Just Water

Just Water International Limited

Half-year Report

for the six months ended
31 December 2015

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

Registered office and address for service

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Victoria Quarter Precinct
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New Zealand

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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

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

Bankers

Bank of New Zealand Limited

Solicitors

Harmos Horton Lusk

Daniel Overton & Goulding

Share registry

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Chairman's and Chief Executive's review

First-half 2016 announcement

The directors of Just Water International Limited are pleased to present the cash flow and profit results for the six months ended 31 December 2015.

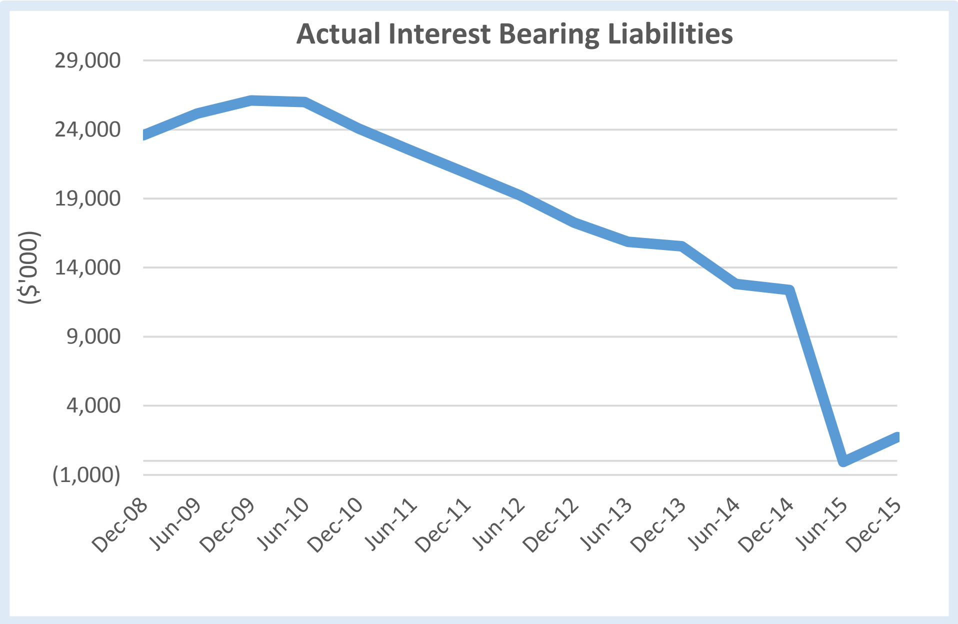
Cash Flow:

Cash from operations has continued to be strong as expected from a business operating in a mature market. During the current six months the Company generated $1.635 million. As noted in previous Chairman's reviews, the board remains focused on cash flow generated by the business as ultimately this is the purest form of measurement of any company's performance.

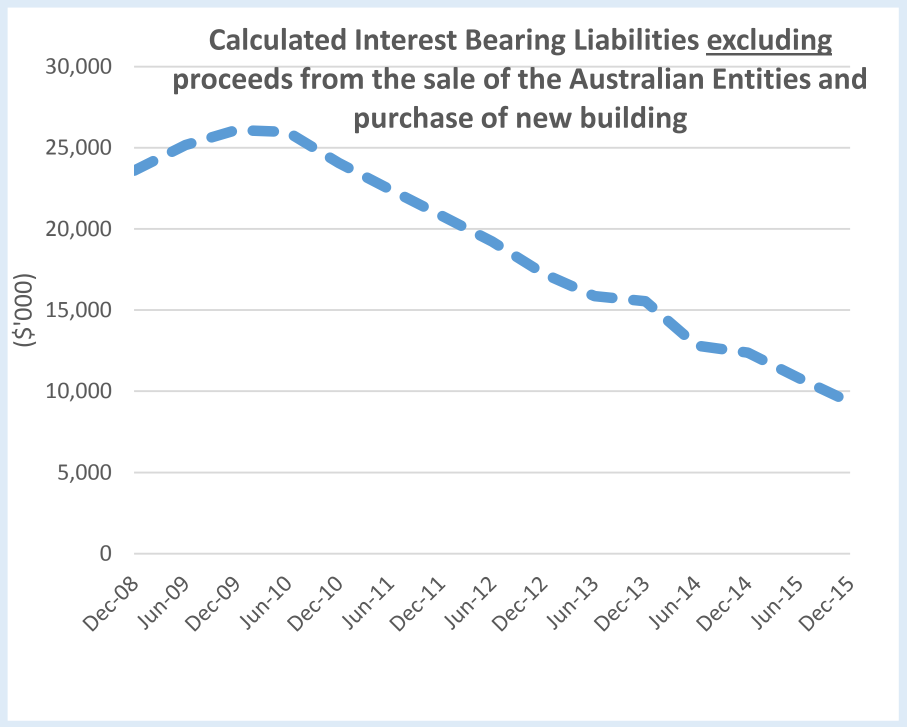
Debt:

