



**2007**

**Annual Report**  
*Just Water International Limited*

## Directory

### Directors

**Jim McLay** (Independent)

*Chairman*

**Renny Cunnack** (Independent)

**Phil Dash** (Non-Executive)

**Tony Falkenstein** (Executive)

**Ian Malcolm** (Non-Executive)

### Executive Management

**Tony Falkenstein**

*Chief Executive Officer*

*Just Water International Limited*

**Michael Fann**

*Chief Operating Officer*

*Just Water International Limited*

**Raj Chaudhary**

*Chief Financial Officer*

*Just Water International Limited*

**Brian Simpson**

*General Manager*

*Just Water New Zealand*

### Registered office and address for service

Shortland Chambers

4th Floor

70 Shortland Street

Auckland 1010

P O Box 221

Shortland Street

Auckland 1140

New Zealand

### Auditors

PricewaterhouseCoopers

### JWI on the web

[www.jwi.co.nz](http://www.jwi.co.nz)

[www.justwater.co.nz](http://www.justwater.co.nz)

[www.aquacool.co.nz](http://www.aquacool.co.nz)

[www.clearwaterfilters.com.au](http://www.clearwaterfilters.com.au)

### Just Water New Zealand

5 Charles Street

Mt Eden

Auckland

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*

### Aqua-Cool Limited

114 Rockfield Road

Penrose

Auckland

PO Box 68519

Newton

Auckland 1145

New Zealand

Tel +64-9 580 0126

Fax +64-9 580 0122

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

### Clearwater Filter Systems (Aust) Pty Limited

Unit 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

Westpac Banking Corporation Limited

### Solicitors

Harmos Horton Lusk

Daniel Overton & Goulding

### 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



Ian Malcolm



Renny Cunnack



Phil Dash

## Contents

Chairman's and Chief Executive's review 2-3

Corporate governance statement 4-5

### Just Water International Limited and Group Financial statements for the year ended 30 June 2007

Statutory report of the directors 6-7

Auditors' report 8-9

Income statement 10

Balance sheet 11

Statement of changes in equity 12

Cash flow statement 13

Notes to the financial statements 14-43

Statutory disclosures in relation to shareholders 44

Notice of meeting 45

Explanatory notes to resolutions 46

Proxy form 47

#### 2007 AGM

The 2007 Annual Meeting of Shareholders of Just Water International Limited is to be held at 11.00am on Wednesday 31st October 2007 at The Guineas Room 3, Ellerslie Convention Centre at Ellerslie Race Course, 80-100 Ascot Avenue, Greenlane East, Auckland.



Michael Fann



Raj Chaudhary



Brian Simpson

## Chairman's and Chief Executive's review



Jim McLay



Tony Falkenstein

### Just Water International Limited Results for the year ended 30 June 2007

Just Water International Limited (JWI) presents its full year results for the year ended 30 June 2007.

As with our half-year report, the accounts are presented for both New Zealand and Australia to show clearly the distinct stages of the Company's development in the two markets.

This past year saw the start of an aggressive push into the Australian point-of-use market. That market is considered relatively undeveloped, and we aim to become a leading player. In New Zealand growth is slowing as the market becomes more mature.

#### New Zealand

The dispenser base in New Zealand grew by 2,185 units or 5.7 percent over the period, thereby passing the 40,000 unit milestone (40,556 units).

New Zealand revenue of \$21.780 million was virtually the same as last year (2006: \$21.874 million), however 2006 included a one-off exchange gain of \$0.507 million. There has been a slight increase in rental income, which is where the focus has been.

The New Zealand EBITDA of \$7.655 million is 3.9 percent above the previous year, and net profit after tax of \$3.755 million is virtually the same as the previous year (\$3.814 million). However, the net profit after tax does not only reflect New Zealand operations. It is lower than would otherwise be due to the interest cost incurred in New Zealand on the acquisition of the business in Australia; before accounting for that interest expense, EBIT in respect of New Zealand operations of \$6.103 million is 1.9 percent above the previous year.

#### Australia

The dispenser base in Australia grew by 7,273 units, or 72.4 percent, over the period. 3,940 of these units came from the acquisition of our former Brisbane franchisee in March 2007. Organic growth in units, generated by our own sales efforts, was 3,333 units or 33.2 percent, and we are pleased with that progress.

Australian revenue of \$9.591 million is 27 percent above the previous year, with the significant increase coming from rental income. The previous year's figures are not directly comparable as they included only ten month's trading from Just Water Victoria Pty Ltd and eight month's trading from Clearwater Filter Systems (Aust) Pty Ltd.

The Australian EBITDA was a loss of \$2.768 million. As previously reported, such losses will continue, although at a declining rate, as the Company puts emphasis on the growth of dispensers in the marketplace. It is not yet possible to predict when we will break into profit in Australia, as our intention is to maintain sales pressure until we are satisfied we have achieved a high level of market penetration.

