Just Water

Just Water International Limited

Just Water International Limited

# Half-year report

for the six months ended
31 December 2010

# Directory

## Directors

**Sir Don McKinnon** (Independent)
*Chairman*

**Phil Dash** (Non-Executive)

**Tony Falkenstein** (Executive)

**Simone Iles** (Independent)

**Ian Malcolm** (Non-Executive)

## Executive management

**Tony Falkenstein**
*Chief Executive Officer*
*Just Water International Limited*

**Jay Harraway**
*General Manager*
*Just Water New Zealand*

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

## Registered office and address for service

Shortland Chambers
4th Floor
70 Shortland Street
Auckland 1010
New Zealand

PO Box 221
Shortland Street
Auckland 1140
New Zealand

## Auditors

PricewaterhouseCoopers

## JWI on the web

www.jwi.co.nz
www.justwater.co.nz
www.aquacool.co.nz
www.clearwaterfilters.com.au

## Just Water New Zealand

114 Rockfield Road
Penrose
Auckland 1061
New Zealand

Private Bag 92811
Penrose
Auckland 1642
New Zealand

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

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

## Clearwater Filter Systems (Aust) Pty Limited

Unit 31, Building F,
Lane Cove Business Park
16 Mars Road, Lane Cove
NSW 2066
Australia

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

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

## Bankers

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

## Solicitors

Harmos Horton Lusk
Wadsworth Ray Lawyers

## Share registry

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

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

## First-half 2011 announcement

Just Water International Limited presents its half-year results for the six months to 31 December 2010.

| Consolidated Income Statement | | | |
|---|---|---|---|
| | Current half-year NZ$'000 | Up/(Down) | Previous corresponding half-year NZ$'000 |
| Revenue: | 15,999 | (10.6%) | 17,904 |
| EBITDA: | 3,818 | 46.4% | 2,608 |
| EBIT: | 1,129 | n/a | (20) |
| NPAT: | 82 | n/a | (721) |

Given the poor performance in the previous year, the directors are satisfied with initial progress and the Company's return to a positive EBIT. This included a non cash exchange loss of NZ$0.594 million reflecting the movement between the NZ and Australian dollars at balance date.

There is an old saying "profit is a matter of opinion, cash is a matter of fact". The differences in accounting conventions and standards make it difficult for stakeholders to measure the performance of the Company using profit alone. Operating and investing cash inflow totalled $2.7 million in the six months to December 2010, compared to a $0.5 million outflow in the same period in the previous financial year. As a result, we have been able to reduce New Zealand borrowings by NZ$1.5 million (before unrealised exchange losses) and also reduce the Australian borrowings by A$0.9 million.

The directors are focused on further debt reduction in the coming years and as previously advised have decided that there will be no dividend in the current year, and unlikely to be one the following year.

The Group's total bank debt is now NZ$24.3 million compared with NZ$25.5 million at 30 June 2010. In addition, the bank current account improved to a positive balance of $0.7 million at 31 December 2010.

The computer system is now operating satisfactorily, and we have come to an agreement with the provider, which will give us a small contribution towards our losses. This result is disappointing, but seems the most pragmatic solution, considering the legal costs and necessity to work with the provider in the future.

Over recent years, we have struggled to settle a high performance management team. Changes have been made, and the directors believe that the current team is performing well, have taken control of a difficult situation, and significantly improved the performance in each country. There is still a way to go, but with good people, the likelihood of the mistakes of the past are minimised.

The directors are conducting an internal review of the structure of the Board. Any changes will be announced prior to the Annual Meeting.

| New Zealand | | | |
|---|---|---|---|
| | Current half-year NZ$'000 | Up/(Down) | Previous corresponding half-year NZ$'000 |
| Revenue: | 10,552 | (14.0%) | 12,264 |
| EBITDA: | 2,382 | 28.8% | 1,849 |
| EBIT: | 461 | 1,297.0% | 33 |
| NPAT: | (221) | 59.3% | (543) |

The decrease in revenue has been the result of three main factors:

1. The economic conditions have resulted in company closures.
2. We have faced aggressive price competition.
3. As a result of the non-performing computer system, there was a high level of revenue in the previous year to "bad" customers, which we didn't recognise until after the fact.

The issues with the computer system are behind us. We do not believe the significant reduction in revenue will repeat itself.

In the first half of the 2010 year, $1.4 million was charged to bad debts expense. In the second half of the 2010 year an additional $0.456 million was charged. As the Company cleaned up its debtors ledger, there was a credit of $0.102 million in the current period, as debts previously considered doubtful were recovered. It is not expected that excessive write-offs will occur again.