As at 30 June 2015 the Company's net debt position was "in funds" i.e. the Company had no debt. As previously advised to shareholders, a new building to house the Head Office and Auckland bottling plant was purchased by the Company during the period for $3.3 million.

The graph below represents actual net interest bearing liabilities for the Group.



The following graph represents calculated interest bearing liabilities excluding the proceeds from the sale of the Australian entities and the purchase of the new building.



A reconciliation of calculated interest bearing liabilities, excluding proceeds from the sale of the Australian entities and the purchase of the new building as at 31 December 2015 ($'000) is set out below:

Actual Net Bank Debt	$ 1,727
Deduct: Net funds received from the sale of Australian entities	$ 10,874
Add: Cost of new building	$ 3,279
Calculated interest bearing liabilities as per graph above	$ 9,322

Dividends:

The directors will not be recommending payment of a dividend, until calculated interest bearing liabilities are repaid using surplus funds generated from operations.

The directors will review this decision on a regular basis.

Results:

Continuing operations

	Continuing Operations		
	Current half-year $'000	Previous half-year $'000	% change
Operating Revenue	8,007	8,156	(2%)
EBITDA	2,090	1,842	13%
Depreciation & Amortisation	(986)	(1,153)	14%
EBIT	1,104	689	60%
Interest	(57)	(406)	86%
Net profit before tax	1,047	283	270%

Operating Revenue from continuing operations declined $149,000 (2.0%) from the corresponding period of the previous year, although EBITDA increased by $248,000 (13%). Excluding the $191,000 restructuring costs disclosed in the December 2014 Half Year Report, EBITDA would have increased by $57,000 (3%). This reflects the ongoing productivity improvements and cost control in the business.

EBIT increased by $415,000 (60%). The key difference between EBITDA and EBIT movements is the reduction in the depreciation charge between the two corresponding six month periods as a result of assets being written-off over their estimated economic life.

Purchase of new building:

On 1 August 2015, the Company purchased a building at 103 Hugo Johnston Drive, to house its Head Office and Auckland bottling plant. The previous owner leased it from Just Water until December 2015, and since then the Company has been going through the process to get consent to make the building suitable for its requirements. The plan is to move into the new building during 2016. The costs of shifting the current plant and upgrading the building is expected to be about $1.5 million.

De-listing from the NZAX:

In the 2015 Annual Report, the directors stated their intention to de-list from the NZAX. The resolution was withdrawn prior to the annual meeting, as the directors considered the advantage to shareholders in being listed on this exchange outweighed the costs and benefits of being listed on another exchange.

Audit

The financial statements for the six months ended 31 December 2015 and 31 December 2014 are unaudited. The comparative information for the year ended 30 June 2015 is audited.

Bank facilities and interest bearing debt

The Company was in compliance with all bank covenants as at 31 December 2015.

Share buyback programme:

The board has resolved in accordance with section 65 of the Companies Act 1993 and the Company's constitution that, effective from 22 February 2016 until 20th February 2017, the Company will operate a share buyback programme in accordance with NZAX listing rule 7.6.1(a) under which the Company will make one or more offers on NZX's order matching market to all shareholders to acquire up to a maximum of 5% of the total shares on issue in the Company at the prevailing market price for the shares at the time of purchase. Shares that are acquired by the Company under the share buyback programme will be cancelled and the acquisitions will be notified to NZX in accordance with the NZAX listing rules. The Company is not obliged to make any offer and reserves the right to cease the share buyback programme at any time.