The after-tax loss in Australia was \$3.322 million, compared to a profit in the previous year of \$0.177 million.

We are pleased with the growth in Australia. It will take several years of continuing investment, and therefore losses, to achieve positive cash flow in Australia, but we are confident we are laying the foundation for a significant business which, in due course, is likely to exceed the size and returns of our New Zealand operations.

#### Consolidated result

The consolidated net profit after tax of the Group is \$0.434 million compared to \$3.991 million for the comparative year.

Summary results are as follows:

|   | 2007<br>\$'000 | 2006<br>\$'000 |
|---|----------------|----------------|
| Income  | 30,715         | 29,081         |
| Earnings before interest,<br>tax depreciation and<br>amortisation | 4,283          | 7,001          |
| Earnings before tax   | 795            | 5,976          |
| Net profit after tax  | 433            | 3,991          |

#### Dividend

JWI has declared a fully-imputed dividend of 1.98 cents per share, giving a total dividend of 3.58 cents per share. This maintains the dividend paid in the previous year.

Last year, directors delayed the introduction of a Dividend Reinvestment Plan, but after discussions with several shareholders, have decided that a plan will be implemented in time for the final dividend payment.

The Company thanks its shareholders for their support, particularly while we grow the Australian business; and thanks all its employees, on both sides of the Tasman, for their dedication and commitment to the aim of making Just Water the largest point-of-use company in Australasia.

