319)	(192)
Net trade receivables	**1,589**	**1,444**
Prepayments and other receivables	321	539
Trade and other receivables	**1,910**	**1,983**
Trade and other receivables	1,871	1,702
Other receivables (non-current)	39	281
Trade and other receivables	**1,910**	**1,983**

Bad and doubtful trade receivables

The movement in provision has been included in ‘other expenses’ in the statement of comprehensive income.

13 TRADE RECEIVABLES CONTINUED

	GROUP AS AT 30 JUNE 2016 $'000	GROUP AS AT 30 JUNE 2015 $'000
Movement in the provisions for doubtful trade receivables is as follows:		
Balance at the beginning of the year	192	231
Provision recognised	444	358
Receivables written off during the year as uncollectable	(317)	(392)
Discontinued Operations	-	(5)
Balance at end of the year	**319**	**192**

As at 30 June 2016, trade receivables of $290,000 (2015: $231,000) were past due but not impaired for the Group. Based on previous years collection history management considers these amounts to be recoverable. The ageing analysis of these trade receivables is as follows:

	GROUP AS AT 30 JUNE 2016 $'000	GROUP AS AT 30 JUNE 2015 $'000
1-30 days	1,188	1,078
Past due but not impaired		
30-60 days	242	231
90+ days	48	-
Total	**1,478**	**1,309**

As at 30 June 2016, trade receivables of $399,000 (2015: $289,000) were either partially or fully impaired and provided for by the Group. The amount of the provision is $319,000 (2015: $192,000) for the Group. The individually impaired receivables relate to customers who are not profitable. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	GROUP AS AT 30 JUNE 2016 $'000	GROUP AS AT 30 JUNE 2015 $'000
1-30 days	31	38
30-60 days	16	16
90+ days	383	273
Total	**430**	**327**

14. INVENTORIES

	GROUP AS AT 30 JUNE 2016 $'000	GROUP AS AT 30 JUNE 2015 $'000
Finished goods	113	133
Consumables	263	280
Total Inventories	**376**	**413**

The cost of inventories recognised as an expense in the statement of comprehensive income is $1,192,000 (2015: $1,235,000) for the Group.

Write downs of inventories to net realisable value recognised as an expense during 2016 of $20,000 compared to expense in 2015 of $149,000 for the Group. The net movement in provision has been included in 'changes in inventories of finished goods and consumables' in the statements of comprehensive income.

15. 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 2016 $'000	GROUP AS AT 30 JUNE 2015 $'000
Deferred tax asset/(liability)		
Beginning of the year	625	3,292
Statement of comprehensive income charge (note 11)	222	59
Forfeiture of deferred tax on disposal of subsidiary	-	(2,726)
End of the year	**847**	**625**
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	503	463
Deferred tax asset to be recovered within 12 months	344	162
Total deferred tax assets	**847**	**625**
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	-	-
Total deferred tax liabilities	**-**	**-**

Continued recognition of the deferred tax asset is subject to continued compliance with the relevant tax legislation.

15 DEFERRED TAX CONTINUED

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

	TAX LOSSES RECOGNISED	ACCRUALS	PROPERTY, PLANT & EQUIPMENT	TOTAL
	$'000	$'000	$'000	$'000
Deferred tax assets: GROUP				
At 30 June 2014	**2,336**	**451**	**506**	**3,293**
Disposal of subsidiary	(2,337)	(244)	(145)	(2,726)
Profit or loss	1	(45)	102	58
At 30 June 2015	**-**	**162**	**463**	**625**
Profit or loss	-	171	51	222
At 30 June 2016	**-**	**333**	**514**	**847**

	CUSTOMER CONTRACTS	PLANT & EQUIPMENT	OTHER	TOTAL
Deferred tax liabilities: GROUP	$'000	$'000	$'000	$'000
At 30 June 2014	**(1)**	**-**	**-**	**(1)**
Profit or loss	1	-	-	1
At 30 June 2015	**-**	**-**	**-**	**-**
Profit or loss	-	-	-	-
At 30 June 2016	**-**	**-**	**-**	**-**