The Company will not purchase any shares while it possesses any information that is materially price-sensitive but not publically available. If the Company acquires price-sensitive information that is not publically available, it will cease acquiring shares in the Company until the relevant information is publically disclosed or ceases to be materially price-sensitive.

The decision to operate a share buyback programme was driven by the board's concern for shareholders about the lack of trading of JWI shares over the last 12 months. Although the board does not wish to see shareholders sell out of the Company, the board recognises that some may need the funds for other activities and the share buyback programme provides an exit option for these shareholders

Board

I would like to thank my fellow directors, Ian Malcolm and Brendan Wood, who have been very supportive in the progress of the Company.

Staff

The directors would like to thank the staff for their continued acceptance of cost controls to match the costs with the revenues being generated by the Company.

Tony Falkenstein
Chairman and Chief Executive

Consolidated statement of comprehensive income (unaudited)

For the six months ended 31 December 2015

	GROUP 6 MONTHS ENDED 31 DECEMBER 2015 $'000	GROUP 6 MONTHS ENDED 31 DECEMBER 2014 $'000
Continuing operations		
Revenue	7,913	8,155
Other operating income	94	1
Income	8,007	8,156
Employee costs	(2,953)	(3,573)
Changes in inventories of finished goods and consumables	(58)	(115)
Purchases of finished goods and consumables	(590)	(599)
Other expenses	(2,316)	(2,027)
Earnings before interest, tax, depreciation, amortisation	2,090	1,842
Depreciation	(682)	(867)
Amortisation	(304)	(286)
Earnings before interest and tax	1,104	689
Interest expense	(57)	(406)
Earnings before income tax	1,047	283
Income tax expense	(357)	(74)
Earnings after income tax from continuing operations	690	209
Discontinued operations		
Net earnings after tax from discontinued operations	-	361
Earnings after income tax from discontinued operations	-	361
Earnings after income tax	690	570
Other comprehensive income.		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences for foreign operations	-	(252)
Total comprehensive income	690	318
Earnings per share for profit attributable to the shareholders of the Parent		
Basic and diluted earnings per share (cents)		
From continuing operations	0.8	0.2
From discontinued operations	0.0	0.4
From Profit for the year	0.8	0.6

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

Consolidated balance sheet

As at 31 December 2015

	GROUP AS AT 31 DECEMBER 2015 $'000 (unaudited)	GROUP AS AT 31 DECEMBER 2014 $'000 (unaudited)	GROUP AS AT 30 JUNE 2015 $'000 (audited)
ASSETS			
Current assets			
Cash and cash equivalents	387	121	841
Trade and other receivables	1,966	2,696	1,702
Current tax receivables	-	82	28
Inventories	471	1,067	413
Total current assets	**2,824**	**3,966**	**2,984**
Non-current assets			
Property, plant and equipment	6,779	6,090	3,707
Intangible assets	5,395	9,951	5,425
Deferred tax asset	734	3,164	625
Other receivables	137	521	281
Other assets	529	989	605
Total non-current assets	**13,574**	**20,715**	**10,643**
Total assets	**16,398**	**24,681**	**13,627**
LIABILITIES			
Current liabilities			
Interest bearing liabilities	1,668	456	159
Trade and other payables	1,900	2,428	1,462
Current tax payable	215	-	-
Deferred income	170	1,364	166
Total current liabilities	**3,953**	**4,248**	**1,787**
Non-current liabilities			
Interest bearing liabilities	534	12,182	619
Deferred tax liabilities	-	-	-
Total non-current liabilities	**534**	**12,182**	**619**
Total liabilities	**4,487**	**16,430**	**2,406**
Net assets	**11,911**	**8,251**	**11,221**
EQUITY			
Share capital	22,523	22,523	22,523
Accumulated losses	(10,612)	(12,723)	(11,302)
Foreign Currency Translation Reserve	-	(1,549)	-
Total equity	**11,911**	**8,251**	**11,221**

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

Consolidated statement of changes in equity (unaudited)