Yours sincerely

Jim McLay  
Chairman

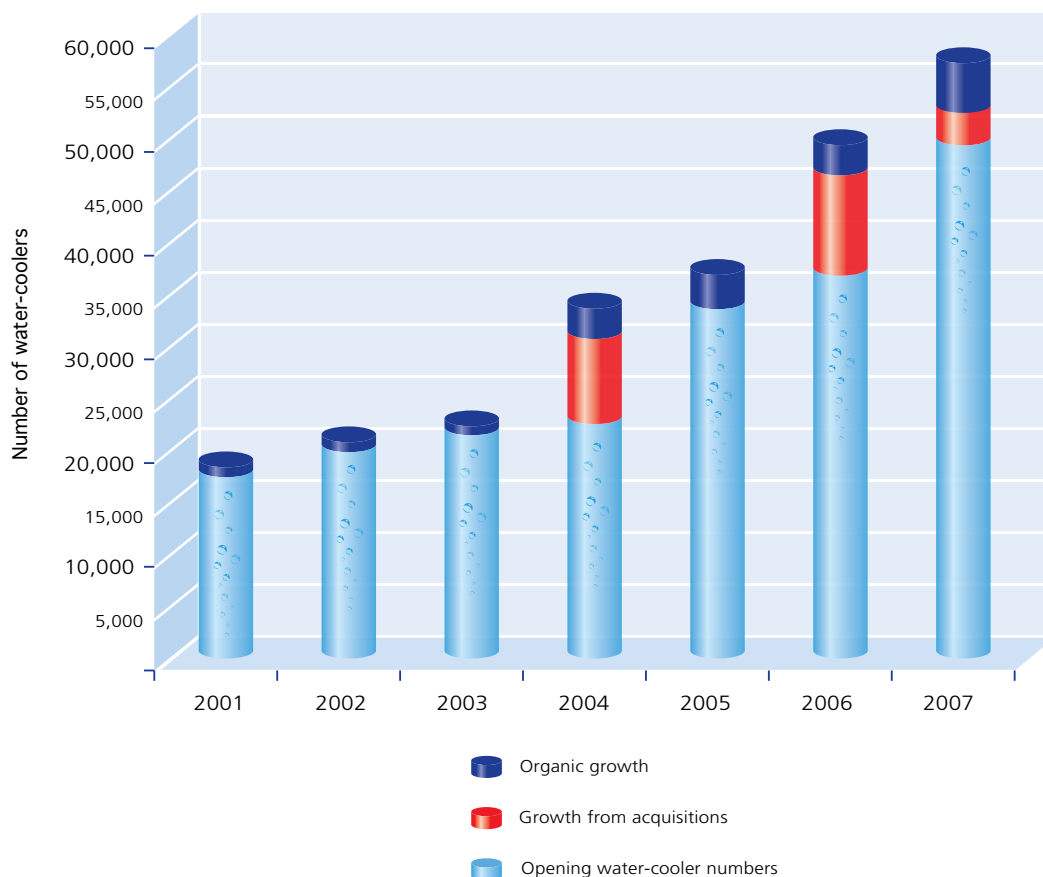
Tony Falkenstein  
Chief Executive

## JWI Group growth in water-coolers

### Water-cooler numbers at 30 June

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

| New Zealand     |                        |                          |                |                 |            | Australia              |                          |                |                 |            |                   |
|-----------------|------------------------|--------------------------|----------------|-----------------|------------|------------------------|--------------------------|----------------|-----------------|------------|-------------------|
| Year Ended June | Opening cooler numbers | Growth from acquisitions | Organic growth | Closing coolers | % increase | Opening cooler numbers | Growth from acquisitions | Organic growth | Closing coolers | % increase | Total at year end |
| 2000            |                        |                          |                | 17,256          |            |                        |                          |                |                 |            | 17,256            |
| 2001            | 17,256                 | -                        | 1,403          | 18,659          | 8.1%       |                        |                          |                |                 |            | 18,659            |
| 2002            | 18,659                 | -                        | 1,275          | 19,934          | 6.8%       |                        |                          |                |                 |            | 19,934            |
| 2003            | 19,934                 | -                        | 1,340          | 21,274          | 6.7%       |                        |                          |                |                 |            | 21,274            |
| 2004            | 21,274                 | 7,595                    | 3,599          | 32,468          | 52.6%      |                        |                          |                |                 |            | 32,468            |
| 2005            | 32,468                 | -                        | 3,099          | 35,567          | 9.5%       |                        |                          |                |                 |            | 35,567            |
| 2006            | 35,567                 | -                        | 2,804          | 38,371          | 7.9%       | -                      | 9,147                    | 893            | 10,040          | 9.8%       | 48,411            |
| 2007            | 38,371                 | -                        | 2,185          | 40,556          | 5.7%       | 10,040                 | 3,940                    | 3,333          | 17,313          | 72.4%      | 57,869            |



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



## Corporate governance statement

The board of Just Water International Limited (JWI) has been appointed by the shareholders to guide and monitor the business of JWI, its division Just Water New Zealand and its trading subsidiaries Aqua-Cool Limited and Clearwater Filter Systems (Aust) Pty Limited, which constitute the JWI Group. The board is responsible for the overall corporate governance of the Group.

The board comprises five directors (including the chairman).

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

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

|                   |       |
|-------------------|-------|
| Jim McLay (Chair) | Seven |
| Renny Cunnack     | Seven |
| Phil Dash         | Seven |
| Tony Falkenstein  | Seven |
| Ian Malcolm       | Seven |

The directors' primary objective is to increase shareholder value within an appropriate framework that protects the rights and enhances the interests of shareholders and ensures that JWI and its controlled entities are properly managed. The function of the board includes responsibility for:

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

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

The Company has adopted a constitution that satisfies the requirements of NZX and the NZAX Listing Rules. In adopting this constitution, the shareholders, on the recommendation of the directors, elected:

- to omit any provision authorising the payment of retirement allowances or benefits to directors;
- to adopt the stricter thresholds prescribed by the NZX Listing Rules for related-party transactions and share issues that in each case are able to be made without shareholder approval;

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

A copy of the Company's constitution is available for inspection on the Companies Office's electronic register at [www.companies.govt.nz](http://www.companies.govt.nz).

The board has an audit committee and a remuneration committee. Committees do not take action or make decisions on behalf of the board unless specifically mandated to do so by express prior board authority.

### Audit committee

The function of the audit committee is to:

- assist the board in carrying out its responsibilities under the Companies Act 1993 and the Financial Reporting Act 1993 in respect of the group financial accounting practices, policies, and controls;
- to review and make appropriate enquiry into the audit of the group financial statements;
- the audit committee's role includes a particular focus on the qualitative aspects of financial reporting to shareholders and on company processes for the management of business/financial risk and for compliance with significant applicable legal, ethical and regulatory requirements;
- the role also includes coordination with other board committees and maintenance of strong, positive working relationships with management, external and internal auditors, counsel and other committee advisors.

In line with the Securities Commission's Corporate Governance Principles and Guidelines, the audit committee at the date of this document comprises:

- solely of non-executive directors, a majority of whom are independent;
- at least one director who is a chartered accountant;
- a chairman who is a non-executive director and a chartered accountant, and who is not the chairman of the board.

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

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

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

## Remuneration committee

The objective and purpose of the remuneration committee is to assist the board in establishing coherent remuneration policies and practices which:

- enable Just Water International Limited and its subsidiaries (collectively called "the Company") to attract, retain and motivate executives and directors who will create value for shareholders;
- fairly and responsibly reward executives having regard to the performance of the Company, the performance of the executive and the general remuneration environment;
- comply with the provisions of the NZX Listing Rules and any other relevant legal requirements.

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

The remuneration committee at the date of this document comprises solely of non-executive directors. It meets as required, and met three times in the financial year.