16. PROPERTY, PLANT AND EQUIPMENT

	LEASEHOLD IMPROVEMENTS	RENTAL EQUIPMENT	MOTOR VEHICLES	PLANT AND OFFICE EQUIPMENT	LAND AND BUILDINGS	WORK IN PROGRESS	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
GROUP							
As at 30 June 2014							
Cost	886	15,163	2,316	3,782	-	-	22,147
Accumulated depreciation	(691)	(10,287)	(954)	(3,360)	-	-	(15,292)
Net book amount	**195**	**4,876**	**1,362**	**422**	**-**	**-**	**6,855**
Year ended 30 June 2015							
Opening net book amount	195	4,876	1,362	422	-	-	6,855
Foreign currency movement in opening balance	-	2	-	-	-	-	2
Additions	4	1,026	66	125	-	-	1,221
Disposals	-	(259)	-	(6)	-	-	(265)
Disposal of asset on sale of subsidiary	(10)	(1,550)	(188)	(93)	-	-	(1,841)
Depreciation charge	(129)	(1,512)	(371)	(253)	-	-	(2,265)
Closing net book amount	**60**	**2,583**	**869**	**195**	**-**	**-**	**3,707**
As at 30 June 2015							
Cost	795	9,284	1,823	3,147	-	-	15,049
Accumulated depreciation	(735)	(6,701)	(954)	(2,952)	-	-	(11,342)
Net book amount	**60**	**2,583**	**869**	**195**	**-**	**-**	**3,707**
Year ended 30 June 2016							
Opening net book amount	60	2,583	869	195	-	-	3,707
Additions	-	930	121	53	3,342	747	5,193
Disposals	-	(149)	(1)	-	-	-	(150)
Depreciation charge	(25)	(977)	(294)	(111)	(27)	-	(1,434)
Closing net book amount	**35**	**2,387**	**695**	**137**	**3,315**	**747**	**7,316**
As at 30 June 2016							
Cost	795	8,894	1,910	3,008	3,342	747	18,696
Accumulated depreciation	(760)	(6,507)	(1,215)	(2,871)	(27)	-	(11,380)
Net book amount	**35**	**2,387**	**695**	**137**	**3,315**	**747**	**7,316**

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

Finance leases: Motor vehicles for the Group include items capitalised under finance leases with a cost of $1,028,000 (2015: $1,028,000), together with accumulated depreciation of $563,000 (2015: $369,000).

17. OTHER ASSETS

	GROUP AS AT 30 JUNE 2016 $'000	GROUP AS AT 30 JUNE 2015 $'000
As at 30 June 2015		
Cost	1,322	2,029
Accumulated amortisation	(717)	(1,053)
Net book amount	**605**	**976**
Year ended 30 June 2016		
Opening net book amount	605	976
Foreign currency movement in opening balance	-	(3)
Additions	383	662
Disposal of asset on sale of subsidiary	-	(326)
Amortisation charge	(473)	(704)
Closing net book amount	**515**	**605**
As at 30 June 2016		
Cost	1,104	1,322
Accumulated depreciation	(589)	(717)
Net book amount	**515**	**605**

Other assets primarily relate to capitalised commission.

18. INTANGIBLE ASSETS

GROUP	SOFTWARE $'000	GOODWILL $'000	PATENTS AND TRADEMARKS $'000	TOTAL $'000
As at 30 June 2014				
Cost	1,789	28,242	73	30,104
Accumulated amortisation and impairment	(1,756)	(18,300)	(61)	(20,117)
Net book amount	**33**	**9,942**	**12**	**9,987**
Year ended 30 June 2014				
Opening net book amount	33	9,942	12	9,987
Foreign currency movement in opening balance	-	(302)	-	(302)
Additions	277	-	-	277
Disposals	-	-	(1)	(1)
Disposal of asset on sale of subsidiary	-	(4,469)	-	(4,469)
Amortisation charge	(59)	-	(8)	(67)
Closing net book amount	**251**	**5,171**	**3**	**5,425**
As at 30 June 2015				
Cost	2,058	5,171	63	7,292
Accumulated amortisation and impairment	(1,807)	-	(60)	(1,867)
Net book amount	**251**	**5,171**	**3**	**5,425**
Year ended 30 June 2016				
Opening net book amount	251	5,171	3	5,425
Additions	31	-	-	31
Amortisation charge	(116)	-	(2)	(118)
Closing net book amount	**166**	**5,171**	**1**	**5,338**
As at 30 June 2016				
Cost	2,089	5,171	63	7,323
Accumulated amortisation and impairment	(1,923)	-	(62)	(1,985)
Net book amount	**166**	**5,171**	**1**	**5,338**