For the six months ended 31 December 2015

	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	-	-	209	209
Other comprehensive income	-	(252)	-	(252)
Discontinued operations	-	361	-	361
Total comprehensive income/(loss) for the period	**-**	**109**	**209**	**318**
Shares Issued	30	-	-	30
Balance at 31 December 2014	**22,523**	**(1,549)**	**(12,723)**	**8,251**
Profit after tax	-	-	1,421	1,421
Other comprehensive income	-	(153)	-	(153)
Discontinued operations	-	1,702	-	1,702
Total comprehensive income/(loss) for the period	**-**	**1,549**	**1,421**	**2,970**
Balance at 30 June 2015	**22,523**	**-**	**(11,302)**	**11,221**
Profit after tax	-	-	690	690
Other comprehensive income	-	-	-	-
Discontinued operations	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**690**	**690**
Shares issued	-	-	-	-
Balance at 31 December 2015	**22,523**	**-**	**(10,612)**	**11,911**

The accompanying notes to the 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 (unaudited)

For the six months ended 31 December 2015

	GROUP 6 MONTHS ENDED 31 DECEMBER 2015 $'000	GROUP 6 MONTHS ENDED 31 DECEMBER 2014 $'000
Cash flows from operating activities		
Receipts from customers	7,601	12,203
Interest received	5	1
Payments to suppliers and employees	(5,352)	(10,232)
Interest paid	(57)	(422)
Income tax paid	(224)	(376)
Purchases of non-current assets held for rental	(338)	(520)
Net cash generated from operating activities	**1,635**	**654**
Cash flows from investing activities		
Purchases of property, plant and equipment	(3,484)	(134)
Proceeds from sale of property, plant and equipment	(0)	6
Purchases of intangible assets	(29)	(99)
Net cash from / (used in) investing activities	**(3,513)**	**(227)**
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	-	30
Proceeds from borrowings	2,000	4,785
Repayment of borrowings	(576)	(5,210)
Net cash from / (used in) financing activities	**1,424**	**(395)**
Net increase (decrease) in cash, cash equivalents and bank overdrafts	**(454)**	**32**
Cash and cash equivalents at the beginning of the financial year	841	(99)
Cash and cash equivalents at the end of period	**387**	**(67)**

The accompanying notes to the 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 interim 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, Clearwater Filter Systems (Aust) Pty Limited (Clearwater), JWA Holdings Limited, Just Water Australia Pty Limited (JW Australia), Just Water Victoria Pty Limited (JW Victoria) and the Just Water Limited Partnership (JWLP). Clearwater, JW Australia, JW Victoria and the JWLP were sold on 1 May 2015. JWA Holdings Limited was amalgamated into JWI as at 30 June 2015.

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 interim financial statements have been approved for issue by the board of directors on 16 February 2016. The board of directors have the power to amend the consolidated interim 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 interim financial statements. There are no changes to accounting policies or related disclosures.

2.1 Statement of compliance

The consolidated interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice (GAAP) in New Zealand and New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards. They comply with NZ IAS 34 Interim Financial Reporting and consequently do not include all the information for full financial statements. These condensed Group consolidated interim financial statements should be read in conjunction with the Annual Report for the year ended 30 June 2015.

The accounting policies used are consistent with those used in the previous Annual Report. The financial statements for the six months ended 31 December 2015 and 31 December 2014 are unaudited. The comparative information for this year 30 June 2015 is audited. Certain comparative information has been reclassified in order to provide a more appropriate basis for comparison.

The Group has designated itself as a profit-orientated entity for the purposes of complying with NZ IFRS. The consolidated interim financial statements comply with International Financial Reporting Standards (IFRS).

3. BASIS OF PREPARATION

3.1 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 interim 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 interim 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.

The interim financial statements have been prepared and presented in accordance with the requirements of the Financial Reporting Act 2013 and the NZX. Just Water International Ltd is registered under the Companies Act 1993 and is a Financial Markets Conduct Reporting Entity under the Financial Markets Conduct Act 2013 beginning 1 December 2014.

3.2 Historical cost convention

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

3.3 Going concern

The consolidated interim financial statements have been prepared on a going concern basis. As at 31 December 2015 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 AND JUDGEMENTS

The preparation of consolidated interim 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. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

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.

4.3 Receivables

Management regularly reviews the receivables 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. 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.

4.5 Coolers

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

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5. 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, reflecting the different geographical markets within which the Group operates. During the year ended 30 June 2015, the Group disposed of its Australian segment. 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.