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

|                       |       |
|-----------------------|-------|
| Renny Cunnack (Chair) | Three |
| Jim McLay             | Three |
| Ian Malcolm           | Three |



## Statutory report of the directors

The directors take pleasure in presenting to shareholders the fourth annual report and audited financial statements of Just Water International Limited (JWI) and Group since floating on the NZAX in May 2004, covering the year ended 30 June 2007.

### Business activities

JWI was incorporated in 1988 and changed its name from Just Water (NZ) Limited on 23 December 2003. The Group's sole business activities during the financial year continued unchanged, relating to the provision of point-of-use water-coolers and bottled drinking-water. In May 2007 the Group acquired the business of Operation Water Pty Limited, a water-cooler rental company operating in Australia which had operated as a franchisee of Clearwater Filter Systems (Aust) Pty Limited (Clearwater) for the past ten years.

### Consolidated financial results

This financial year, the JWI Group has reduced profitability before interest and tax over the previous year with earnings before interest and tax (EBIT) of \$1.850 million (2006: \$7.001 million). This was achieved on a turnover of \$30.715 million (2006: \$29.081 million), an increase of 6 percent.

Shareholders' equity at 30 June 2007 totaled \$20.757 million (2006: \$19.265 million), an increase of eight percent. Total assets were \$49.319 million (2006: \$40.997 million). Total interest-bearing borrowings increased from \$4.596 million to \$16.620 million.

### Dividend

A fully-imputed interim net dividend of \$2.635 million was paid during the year. (2006: \$2.316 million). This dividend was paid as a final 2006 dividend in October 2005 of 2.955 cents gross per share, and an interim 2007 dividend in April 2007 of 2.388 cents gross per share. A final dividend for the 2007 financial year of 2.955 cents (gross) per share, fully imputed, totaling \$1.468 million net, is planned for payment on 5 October 2007, with the shares going ex-dividend on 28 September 2007. This totals 5.343 cents per share fully-imputed gross dividend in respect of the June 07 year earnings, which is the same level of dividend as in respect of the June 06 year.

### Donations

The JWI Group believes that good citizenship of corporations and individuals can make a real difference in the community. For 11 years, Just Water New Zealand has been the principal sponsor of the New Zealand Kidney Foundation, and a contribution from every water cup supplied with the Company's water-coolers is donated to this organisation. This financial year, \$33,000 (2006: \$20,895) was donated to the Kidney Foundation by Just Water New Zealand, helping the Foundation promote drinking-water with the aim of reducing the incidence of kidney disorders.

### Remuneration of directors

Directors' remuneration paid during the year was as follows:

|   | GROUP  |        | PARENT |        |
|---|--------|--------|--------|--------|
|   | 2007   | 2006   | 2007   | 2006   |
|   | \$'000 | \$'000 | \$'000 | \$'000 |
| J K McLay (Chairman)                          | 52     | 50     | 52     | 50     |
| I D Malcolm                                   | 26     | 25     | 26     | 25     |
| J R Cunnack                                   | 26     | 25     | 26     | 25     |
| P J Dash – Director Fees                      | 26     | -      | 26     | -      |
| P J Dash – Director Fees (A\$25)              | 29     | -      | 29     | -      |
| P J Dash – appointed December 2005 – Salary   | -      | 96     | -      | -      |
| A E Falkenstein (executive director) – Salary | 120    | 120    | 120    | 120    |

Executive directors do not receive directors' fees.

### Remuneration of employees

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

|         | GROUP |      |
|---------|-------|------|
|         | 2007  | 2006 |
| \$000   |       |      |
| 100-110 | 2     | 3    |
| 110-120 | 1     | -    |
| 130-140 | 1     | 2    |
| 140-150 | -     | 1    |
| 150-160 | 1     | 1    |
| 160-170 | 1     | 1    |
| 170-180 | -     | 1    |
| 240-250 | 1     | -    |
| 340-350 | -     | 1    |
| 410-420 | 1     | -    |

### Auditors

In accordance with Section 21(1) of the Companies Act 1993, the auditors, PricewaterhouseCoopers, continue in office. Their audit remuneration and fees paid for other services are detailed in note 10 of the notes to the financial statements.