18 INTANGIBLE ASSETS CONTINUED

Impairment tests for goodwill

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

	GROUP AS AT 30 JUNE 2016 $'000	GROUP AS AT 30 JUNE 2015 $'000
New Zealand	5,171	5,171
Total goodwill	**5,171**	**5,171**

The recoverable amount of all CGUs has been determined based on value in use calculations. These calculations use cash flow projections based on financial forecasts approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long term average growth rates for the industry in which the CGUs operate.

The key assumptions used for value-in-use calculations in 2016 are as follows:

	NEW ZEALAND
Terminal growth rate	1%
Discount rate - pre-tax	12.6%
5-year average growth rate	0.5%

The key assumptions used for the value-in-case calculations in 2015 are as follows:

	NEW ZEALAND
Terminal growth rate	1%
Discount rate - pre-tax	15.2%
5-year average growth rate	0.5%

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

19. TRADE AND OTHER PAYABLES

	GROUP AS AT 30 JUNE 2016 $'000	GROUP AS AT 30 JUNE 2015 $'000
Trade payables	1,449	1,033
Related-party payables (note 24)	10	9
Accrued expenses	800	420
Total trade and other payables	**2,259**	**1,462**

20. INTEREST-BEARING LIABILITIES

	GROUP AS AT 30 JUNE 2016 $'000	GROUP AS AT 30 JUNE 2015 $'000
Non-current		
Finance leases	446	619
Total non-current interest-bearing liabilities	**446**	**619**
Current		
Bank overdraft	77	-
Finance leases	170	159
Total current interest-bearing liabilities	**247**	**159**

The Group is subject to a number of covenants under its banking agreements. During the year the Group complied with all of the required covenants.

The net bank facility drawn as at year end was $0 (2015: $Nil), the undrawn banking facility at year end was $3,000,000 (2015: $2,000,000).

20 INTEREST-BEARING LIABILITIES CONTINUED

The Group has a number of assets subject to finance leases (refer to note 16) which have been classified as “Other loans” as above.

Assets pledged as security

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

The exposure of the Group’s borrowings to interest-rate changes and the contractual re-pricing dates are as follows:

	6 MONTHS OR LESS $’000	6-12 MONTHS $’000	OVER 1 YEAR $’000	TOTAL $’000
Group				
At 30 June 2016				
Bank overdraft	77	-	-	77
Other loans/finance leases	105	105	483	693
At 30 June 2015				
Other loans/finance leases	105	105	682	892

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

	GROUP AS AT 30 JUNE 2016	GROUP AS AT 30 JUNE 2015
Bank overdraft	6.20%	7.30%
Bank loans	5.05 - 5.15%	6.07% - 6.61%
Other loans	5.85%	5.85%

21. SHARE CAPITAL

	GROUP 30 JUNE 2016 SHARES	GROUP 30 JUNE 2015 SHARES
Ordinary shares, issued and fully-paid	89,727,174	89,727,174

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

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

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

Movements in ordinary share capital:

	NUMBER OF SHARES	SHARE CAPITAL $'000
Ordinary shares on issue as at 1 July 2014	**89,477,174**	**22,493**
Shares issued	250,000	30
Ordinary shares on issue as at 30 June 2015	**89,727,174**	**22,523**
Shares issued	-	-
Ordinary shares on issue as at 30 June 2016	**89,727,174**	**22,523**

Options

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

	Group 2016		Group 2015	
	Average exercise price in $ per share	Options (000's)	Average exercise price in $ per share	Options (000's)
Outstanding at 1 July	-	-	0.13	600
Granted	-	-	-	-
Exercised	-	-	0.12	(250)
Lapsed	-	-	0.14	(350)
Outstanding at 30 June	**-**	**-**	**-**	**-**

22. DIVIDENDS

No dividends were paid during the year ended 30 June 2016 (2015: nil).