EBIT was reduced by a non cash exchange loss of NZ$0.594 million.

The Company is concerned about the escalating "obesity" in the community. New Zealand now has the third highest obesity rate in the world*, with very little education or publicity of this fact. The Company is undertaking a publicity and advertising campaign to promote the drinking of water and highlight New Zealand's obesity epidemic.

The company's bottling plants are operated at the highest international standards, and are certified and audited by the Australasian Bottled Water Institute (ABWI). Most small bottled waters in New Zealand e.g. Pump and H2Go are also certified and audited by the ABWI, however no other large bottled water supplier in New Zealand, other than Just Water, is certified. This is a corporate risk for non Just Water customers, and although the cost is high, Just Water intends to continue to comply with these industry standards.

The Company has undertaken a programme of home delivery over the past two years. For the business model to provide the anticipated returns we would require a longer average customer lifetime than currently experienced. Although we are seeing an improvement in this area, growth has been slower than anticipated.

As advised, various factors have played their part in the revenue reduction, which has seen the base of coolers, for which recurring income is received, reduced by 7% from 44,465 units in June 2010 to 41,236 units in December 2010.

* OECD 30 June 2010

Now that the computer system is stabilised, we have been able to reduce staff numbers and be more diligent in collecting debtors, which has contributed to the Group's improved EBIT.

| Australia | | | |
|---|---|---|---|
| | Current half-year NZ$'000 | Up/(Down) | Previous corresponding half-year NZ$'000 |
| Revenue: | 5,447 | (3.4%) | 5,640 |
| EBITDA: | 1,436 | 89.2% | 759 |
| EBIT: | 668 | n/a | (53) |
| NPAT: | 303 | n/a | (178) |

Revenue remained fairly flat over the previous corresponding period. Bottled water delivery continues to be the main customer option for water coolers in Australia, and the international tide towards plumbed in coolers (as provided by our Australian operation) has not yet eventuated. Costs in Australia have been reduced to reflect the level of revenue, resulting in a satisfactory result.

The base of coolers, for which recurring income is received, reduced by 5% from 9,735 units in June 2010 to 9,232 in December 2010.

### Conclusion

Now that the computer installation programme is bedded in, and the underperformance issue of the supplier and the corresponding negative impacts to the business are resolved, the management team is able to refocus. We are formulating new profit opportunities to grow the business, whilst maintaining our focus on debt reduction.

The Company believes that online business will continue to expand. The Company is growing its traditional business by a more aggressive stance in the online space, and has registered websites under the "justwaterfilters" name in New Zealand and Australia, and will be launching a proprietary filter under the "Just Water" brand.

The directors see these results as "work in progress" after the poor performance in the previous year. In the second half, it is expected that revenue will remain fairly constant and costs may increase marginally.

Yours sincerely

Sir Don McKinnon
Chairman

Tony Falkenstein
Chief Executive


NOT

## Just Water International Limited
## Consolidated statement of comprehensive income (unaudited)
### For the six months ended 31 December 2010

| | Group 6 months ended 31 December 2010 $'000 | Group 6 months ended 31 December 2009 $'000 |
|---|---|---|
| Revenue | 15,993 | 17,688 |
| Other operating income | 6 | 216 |
| Income | 15,999 | 17,904 |
| Employee costs | (6,396) | (7,510) |
| Changes in inventories of finished goods and consumables | 42 | (357) |
| Purchases of finished goods and consumables | (1,558) | (1,701) |
| Other expenses | (4,269) | (5,728) |
| Earnings before interest, tax, depreciation, amortisation and impairment | 3,818 | 2,608 |
| Depreciation | (2,409) | (2,419) |
| Amortisation | (280) | (209) |
| Earnings before interest and tax | 1,129 | (20) |
| Interest expense | (1,003) | (852) |
| Profit/(loss) before income tax | 126 | (872) |
| Income tax credit/(expense) | (44) | 151 |
| Profit/(loss) after income tax | 82 | (721) |
| Other comprehensive income | 687 | 273 |
| Total comprehensive income | 769 | (448) |
| Earnings per share for profit attributable to the shareholders of the company | | |
| Basic and diluted earnings per share (cents) | 0.1 | (0.8) |