## Interests register

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

## Parent and subsidiary companies

### Interested transactions

Any business the JWI Group has transacted with organisations in which a director has an interest has been carried out on a commercial arms-length basis. This specifically included the following interests:

- During the year the JWI Group leased premises for \$31,500 (2006: \$42,000) from Amante Limited, a company of which Ian Malcolm is a director, and Tony Falkenstein is a director and shareholder.
- During the year the Clearwater Filter Systems (Aust) Pty Limited (Clearwater) leased premises for \$159,372 (2006: \$66,589) from Springfresh Marketing Pty Limited, a company of which Phil Dash is a director and shareholder. Clearwater also leased premises for nil (2006: \$27,295) from Dash Family Trust Staff Superannuation Fund, of which Phil Dash is a Trustee and Beneficiary.
- Mabee Halstead & Kiddle Limited, of which Ian Malcolm is a director and shareholder, provided accounting compliance and accounting services to the Group during the financial year to the value of \$155,939 (2006: \$125,024).
- Axis Direct Limited, of which Ian Malcolm is a director and shareholder, supplied computer hardware and network support services to the Group during the financial year to the value of \$13,154 (2006: \$9,725)

### Directors' remuneration

Details of the directors' remuneration are provided in the "Remuneration of directors" section.

### Use of company information by directors

Pursuant to Section 145 of the Companies Act 1993, there were no recorded notices from directors requesting to use company information received in their capacity as directors that would not otherwise have been available to them.

### Share dealings

The following acquisitions and disposals of equity securities by directors of the JWI Group took place during the year:

- Ordinary shares were issued to non-executive directors in lieu of directors' fees as disclosed in the Prospectus in June 2004, and some non-executive directors have agreed to take their 2007/08 directors fees by way of equity, such shares being planned for issue in November 2007 subject to approval by the shareholders.

- In October 2006 the Malcolm Education & Lifestyle Trust, of which Ian Donald Malcolm is a trustee and beneficiary, executed an off-market share transfer of 150,000 ordinary shares to Elizabeth Hujich.
- In December 2006 Philip John Dash executed an off-market share transfer of 24,640 ordinary shares to the Dash Family Trust.
- In December 2006 Ian Donald Malcolm executed an off-market share transfer of 24,640 ordinary shares to the trustees in the Malcolm Education & Lifestyle Trust.
- In April 2007 the trustees in the Malcolm Education & Lifestyle Trust, of which Ian Donald Malcolm is a trustee and beneficiary, executed an off-market share transfer of 70,000 ordinary shares from the Renate Share Trust.
- In April 2007 the Malcolm Education & Lifestyle Trust, of which Ian Donald Malcolm is a trustee and beneficiary, executed an off-market share transfer of 94,640 ordinary shares to Ian Donald Malcolm.
- In April 2007 John Renfree Cunnack and The Cunnack Company Limited, of which John Renfree Cunnack is a director and shareholder, executed off-market share transfers of 71,455 and 64,640 ordinary shares respectively to The Cunnack Company Limited as trustee for the Moranette Pty Limited Superannuation Fund.
- In May 2007 James Kenneth McLay executed an off-market share transfer of 164,191 ordinary shares to JK McLay Limited.

### Directors' loans

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

### Directors' insurance

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

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

For and on behalf of the board:



**Jim McLay**  
Chairman



**Tony Falkenstein**  
Chief Executive

5 September 2007



**PricewaterhouseCoopers**  
188 Quay Street  
Private Bag 92162  
Auckland, New Zealand  
DX CP24073  
[www.pwc.com/nz](http://www.pwc.com/nz)  
Telephone +64 9 355 8000  
Facsimile +64 9 355 8001

### Auditors' Report

to the shareholders of Just Water International Limited

We have audited the financial statements on pages 10 to 43. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 June 2007 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 14 to 20.

### Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 30 June 2007 and their financial performance and cash flows for the year ended on that date.

### Auditors' Responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

### Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- (a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditors.



## **Auditors' Report**

Just Water International Limited

### **Unqualified Opinion**

We have obtained all the information and explanations we have required.

In our opinion:

- (a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- (b) the financial statements on pages 10 to 43:
  - (i) comply with generally accepted accounting practice in New Zealand; and
  - (ii) give a true and fair view of the financial position of the Company and Group as at 30 June 2007 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 5 September 2007 and our unqualified opinion is expressed as at that date.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', is written over a long, thin, horizontal line that extends to the right.