Subsequent to year end the board of directors resolved not to pay a final dividend for the year ended 30 June 2016.

23. COMMITMENTS

Capital commitments

The Group has capital commitments and capital expenditure contracted but not recognised as at year end, these are as below.

	GROUP AS AT 30 JUNE 2016 $'000	GROUP AS AT 30 JUNE 2015 $'000
Plant and Equipment purchases	1,520	-
Furniture and fittings	128	-
Total capital commitments	**1,648**	**-**

Lease commitments: Group as lessee

Operating leases

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

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

	INITIAL LEASE TERM	RIGHTS OF RENEWAL
Auckland offices/warehouse	-	Four month notice period
Hamilton offices/warehouse	Three years	One of three years each
Wellington offices/warehouse	Twelve years	Nil

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

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

	GROUP AS AT 30 JUNE 2016 $'000	GROUP AS AT 30 JUNE 2015 $'000
Within one year	309	383
Later than one year but not later than five years	624	647
Later than five years	76	230
Commitments not recognised in the consolidated financial statements	**1,009**	**1,260**

23 COMMITMENTS CONTINUED

Finance leases

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

	GROUP AS AT 30 JUNE 2016 $'000	GROUP AS AT 30 JUNE 2015 $'000
Within one year	221	210
Later than one year but not later than five years	472	682
Total finance leases recognised in the consolidated financial statements	**693**	**892**

Lease commitments: Group as lessors

Operating leases

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

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

	GROUP AS AT 30 JUNE 2016 $'000	GROUP AS AT 30 JUNE 2015 $'000
Within one year	8,524	8,626
Later than one year but not later than five years	7,491	6,877
Future lease receipts not recognised in the consolidated financial statements	**16,015**	**15,503**

24. RELATED PARTIES

The Group's ultimate parent is the Harvard Group, which owns or has voting entitlements for 79.0% of the company's shares. The remaining 21.0% is widely held. The Group's ultimate controlling parties are Ian Malcolm and Tony Falkenstein.

The Group has a number of loans and advances outstanding from other related parties at balance date (refer note 13). These advances do not have fixed repayment terms and all advances between related parties are unsecured.

Pure SEO Limited, a company of which Tony Falkenstein and Ian Malcolm are directors and indirect shareholders, provided internet search engine optimisation services to the Group during the financial year to the value of $19,800 (2015: $42,300). As at balance date the Group had a trade payable balance of $1,898 (2015: $1,897). Balances are settled in cash.

MHK Chartered Accountants Limited, a company of which Ian Malcolm is a director and a shareholder, provided accounting compliance and accounting services to the Group during the financial year to the value of $7,550 (2015: $36,753). Ian Malcolm is also a shareholder of the Parent. As at balance date the Group had a trade payable balance of $0 (2015 $0). Balances are settled in cash.

Daniel Overton & Goulding, a company of which Brendan Wood is a partner, provided legal services to the Group during the financial year to the value of $1,785 (2015: $1,769). As at balance date the Group had a trade payable balance of $0 (2015: $0). Balances are settled in cash.

24 RELATED PARTIES CONTINUED

The Harvard Group Ltd, a company of which Tony Falkenstein and Ian Malcolm are directors and indirect shareholders, charged Management fees for Tony to the Group during the financial year to the value of $240,000 (2015: $100,000). As at balance date the Group had a trade payable balance of $0 (2015: $0). Balances are settled in cash.