	CONTINUING OPERATIONS NEW ZEALAND 31 DECEMBER 2015 $'000	DISCONTINUED OPERATIONS 31 DECEMBER 2015 $'000	TOTAL GROUP 31 DECEMBER 2015 $'000
External rental income	4,685	-	4,685
External sales and service income	3,228	-	3,228
Other operating income	94	-	94
		-	
Income	**8,007**	**-**	**8,007**
Employee costs	(2,953)	-	(2,953)
Other trading expenses	(2,964)	-	(2,964)
Earnings before interest, tax, depreciation	**2,090**	**-**	**2,090**
Depreciation	(682)	-	(682)
Amortisation	(304)	-	(304)
Earnings before interest and tax	**1,104**	**-**	**1,104**
Interest expense	(57)	-	(57)
Earnings before income tax	**1,047**	**-**	**1,047**
Income tax expense	(357)	-	(357)
Earnings attributable to shareholders	**690**	**-**	**690**
Total assets	16,398	-	16,398
Total liabilities	4,487	-	4,487
Total additions to non-current assets excluding financial instruments and deferred tax assets	679	-	679

SEGMENT INFORMATION CONTINUED

	CONTINUING OPERATIONS NEW ZEALAND 31 DECEMBER 2014 $'000	DISCONTINUED OPERATIONS 31 DECEMBER 2014 $'000	TOTAL GROUP 31 DECEMBER 2014 $'000
External rental income	4,851	2,766	7,617
External sales and service income	3,303	1,371	4,674
Other operating income	1	-	1
Income	**8,155**	**4,137**	**12,292**
Employee costs	(3,573)	(1,720)	(5,293)
Other trading expenses	(2,740)	(1,507)	(4,247)
Earnings before interest, tax, depreciation, amortisation	**1,842**	**910**	**2,752**
Depreciation	(867)	(379)	(1,246)
Amortisation	(286)	(106)	(392)
Earnings before interest and tax	**689**	**425**	**1,114**
Interest expense	(406)	(16)	(422)
Earnings before income tax	**283**	**409**	**692**
Income tax expense	(74)	(48)	(122)
Earnings attributable to shareholders	**209**	**361**	**570**
Total assets	13,884	10,797	24,681
Total liabilities	14,062	2,368	16,430
Total additions to non-current assets excluding financial instruments and deferred tax assets	744	394	1,138

6. SHARE CAPITAL

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 31 December 2015	**89,727,174**	**22,523**

7. COMMITMENTS

Capital commitments

The Group has capital commitments $2,000 of capital expenditure contracted but not recognised and foreign exchange forward cover contracts of US$275,000 (NZ$406,000) due 03 August 2016 as at 30 December 2015. (2014: 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	-	Four month notice period
Hamilton offices/warehouse	Three years	One of three years each
Wellington offices/warehouse	Twelve years	Nil

Commitments Continued

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 31 DECEMBER 2015 $'000	GROUP AS AT 31 DECEMBER 2014 $'000
Within one year	321	395
Later than one year but not later than five years	633	212
Later than five years	153	765
Discontinued operations	-	426
Commitments not recognised in the consolidated financial statements	**1,107**	**1,798**

Finance leases

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

	GROUP AS AT 31 DECEMBER 2015 $'000	GROUP AS AT 31 DECEMBER 2014 $'000
Within one year	210	210
Later than one year but not later than five years	576	787
Discontinued operations	-	119
Total finance leases recognised in the consolidated financial statements	**786**	**1,116**

Lease commitments: 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.

Commitments Continued

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

	GROUP AS AT 31 DECEMBER 2015 $'000	GROUP AS AT 31 DECEMBER 2014 $'000
Within one year	8,524	8,626
Later than one year but not later than five years	7,491	6,877
Later than five years	-	-
Future lease receipts not recognised in the consolidated financial statements from continuing operations	**16,015**	**15,503**
Discontinued operations	-	6,184
Future lease receipts not recognised in the consolidated financial statements	**16,015**	**21,687**

8. 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. These advances do not have fixed repayment terms and all advances between related parties are unsecured.

Bartercard Exchange Limited charged Bartercard fees to the Group during the financial period to the value of $47,853 (2015: $36,198). Tony Falkenstein and Ian Malcolm were previously shareholders of the company until they sold their interests effective 30 June 2014. They subsequently resigned as directors in December 2014. As at balance date the Group had a trade payable balance of $8,547 (2015: $6,884) and a Bartercard trade balance asset of $178,527 (2015: $445,187).