Chartered Accountants

Auckland

**Just Water International Limited**  
**Income Statement**  
**For the year ended 30 June 2007**

|  | NOTE | GROUP<br>YEAR ENDED<br>30 JUNE<br>2007<br>\$'000 | GROUP<br>YEAR ENDED<br>30 JUNE<br>2006<br>\$'000 | PARENT<br>YEAR ENDED<br>30 JUNE<br>2007<br>\$'000 | PARENT<br>YEAR ENDED<br>30 JUNE<br>2006<br>\$'000 |
|--|------|--|--|---|---|
| Revenue  | 8    | 30,620   | 28,588   | 14,006  | 13,265  |
| Other operating income   | 9    | 95   | 493  | 876   | 933   |
| <b>Income</b>  |      | <b>30,715</b>                                    | <b>29,081</b>                                    | <b>14,882</b>                                     | <b>14,198</b>                                     |
| Employee costs   |      | (14,236)   | (10,192)   | (5,143)   | (4,841)   |
| Changes in inventories of finished goods and consumables                             |      | (5,183)  | (4,754)  | (1,328)   | (1,258)   |
| Other expenses   |      | (7,013)  | (5,289)  | (2,771)   | (2,667)   |
| <b>Earnings before interest, tax, depreciation and amortisation</b>                  | 10   | <b>4,283</b>                                     | <b>8,846</b>                                     | <b>5,640</b>                                      | <b>5,432</b>                                      |
| Depreciation   | 18   | (2,047)  | (1,610)  | (875)   | (807)   |
| Amortisation   | 19   | (386)  | (235)  | (9)   | (7)   |
| <b>Earnings before interest and tax</b>  |      | <b>1,850</b>                                     | <b>7,001</b>                                     | <b>4,756</b>                                      | <b>4,618</b>                                      |
| Interest expense   | 10   | (1,055)  | (1,025)  | (709)   | (279)   |
| <b>Profit before income tax</b>  |      | <b>795</b>                                       | <b>5,976</b>                                     | <b>4,047</b>                                      | <b>4,339</b>                                      |
| Income tax expense   | 11   | (362)  | (1,985)  | (1,199)   | (1,439)   |
| <b>Profit attributable to shareholders of the company</b>                            |      | <b>433</b>                                       | <b>3,991</b>                                     | <b>2,848</b>                                      | <b>2,900</b>                                      |
| <b>Earnings per share for profit attributable to the shareholders of the company</b> |      |  |  |   |   |
| Basic earnings per share (cents)   |      | 0.6  | 5.8  | 3.9   | 4.2   |
| Diluted earnings per share (cents)   |      | 0.6  | 5.7  | 3.8   | 4.1   |
| Dividend per share (cents)   |      | 3.6  | 3.4  | 3.6   | 3.4   |

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

# Just Water International Limited and Group

## Balance Sheet

### As at 30 June 2007

|                                      | NOTE | GROUP<br>YEAR ENDED<br>30 JUNE<br>2007<br>\$'000 | GROUP<br>YEAR ENDED<br>30 JUNE<br>2006<br>\$'000 | PARENT<br>YEAR ENDED<br>30 JUNE<br>2007<br>\$'000 | PARENT<br>YEAR ENDED<br>30 JUNE<br>2006<br>\$'000 |
|--------------------------------------|------|--|--|---|---|
| <b>ASSETS</b>                        |      |  |  |   |   |
| <b>Current assets</b>                |      |  |  |   |   |
| Cash and cash equivalents            | 12   | 321  | 1,219  | 1   | 1   |
| Trade and other receivables          | 13   | 3,615  | 3,613  | 21,555  | 6,976   |
| Current tax receivables              | 16   | 420  | 425  | 399   | 118   |
| Inventories                          | 14   | 2,473  | 1,904  | 585   | 806   |
| Derivative financial instruments     | 15   | -  | 507  | -   | 507   |
| <b>Total current assets</b>          |      | <b>6,829</b>                                     | <b>7,668</b>                                     | <b>22,540</b>                                     | <b>8,408</b>                                      |
| <b>Non-current assets</b>            |      |  |  |   |   |
| Property, plant and equipment        | 18   | 12,964   | 10,647   | 5,941   | 5,264   |
| Investment in subsidiaries           | 26   | -  | -  | 10,179  | 10,179  |
| Intangible assets                    | 19   | 28,277   | 22,473   | 60  | 47  |
| Deferred tax asset                   | 17   | 1,691  | 608  | 75  | 77  |
| <b>Total non-current assets</b>      |      | <b>42,932</b>                                    | <b>33,728</b>                                    | <b>16,255</b>                                     | <b>15,567</b>                                     |
| <b>Total assets</b>                  |      | <b>49,761</b>                                    | <b>41,396</b>                                    | <b>38,795</b>                                     | <b>23,975</b>                                     |
| <b>LIABILITIES</b>                   |      |  |  |   |   |
| <b>Current liabilities</b>           |      |  |  |   |   |
| Interest-bearing liabilities         | 21   | 16,620   | 4,596  | 16,377  | 4,527   |
| Trade and other payables             | 20   | 4,075  | 9,637  | 1,145   | 1,734   |
| Current tax liabilities              |      | -  | -  | -   | -   |
| Deferred income                      |      | 4,400  | 3,892  | -   | -   |
| <b>Total current liabilities</b>     |      | <b>25,095</b>                                    | <b>18,125</b>                                    | <b>17,522</b>                                     | <b>6,261</b>                                      |
| <b>Non-current liabilities</b>       |      |  |  |   |   |
| Deferred income                      |      | 3,200  | 3,536  | -   | -   |
| Deferred tax liabilities             | 17   | 709  | 470  | 250   | 142   |
| <b>Total non-current liabilities</b> |      | <b>3,909</b>                                     | <b>4,006</b>                                     | <b>250</b>  | <b>142</b>  |
| <b>Total liabilities</b>             |      | <b>29,004</b>                                    | <b>22,131</b>                                    | <b>17,772</b>                                     | <b>6,403</b>                                      |
| <b>Net assets</b>                    |      | <b>20,757</b>                                    | <b>19,265</b>                                    | <b>21,023</b>                                     | <b>17,572</b>                                     |
| <b>EQUITY</b>                        |      |  |  |   |   |
| Share capital                        | 22   | 15,762   | 12,524   | 15,762  | 12,524  |
| Retained earnings                    |      | 4,670  | 6,872  | 5,261   | 5,048   |
| Reserves                             |      | 325  | (131)  | -   | -   |
| <b>Total equity</b>                  |      | <b>20,757</b>                                    | <b>19,265</b>                                    | <b>21,023</b>                                     | <b>17,572</b>                                     |