On 29 April 2015 The Harvard Group Limited granted Eldon Roberts an option to purchase 2,000,000 fully paid ordinary shares in JWI owned by The Harvard Group Ltd. The exercise price for the granted option is $0.15 per share. The option is conditional on the employee remaining in the employment of the Company, and can be exercised any time after 24 months from the grant date. The fair value of the share option granted at granted date was $0.03 per share.

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

	GROUP AS AT 30 JUNE 2016 $'000	GROUP AS AT 30 JUNE 2015 $'000
Related-party payables		
Pure SEO Limited	2	2
MHK Chartered Accountants Ltd	-	-
Total related-party payables	**2**	**2**

Key management compensation is as follows:

	GROUP YEAR ENDED 30 JUNE 2016 $'000	GROUP YEAR ENDED 30 JUNE 2015 $'000
Short-term benefits	662	518
Restructuring costs	-	191
Total key management compensation	**662**	**709**

The number of key managers and directors for the year ended 30 June 2016 for the group was 6 (2015: 6).

Outstanding balance of employee entitlements as at 30 June 2016 is $18,000 (2015: $35,000). Balances are settled in cash.

25. FINANCIAL RISK MANAGEMENT

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

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

25 FINANCIAL RISK MANAGEMENT CONTINUED

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign currency risk as a result of purchases. To manage this risk, the Group considers their foreign currency obligation on a monthly basis and forward cover is able to be taken if deemed appropriate.

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long term borrowings (note 20). Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. As at 30 June 2016 the Group did not have any interest rate swaps (2015: nil). During 2016 and 2015, the Group's borrowings at variable rate were denominated in New Zealand Dollars and Australian Dollars.

		- 1 %	+ 1 %
	CARRYING AMOUNT	PROFIT & EQUITY	PROFIT & EQUITY
GROUP	$'000	$'000	$'000
As at 30 June 2016			
Financial liabilities			
Variable interest-bearing liabilities	77	-	-
Fixed interest-bearing liabilities	616	18	(18)
Total increase/(decrease)		**18**	**(18)**
As at 30 June 2015			
Financial liabilities			
Variable interest-bearing liabilities	-	-	-
Fixed interest-bearing liabilities	778	630	(630)
Total increase/(decrease)		**630**	**(630)**

(b) Credit Risk

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

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

	2016	2015
	$'000	$'000
GROUP		
New Zealand	1,589	1,444
Total	**1,589**	**1,444**

25 FINANCIAL RISK MANAGEMENT CONTINUED

(c) Liquidity Risk

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

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

	NOTE	LESS THAN 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS
GROUP		$'000	$'000	$'000	$'000
As at 30 June 2016					
Trade and other payables	19	1,968	-	-	-
Bank overdraft	12	77	-	-	-
Bank borrowings	20	-	-	-	-
Finance loans	20	210	471	-	-
As at 30 June 2015					
Trade and other payables	19	1,136	-	-	-
Bank overdraft	12	-	-	-	-
Bank borrowings	20	-	-	-	-
Finance loans	20	210	682	-	-

(d) Capital Risk

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total external borrowings (including interest-bearing liabilities and 'trade and other payables' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. This is monitored by the Board at every board meeting.

The gearing ratio for the Group as at 30 June is:

	2016	2015
	$'000	$'000
Total borrowings	2,952	2,241
Total cash and cash equivalents	13	841
Net debt	2,939	1,400
Total equity	12,749	11,221
Total capital	15,688	12,621
Gearing ratio	0.19	0.11

Refer to note 20 for consideration of debt covenants.

25 FINANCIAL RISK MANAGEMENT CONTINUED

(e) Fair value estimation

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

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

All the Group's financial instruments have been measured at the fair value measurement hierarchy of level 3.