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

## Just Water International Limited
## Consolidated balance sheet (unaudited)
### For the six months ended 31 December 2010

| | NOTE | Group as at 31 December 2010 $'000 | Group as at 31 December 2009 $'000 | Group as at 30 June 2010 $'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current assets | | | | |
| Cash and cash equivalents | | 706 | 166 | 49 |
| Trade and other receivables | | 3,508 | 3,544 | 4,054 |
| Current tax receivables | | 111 | - | - |
| Inventories | | 1,286 | 1,359 | 1,244 |
| Total current assets | | 5,611 | 5,069 | 5,347 |
| Non-current assets | | | | |
| Property, plant and equipment | | 14,479 | 16,755 | 15,474 |
| Intangible assets | | 11,489 | 29,891 | 11,182 |
| Deferred tax asset | | 4,557 | 4,267 | 4,482 |
| Total non-current assets | | 30,525 | 50,913 | 31,138 |
| Total assets | | 36,136 | 55,982 | 36,485 |
| **LIABILITIES** | | | | |
| Current liabilities | | | | |
| Interest-bearing liabilities | | 2,330 | 2,165 | 2,238 |
| Trade and other payables | | 3,754 | 4,238 | 3,226 |
| Current tax payables | | - | 235 | 228 |
| Deferred income | | 2,878 | 2,742 | 2,835 |
| Total current liabilities | | 8,962 | 9,380 | 8,527 |
| Non-current liabilities | | | | |
| Interest-bearing liabilities | | 22,437 | 24,094 | 23,789 |
| Deferred income | | 815 | 814 | 898 |
| Deferred tax liabilities | | 435 | 492 | 580 |
| Total non-current liabilities | | 23,687 | 25,400 | 25,267 |
| Total liabilities | | 32,649 | 34,780 | 33,794 |
| Net assets | | 3,487 | 21,202 | 2,691 |
| **EQUITY** | | | | |
| Share capital | 7 | 22,487 | 22,420 | 22,460 |
| Retained earnings/ (accumulated losses) | | (19,288) | (879) | (19,370) |
| Reserves | | 288 | (339) | (399) |
| Total equity | | 3,487 | 21,202 | 2,691 |

For and on behalf of the board:

Sir Don Mckinnon
Chairman

Ian Malcolm
Director

16 February 2011

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

# Just Water International Limited
## Consolidated statement of changes in equity (unaudited)
### For the six months ended 31 December 2010

| | Share capital $'000 | Foreign currency translation reserve $'000 | Retained earnings $'000 | Total equity $'000 |
|---|---|---|---|---|
| GROUP | | | | |
| Balance at 1 July 2009 | 21,136 | (612) | 1,535 | 22,059 |
| Profit after tax | - | - | (721) | (721) |
| Foreign currency translation reserve | - | 273 | - | 273 |
| Total comprehensive income/ (loss) for the period | - | 273 | (721) | (448) |
| Issue of ordinary shares | 1,284 | - | - | 1,284 |
| Dividend paid | - | - | (1,692) | (1,692) |
| Supplementary dividend paid | - | - | (22) | (22) |
| Foreign investor tax credits | - | - | 21 | 21 |
| Balance at 31 December 2009 | 22,420 | (339) | (879) | 21,202 |
| Loss after tax | - | - | (18,491) | (18,491) |
| Foreign currency translation reserve | - | (60) | - | (60) |
| Total comprehensive income/ (loss) for the period | - | (60) | (18,491) | (18,551) |
| Issue of options | 1 | - | - | 1 |
| Issue of ordinary shares | 39 | - | - | 39 |
| Balance at 30 June 2010 | 22,460 | (399) | (19,370) | 2,691 |
| Profit after tax | - | - | 82 | 82 |
| Foreign currency translation reserve | - | 687 | - | 687 |
| Total comprehensive income/ (loss) for the period | - | 687 | 82 | 769 |
| Issue of options | 1 | - | - | 1 |
| Issue of ordinary shares | 26 | - | - | 26 |
| Balance at 31 December 2010 | 22,487 | 288 | (19,288) | 3,487 |