For and on behalf of the board:



**Jim McLay**  
Chairman



**Ian Malcolm**  
Director

5 September 2007

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

## Statement of Changes in Equity

### For the year ended 30 June 2007

|                                      | NOTE | SHARE<br>CAPITAL<br>\$'000 | FOREIGN<br>CURRENCY<br>TRANSLATION<br>RESERVE<br>\$'000 | RETAINED<br>EARNINGS<br>\$'000 | TOTAL<br>EQUITY<br>\$'000 |
|--------------------------------------|------|----------------------------|---|--------------------------------|---------------------------|
| <b>GROUP</b>                         |      |                            |   |                                |                           |
| <b>Balance at 1 July 2005</b>        |      | 9,115                      | -   | 5,197                          | 14,312                    |
| Issue of options                     |      | 14                         | -   | -                              | 14                        |
| Issue of ordinary shares             |      | 3,395                      | -   | -                              | 3,395                     |
| Foreign currency translation reserve |      | -                          | (131)   | -                              | (131)                     |
| Total recognised income for the year |      | -                          | -   | 3,991                          | 3,991                     |
| Dividend paid                        | 23   | -                          | -   | (2,316)                        | (2,316)                   |
| <b>Balance at 30 June 2006</b>       |      | <b>12,524</b>              | <b>(131)</b>  | <b>6,872</b>                   | <b>19,265</b>             |
| Issue of options                     | 22   | 93                         | -   | -                              | 93                        |
| Issue of ordinary shares             | 22   | 3,145                      | -   | -                              | 3,145                     |
| Foreign currency translation reserve |      | -                          | 456   | -                              | 456                       |
| Total recognised income for the year |      | -                          | -   | 433                            | 433                       |
| Dividend paid                        | 23   | -                          | -   | (2,635)                        | (2,635)                   |
| <b>Balance at 30 June 2007</b>       |      | <b>15,762</b>              | <b>325</b>  | <b>4,670</b>                   | <b>20,757</b>             |
| <b>PARENT</b>                        |      |                            |   |                                |                           |
| <b>Balance at 1 July 2005</b>        |      | 9,115                      | -   | 4,464                          | 13,579                    |
| Issue of options                     |      | 14                         | -   | -                              | 14                        |
| Issue of ordinary shares             |      | 3,395                      | -   | -                              | 3,395                     |
| Total recognised income for the year |      | -                          | -   | 2,900                          | 2,900                     |
| Dividend paid                        | 23   | -                          | -   | (2,316)                        | (2,316)                   |
| <b>Balance at 30 June 2006</b>       |      | <b>12,524</b>              | <b>-</b>  | <b>5,048</b>                   | <b>17,572</b>             |
| Issue of options                     | 22   | 93                         | -   | -                              | 93                        |
| Issue of ordinary shares             | 22   | 3,145                      | -   | -                              | 3,145                     |
| Foreign currency translation reserve |      | -                          | -   | -                              | -                         |
| Total recognised income for the year |      | -                          | -   | 2,848                          | 2,848                     |
| Dividend paid                        | 23   | -                          | -   | (2,635)                        | (2,635)                   |
| <b>Balance at 30 June 2007</b>       |      | <b>15,762</b>              | <b>-</b>  | <b>5,261</b>                   | <b>21,023</b>             |