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

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

	GROUP AS AT 30 JUNE 2016 $'000	GROUP AS AT 30 JUNE 2015 $'000
Cash and cash equivalent	13	841
Trade and other receivables	1,716	1,774
Total loans and receivables	**1,729**	**2,615**

	GROUP AS AT 30 JUNE 2016 $'000	GROUP AS AT 30 JUNE 2015 $'000
Trade and other payables	1,968	1,135
Bank overdraft	77	-
Bank borrowings	-	-
Other loans	692	892
Financial liabilities measured at amortised cost	**2,737**	**2,027**

26. SUBSIDIARIES

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

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDINGS % 2016	EQUITY HOLDINGS % 2015
Non Trading				
Drinksafe International Limited	New Zealand	Ordinary	100	100
Just Water Limited	New Zealand	Ordinary	100	100
Just Water New Zealand Limited	New Zealand	Ordinary	100	100
Vitablast Limited	New Zealand	Ordinary	100	100
Mercy Health Group Limited	New Zealand	Ordinary	100	100

27. DISPOSAL OF SUBSIDIARY

Disposal of Australian entities

During the 2015 year the Group sold 100% of the shares of the Australian entities to Waterlogic Australia Holdings Pty Ltd. Settlement was on 1 May 2015 and was for a cash consideration of $11,245,000 which was received prior to 30 June 2015.

The effects of the disposal on the Group were:

	NOTE	$'000
Net cash flow from/(used in) operating activities		438
Net cash flow from/(used in) investing activities		(62)
Net cash flow from/(used in) financing activities		(295)
Net increase or (decrease) in cash or cash equivalents		**81**
Earnings after tax from discontinued operations		
Net earnings after tax	7	678
Gain on sale		2,284
Foreign currency translation reserve recycled		(2,063)
Total earnings after tax from discontinued operations		**899**

	NOTE	$'000
Gain on sale of shares		
Sale proceeds received		11,245
Costs to sell		(371)
Net proceeds from sale of shares		**10,874**
Carrying amount of assets and liabilities disposed of:		
Goodwill	18	4,469
Property, plant & equipment		1,841
Other assets		4,490
Total assets		**10,800**
Deferred income		(1,151)
Other liabilities		(1,059)
Total liabilities		**(2,210)**
Net assets disposed of		**8,590**
Net proceeds from sale of shares		10,874
Net assets disposed of		(8,590)
Gain on sale		**2,284**
Foreign currency recycled		(2,063)
Gain on sale from discontinued operations		**221**

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

	GROUP YEAR ENDED 30 JUNE 2016 $'000	GROUP YEAR ENDED 30 JUNE 2015 $'000
Profit for the year	**1,528**	**1,630**
Adjustments for		
Depreciation	1,434	2,265
Amortisation	591	771
Loss on sale of property, plant and equipment	92	113
Profit on sale of subsidiaries	-	(2,963)
Foreign currency translation reserve recycled	-	2,063
Share options Issued	-	30
Provision for doubtful debts	127	3
Provision for tax	448	(17)
Deferred tax	(222)	-
Movement in deferred income	28	(26)
Changes in working capital		
Inventories	37	(112)
Trade and other receivables	(295)	303
Trade and other payables	708	(431)
Purchases of non-current assets held for rental	(930)	(1,047)
Net cash generated from operating activities	**3,546**	**2,582**

29. EVENTS OCCURRING AFTER BALANCE SHEET DATE

The Group reduced its facility with the BNZ from $3,000,000 to $2,000,000 from 1st August 2016.

Just Water New Zealand gave notice to the landlord of the Auckland offices/warehouse under the term of the lease agreement that the lease will be terminated effective 14th October 2016.

30. EARNINGS PER SHARE

	GROUP YEAR ENDED 30 JUNE 2016 $'000	GROUP YEAR ENDED 30 JUNE 2015 $'000
Profit from operations attributable to the ordinary equity holders of the Company		
Continuing operations	1,528	731
Discontinued operations	-	678
Total	**1,528**	**1,409**

	GROUP YEAR ENDED 30 JUNE 2016 CENTS	GROUP YEAR ENDED 30 JUNE 2015 CENTS
Basic and diluted earnings per share		
Continuing operations	1.7	0.8
Discontinued operations	-	0.8
Total	**1.7**	**1.6**

Reconciliations of weighted average number of shares used in calculating earnings per share

	GROUP YEAR ENDED 30 JUNE 2016	GROUP YEAR ENDED 30 JUNE 2015
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	89,727	89,727
Adjustments for calculation of diluted earnings per share:		
Options	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**89,727**	**89,727**

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.