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

## Just Water International Limited
## Consolidated cash flow statement (unaudited)
### For the six months ended 31 December 2010

| | Group 6 months ended 31 December 2010 $'000 | Group 6 months ended 31 December 2009 $'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipts from customers | 17,398 | 18,624 |
| Interest received | 6 | - |
| Payments to suppliers and employees | (12,333) | (14,845) |
| Interest paid | (623) | (575) |
| Income tax paid | (339) | (453) |
| **Net cash generated from/(used in) operating activities** | 4,109 | 2,751 |
| **Cash flows from investing activities** | | |
| Purchases of property, plant and equipment | (1,313) | (2,859) |
| Proceeds from sale of property, plant and equipment | 1 | 21 |
| Purchases of intangible assets | (55) | (398) |
| **Net cash (used in)/generated from investing activities** | (1,367) | (3,236) |
| **Cash flows from financing activities** | | |
| Proceeds from borrowings | - | 450 |
| Repayment of borrowings | (1,696) | (480) |
| Dividends paid to Company's shareholders | - | (409) |
| **Net cash (used in)/generated from financing activities** | (1,696) | (439) |
| **Net increase/(decrease) in cash, cash equivalents and bank overdrafts** | 1,046 | (924) |
| Cash and cash equivalents at the beginning of the financial year | (392) | 953 |
| Exchange gains/(losses) on cash and bank overdrafts | (66) | (31) |
| **Cash and cash equivalents at the end of period** | 588 | (2) |

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

# Just Water International Limited
# Notes to the financial statements
For the six months ended 31 December 2010

## 1. GENERAL INFORMATION

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

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

These financial statements have been approved for issue by the board of directors on 16 February 2011.

## 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Statement of compliance

These general purpose financial statements for the interim six month reporting period ended 31 December 2010 have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP) and comply with New Zealand Equivalent to International Accounting Standard 34 (NZ IAS34) and International Accounting Standard 34 (Interim Financial Reporting).

The accounting policies used are consistent with those used in the previous Annual Report except for those described in note 5. The financial statements for the six months ended 31 December 2010 and 31 December 2009 are unaudited. The comparative information for the year ended 30 June 2010 is audited. Certain comparative information has been reclassified in order to provide a more appropriate basis for comparison.

These interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly these financial statements are to be read in conjunction with the Annual Report for the year ended 30 June 2010.

## 3. BASIS OF PREPARATION

### 3.1 Entities reporting

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

### 3.2 Statutory base

Just Water International Limited is a limited liability company which is domiciled and incorporated in New Zealand. It is registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978.

The financial statements have been prepared and presented in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

### 3.3 Historical cost convention

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

### 3.4 Going concern

The financial statements have been prepared on a going concern basis. As at 31 December 2010 the Group had negative working capital. The directors have assessed the financial performance of the Group including forecast cash flows and are satisfied that the going concern assumption remains appropriate.

## 4. CRITICAL ACCOUNTING ESTIMATES

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

### 4.1 Estimated impairment of goodwill

The Group tests annually whether goodwill, or investments in subsidiaries, has suffered any impairment.

### 4.2 Deferred tax

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

### 4.3 Bad and doubtful debts

Management regularly reviews the debtors ledger and makes provision against those balances that management believes are not collectible.

### 4.4 Income taxes

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

## 5. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT 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 January 2011 or later periods, but which the Group has not early adopted. These are detailed as below.

No new accounting standards have been applied in this period.

### 5.1 Amendments to IAS 24: Related Party Disclosures (mandatory for reporting periods beginning on or after 1 January 2011)

The revised IAS 24 amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. This standard is not expected to significantly affect the Group.

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

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

### 5.3 Amendments to NZ IFRS 7: Financial instruments - disclosures (mandatory for reporting periods beginning on or after 1 January 2011)

The amendment requires enhanced disclosures between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. This standard is not expected to significantly affect the Group.

### 5.4 Amendments to IAS 1: Presentation of financial statements (mandatory for reporting periods beginning on or after 1 January 2011)

The revised IAS 1 clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The Group has elected to present this analysis in the statement of changes in equity and these interim financial statements have been prepared under the revised disclosure requirements.

### 5.5 Amendments to IAS 34: Interim Financial Reporting (mandatory for reporting periods beginning on or after 1 January 2011)

The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect the fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. This standard is not expected to significantly affect the Group.

### 5.6 Improvements to NZ Equivalents to IFRS, amendments to New Zealand Accounting Standards arising from the Annual Improvements Project (effective from annual periods beginning on or after 1 January 2011)

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

## 6. SEGMENT INFORMATION

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

The reportable operating segments of the Group have been determined based on the components of the Group that the CODM monitors in making decisions about operating matters. Such components have been identified on the basis of internal reports that the CODM reviews regularly in order to allocate resources and to assess the performance of the Group.