Pure SEO Limited, a company of which Tony Falkenstein and Ian Malcom are directors and indirect shareholders, provided internet search engine optimisation services to the Group during the financial period to the value of $9,900 (2015: $24,000). As at balance date the Group had a trade payable balance of $1,898 (2015: $4,313).

Telarc SAI New Zealand, a company of which Paul Connell is a director, (Paul Connell resigned as a Just Water International Ltd director on 22nd December 2014) provided certification of quality management systems to the Group during the financial period to the value of $1,299 (2015: $2,613). As at balance date the Group had a trade payable balance of $0 (2015: $3,005).

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 period to the value of $2,400 (2015: $17,457). Ian Malcolm is also a shareholder of the Parent. As at balance date the Group had a trade payable balance of $460 (2015 $0).

Daniel Overton & Goulding, a company of which Brendan Wood is a partner, provided legal services to the Group during the financial period to the value of $623 (2015: $0). As at balance date the Group had a trade payable balance of $0 (2015: $0).

The Harvard Group Ltd, a company of which Tony Falkenstein and Ian Malcom are directors and indirect shareholders, provided Management fees for Tony to the Group during the financial period to the value of $100,000 (2015: $0). As at balance date the Group had a trade payable balance of $0 (2015: $0).

All balances, except for the debt to MHK Chartered Accountants, are settled in cash. The debt to MHK Chartered Accountants is settled in Bartercard trade dollars.

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.

Related Parties Continued

Key management compensation is as follows:

	GROUP 6 MONTHS ENDED 31 DECEMBER 2015 $'000	GROUP 6 MONTHS ENDED 31 DECEMBER 2014 $'000
Short-term benefits	297	366
Restructuring costs	-	191
Total key management compensation	**297**	**557**

The number of key managers and directors for the period ended 31 December 2015 for the group was 5 (2015: 5).

Outstanding balance of employee entitlements as at 31 December 2015 is $55,386 (2015: $33,365). Balances are settled in cash.

9. FINANCIAL RISK MANAGEMENT

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:

	LESS THAN 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS
GROUP	$'000	$'000	$'000	$'000
As at 31 December 2015				
Trade and other payables	1,547	-	-	-
Bank overdraft	-	-	-	-
Bank borrowings	1,512	-	-	-
Finance loans	210	576	-	-
As at 31 December 2014				
Trade and other payables	1,741	-	-	-
Bank overdraft	188	-	-	-
Bank borrowings	584	6,917	5,438	-
Finance loans	268	840	8	-

Financial Risk Management Continued

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 process) (level 2)

- Inputs for the assets and liabilities 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 2.

Financial liabilities measured at amortised cost are fair value 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.

10. DISPOSAL OF SUBSIDIARIES

During the year ended 30 June 2015 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 cash consideration of $11,245,000 which was received prior to 30 June 2015.

The effects of the disposal on the Group results of operations for the year ended 30 June 2015 were:

	$'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	678
Gain on sale	2,284
Foreign currency translation reserve recycled	(2,063)
Total earnings after tax from discontinued operations	**899**
Gain on sale of shares	
Sale proceeds received	11,245
Costs to sell	(371)
Net proceeds from sale of shares	**10,874**

Disposal of subsidiaries Continued

	$'000
Carrying amount of assets and liabilities disposed of:	
Goodwill	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**

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

	GROUP 6 MONTHS ENDED 31 DECEMBER 2015 $'000	GROUP 6 MONTHS ENDED 31 DECEMBER 2014 $'000
Profit for the year	**690**	**570**
Adjustments for		
Depreciation	682	1,246
Amortisation	304	392
Loss on sale of property, plant and equipment	68	111
Provision for doubtful debts	(65)	(48)
Provision for tax	243	(311)
Deferred tax	(109)	128
Movement in deferred income	4	(132)
Changes in working capital		
Inventories	(58)	(161)
Trade and other receivables	(198)	(234)
Trade and other payables	412	(387)
Purchases of non-current assets held for rental	(338)	(520)
Net cash generated from operating activities	**1,635**	**654**

Notes

Notes