Just Water International Limited

Statutory disclosures in relation to shareholders

TOP 20 LARGEST HOLDINGS LIST AS AT MONDAY 19 AUGUST 2016

RANK	INVESTOR NAME	TOTAL	%
1	The Harvard Group Limited	61,371,994	68.4%
2	Springfresh Marketing Pty Limited	5,654,320	6.3%
3	New Zealand Central Securities Depository Limited	3,464,938	3.9%
4	Anthony Edwin Falkenstein & Ian Donald Malcolm as bare trustees for Anthony Edwin Falkenstein & Leon Fourie	2,000,000	2.2%
5	Anthony Edwin Falkenstein & Gregory Paul Whittred	2,000,000	2.2%
6	Anthony Edwin Falkenstein & Christopher Roy Saunders	2,000,000	2.2%
7	Anthony Edwin Falkenstein & Ian Donald Malcolm	1,268,000	1.4%
8	Heather Jeanette Falkenstein & Ian Donald Malcolm	1,268,000	1.4%
9	Ace Finance Limited	1,022,422	1.1%
10	Custodial Services Limited	1,013,136	1.1%
11	Anthony Edwin Falkenstein	796,310	0.9%
12	John Scott Stewart Richardson	796,013	0.9%
13	David Janek Kandziora	563,371	0.6%
14	Clyde Christopher Cooper & Farida Clyde Cooper	500,000	0.6%
15	Brian Arthur Kelly & Roxanne Elizabeth Marie Kelly & Jason Morice Kelly	500,000	0.6%
16	Richard Alexander Coutts	300,000	0.3%
17	Fredrick Bryson Richards	293,618	0.3%
18	Jeffrey Horn & Bernadette Mccarthy	252,557	0.3%
19	Brian Kelly Limited	250,000	0.3%
20	Don Nominees Limited	221,283	0.2%
		85,535,962	**95.2%**

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 19 August 2016, the substantial security holders were as follows

SUBSTANTIAL SECURITY HOLDERS	NUMBER OF SHARES HELD	%
Anthony Edwin Falkenstein	70,896,832	79.0%
Ian Donald Malcolm	65,907,994	73.5%
The Harvard Group Limited	61,371,994	68.4%
Springfresh Marketing Pty Limited	5,654,320	6.3%

Under an Unincorporated Joint Venture Agreement as part of the takeover offer by The Harvard Group in 2014, The Harvard Group Ltd has the power to exercise shareholding rights for the following shareholders:

The Harvard Group, Anthony Edwin Falkenstein & Ian Donald Malcolm, Anthony Edwin Falkenstein & Christopher Roy Saunders, Anthony Edwin Falkenstein & Gregory Paul Whittred, Heather Jeannette Falkenstein & Ian Donald Malcolm.

The agreement gives The Harvard Group Ltd 79.0% of voting rights in Just Water International Ltd.

EQUITY SECURITIES HELD AS AT 30 JUNE 2016

In accordance with NZAX Listing Rule 10.5.5 (c) the following table identifies the equity securities in which each director has a relevant interest as at 30 June 2016.

DIRECTOR	BENEFICIAL INTERESTS	NON-BENEFICIAL INTERESTS	TOTAL NUMBER OF SHARES IN WHICH RELEVANT INTERESTS HELD
Anthony Edwin Falkenstein	64,896,832	6,000,000	70,896,832
Ian Donald Malcolm	-	65,907,994	65,907,994

HOLDING RANGE AS AT 19 AUGUST 2016

RANGE OF EQUITY HOLDINGS	NUMBER OF HOLDERS	ISSUED CAPITAL	ISSUED CAPITAL %
1-1,000	216	36,238	0.04%
1,001-5,000	103	278,893	0.31%
5,001-10,000	47	348,200	0.39%
10,001-50,000	53	1,034,241	1.15%
50,001-100,000	11	796,021	0.89%
Greater than 100,000	30	87,233,581	97.22%
	460	**89,727,174**	**100.0%**