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

The following is an analysis of the Group's revenue and results by operating segment. Revenue reported below represents revenue generated from external customers.

| | New Zealand 6 months ended 31 December 2010 $'000 | Australia 6 months ended 31 December 2010 $'000 | Eliminations 6 months ended 31 December 2010 $'000 | Group 6 months ended 31 December 2010 $'000 |
|---|---|---|---|---|
| Rental income | 6,348 | 3,701 | - | 10,049 |
| Sales and service income | 4,199 | 1,895 | (150) | 5,944 |
| Other operating income | 41 | 1 | (36) | 6 |
| Income | 10,588 | 5,597 | (186) | 15,999 |
| Earnings before interest, tax, depreciation, amortisation and impairment | 2,418 | 1,436 | (36) | 3,818 |
| Depreciation | (1,715) | (694) | - | (2,409) |
| Amortisation | (206) | (74) | - | (280) |
| Earnings before interest and tax | 497 | 668 | (36) | 1,129 |
| Interest expense | (818) | (221) | 36 | (1,003) |
| Profit/(loss) before income tax | (321) | 447 | - | 126 |
| Income tax credit/(expense) | 100 | (144) | - | (44) |
| Profit/(loss) attributable to shareholders of the company | (221) | 303 | - | 82 |
| Total assets | 58,685 | 15,923 | (38,472) | 36,136 |
| Total liabilities | 25,309 | 7,340 | - | 32,649 |

## 6. SEGMENT INFORMATION CONTINUED

| | New Zealand 6 months ended 31 December 2009 $'000 | Australia 6 months ended 31 December 2009 $'000 | Eliminations 6 months ended 31 December 2009 $'000 | Group 6 months ended 31 December 2009 $'000 |
|---|---|---|---|---|
| Rental income | 6,895 | 3,792 | - | 10,687 |
| Sales and service income | 5,160 | 1,986 | (145) | 7,001 |
| Other operating income | 241 | 7 | (32) | 216 |
| Income | 12,296 | 5,785 | (177) | 17,904 |
| Earnings before interest, tax, depreciation, amortisation and impairment | 1,881 | 759 | (32) | 2,608 |
| Depreciation | (1,633) | (786) | - | (2,419) |
| Amortisation | (183) | (26) | - | (209) |
| Earnings before interest and tax | 65 | (53) | (32) | (20) |
| Interest expense | (739) | (145) | 32 | (852) |
| Profit/(loss) before income tax | (674) | (198) | - | (872) |
| Income tax credit/(expense) | 130 | 20 | - | 151 |
| Profit/(loss) attributable to shareholders of the company | (544) | (178) | - | (722) |
| Total assets | 57,945 | 34,499 | (36,461) | 55,982 |
| Total Liabilities | 26,410 | 8,371 | - | 34,780 |

## 7. SHARE CAPITAL

Movements in ordinary share capital:

| | Number of Shares | Share Capital $'000 |
|---|---|---|
| Ordinary shares on issue 1 July 2009 | 85,443,016 | 21,136 |
| Shares issued | | |
| - Shares issued under Dividend Reinvestment Plan | 3,798,445 | 1,284 |
| - Shares issued in lieu of directors' fees | 124,839 | 39 |
| Fair value of options issued to directors and employees | - | 1 |
| Ordinary shares on issue as at 30 June 2010 | 89,366,300 | 22,460 |
| Shares issued | | |
| - Shares issued in lieu of directors' fees | 110,874 | 26 |
| Ordinary shares on issue as at 31 December 2010 | 89,477,174 | 22,487 |

The Group issued 110,874 shares in July 2010 to the directors of Just Water International Limited in lieu of directors' fees for the year, to the value of $0.026 million. The price of the share issue was determined by the VWAP of the Company's ordinary shares traded on the NZAX market over the 20 business days immediately prior to the share issue.

## 8. COMMITMENTS

### Capital commitments

The Group has no capital commitments as at 31 December 2010 (Dec 2009: nil).

### Lease commitments: Group as lessee

*Operating leases*

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

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

| | Initial Lease Term | Rights of Renewal |
|---|---|---|
| Auckland offices/warehouse | Five years | Two of three years each |
| Hamilton offices/warehouse | Six years | Two of three years each |
| Wellington offices/warehouse | Twelve years | Nil |
| Brisbane offices/warehouse | Three years | One of three years |
| Melbourne offices/warehouse | Five years | One of three years |
| Sydney offices/warehouse | Five years | One of five years |

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

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

| | Group 6 months ended 31 December 2010 $'000 | Group 6 months ended 31 December 2009 $'000 |
|---|---|---|
| Within one year | 975 | 666 |
| Later than one year but not later than five years | 810 | 677 |
| Later than five years | 840 | - |
| Commitments not recognised in the financial statements | 2,625 | 1,343 |

## 8. COMMITMENTS CONTINUED

### Lease receipts: Group as lessor

*Operating leases*

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

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

| | Group 6 months ended 31 December 2010 $'000 | Group 6 months ended 31 December 2009 $'000 |
|---|---|---|
| Within one year | 16,333 | 18,424 |
| Later than one year but not later than five years | 13,403 | 15,576 |
| Later than five years | - | - |
| Receipts not recognised in the financial statements | 29,736 | 34,000 |

## 9. CONTINGENT LIABILITIES

As at 31 December 2010 the Group had no contingent liabilities (Dec 2009: nil)

## 10. RELATED PARTIES

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

The Parent has a number of loans and advances outstanding from subsidiaries and other related parties at balance date. These advances do not have fixed repayment terms and all advances between related parties are unsecured. During the year the Parent charged interest of $1,446,621 (Dec 2009: $1,315,437) to JWA Holdings Limited.

Bartercard Exchange Limited, a company of which Tony Falkenstein and Ian Malcolm are directors and indirect shareholders, charged Bartercard fees to the Parent during the six months to the value of $43,680 (Dec 2009: $89,554). As at balance date the Parent had a trade payable of $6,096 (Dec 2009: $10,475) and a Bartercard trade balance liability of $248,388 (Dec 2009: $464,940). As at balance date Clearwater had a Bartercard trade balance asset of $251,219 (Dec 2009: $247,175).

Mabee Halstead & Kiddle Limited, a company of which Ian Malcolm is a director and a shareholder, provided accounting compliance and accounting services to the Group during the financial year to the value of $105,153 (Dec 2009: $116,500). Ian Malcolm is also a director and shareholder of the Parent. As at balance date the Group had a trade payable balance of $8,286 (Dec 2009: $9,113).

Key management compensation is as follows:

| | Group 6 months ended 31 December 2010 $'000 | Group 6 months ended 31 December 2009 $'000 |
|---|---|---|
| Short-term benefits | 309 | 658 |
| Share-based payments | 26 | - |
| Total key management compensation | 335 | 658 |

## 11. FINANCIAL RISK MANAGEMENT

### Liquidity risk

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

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

| | Less Than 1 Year $'000 | Between 1 and 2 Years $'000 | Between 2 and 5 Years $'000 | Over 5 Years $'000 |
|---|---|---|---|---|
| GROUP | | | | |
| As at 31 December 2010 | | | | |
| Trade and other payables | 3,754 | - | - | - |
| Bank overdraft | 118 | - | - | - |
| Bank borrowings | 1,969 | 19,738 | 2,500 | - |
| Other loans | 243 | 184 | 15 | - |
| As at 31 December 2009 | | | | |
| Trade and other payables | 4,238 | - | - | - |
| Bank overdraft | 168 | - | - | - |
| Bank borrowings | 1,822 | - | 23,801 | - |
| Other loans | 175 | 251 | 42 | - |

As at 31 December 2010 the Group met all of the required financial covenants set by the bank.

Having regard to the Group's trading performance and cash flows, the directors believe that the Group will continue to comply with its financial banking covenants in future periods and therefore the non-current interest-bearing liabilities portion of the the Group's banking facilities will not need to be repaid in the next financial year.

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

| | Group 6 months ended 31 December 2010 $'000 | Group 6 months ended 31 December 2009 $'000 |
|---|---|---|
| Profit/(loss) for the year | 82 | (721) |
| Adjustments for | | |
| Tax | (220) | (1,030) |
| Depreciation | 2,409 | 2,419 |
| Amortisation | 280 | 209 |
| Loss/(gain) on sale of property, plant and equipment | 333 | 363 |
| Share options issued | 1 | - |
| Shares issued in lieu of directors fees | 26 | - |
| Provision for doubtful debts | (1,839) | 1,370 |
| Movement in deferred income | (40) | (325) |
| Changes in working capital | | |
| Inventories | 139 | 357 |
| Trade and other receivables | 3,284 | (325) |
| Trade and other payables | (7) | 434 |
| Provision for tax | (339) | - |
| Cash generated from operations | 4,109 | 2,751 |

### Non-cash transactions

The principal non-cash transactions were the issue of shares to directors in lieu of directors fees.

# Notes

**Just Water International Limited**