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

# Just Water International Limited

## Cash Flow Statement

### For the year ended 30 June 2007

|  |      | GROUP<br>YEAR ENDED<br>30 JUNE<br>2007<br>\$'000 | GROUP<br>YEAR ENDED<br>30 JUNE<br>2006<br>\$'000 | PARENT<br>YEAR ENDED<br>30 JUNE<br>2007<br>\$'000 | PARENT<br>YEAR ENDED<br>30 JUNE<br>2006<br>\$'000 |
|--|------|--|--|---|---|
|  | NOTE |  |  |   |   |
| <b>Cash flows from operating activities</b>                                    |      |  |  |   |   |
| Cash generated from operations   |      | 2,500  | 8,828  | 6,723   | 4,516   |
| Interest paid  |      | (758)  | (271)  | (680)   | (279)   |
| Interest received  |      | 64   | 27   | 399   | 457   |
| Income tax paid  |      | (1,615)  | (2,699)  | (1,330)   | (1,701)   |
| <b>Net cash generated from operating activities</b>                            | 28   | <b>191</b>                                       | <b>5,885</b>                                     | <b>5,112</b>                                      | <b>2,993</b>                                      |
| <b>Cash flows from investing activities</b>                                    |      |  |  |   |   |
| Acquisition of subsidiary, net of cash acquired                                | 26   | (6,324)  | (4,410)  | -   | (4,758)   |
| Purchases of property, plant and equipment                                     |      | (5,156)  | (3,022)  | (1,591)   | (1,187)   |
| Proceeds from sale of property, plant and equipment                            |      | 505  | 287  | 38  | 34  |
| Purchases of intangible assets   |      | (233)  | (14)   | (22)  | (40)  |
| Loan repayments received from related parties                                  |      | -  | -  | 1,270   | 550   |
| Loans to related parties   |      | -  | -  | (14,752)  | -   |
| <b>Net cash used in investing activities</b>                                   |      | <b>(11,208)</b>                                  | <b>(7,159)</b>                                   | <b>(15,057)</b>                                   | <b>(5,401)</b>                                    |
| <b>Cash flows from financing activities</b>                                    |      |  |  |   |   |
| Proceeds from issuance of ordinary shares                                      |      | 730  | 364  | 730   | 364   |
| Proceeds from borrowings   |      | 12,151   | 4,087  | 11,973  | 4,150   |
| Repayment of borrowings  |      | -  | -  | -   | -   |
| Dividends paid to company's shareholders                                       | 23   | (2,635)  | (2,316)  | (2,635)   | (2,316)   |
| <b>Net cash used in financing activities</b>                                   |      | <b>10,246</b>                                    | <b>2,135</b>                                     | <b>10,068</b>                                     | <b>2,198</b>                                      |
| <b>Net (decrease) / increase in cash, cash equivalents and bank overdrafts</b> |      | <b>(771)</b>                                     | <b>861</b>                                       | <b>123</b>  | <b>(210)</b>                                      |
| Cash and cash equivalents at the beginning of the financial year               |      | 1,092  | 231  | (126)   | 84  |
| <b>Cash and cash equivalents at the end of year</b>                            | 12   | <b>321</b>                                       | <b>1,092</b>                                     | <b>(3)</b>  | <b>(126)</b>                                      |

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 year ended 30 June 2007**

#### **1. GENERAL INFORMATION**

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

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

These consolidated financial statements have been approved for issue by the board of directors on 5 September 2007.

#### **2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

##### **2.1. Statement of compliance**

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

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

##### **2.2. Basis of preparation**

###### **2.2.1. Entities reporting**

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

###### **2.2.2. Statutory base**

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

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

###### **2.2.3. Historical cost convention**

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

#### **SPECIFIC ACCOUNTING POLICIES**

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

#### **2.3. Consolidation**

##### **2.3.1. Subsidiaries**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Just Water International Limited ('company' or 'parent entity') as at 30 June 2007 and the results of all subsidiaries for the year then ended. Just Water International Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

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

All significant intercompany transactions, balances and unrealised gains on transactions between companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries held by Parent that are not classified as held-for-sale investments are accounted for at cost.

##### **2.4. Segment reporting**

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

## 2.5. Foreign currency translation

### 2.5.1. Functional and presentation currency

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

### 2.5.2. Transaction and balances

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

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

### 2.5.3. Group companies

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

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

## 2.6. Revenue recognition

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

### 2.6.1. Sales and rental income

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

### 2.6.2. Service income

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

### 2.6.3. Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest-rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

### 2.6.4. Dividend income

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

### 2.6.5. Deferred income

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

## 2.7. Income tax

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

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

# **Just Water International Limited**

## **Notes to the Financial Statements**

### **For the year ended 30 June 2007**

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

Just Water International Limited and its wholly-owned New Zealand controlled entities have implemented the tax consolidation legislation. As a consequence a current tax asset of one entity in a group is offset against a current tax liability of another entity in the group if, and only if, the entities concerned have a legally enforceable right to make or receive a single net payment and the entities intend to make or receive such a net payment or to recover the asset and settle the liability simultaneously.

#### **2.8. Goods and Services Tax (GST)**

The income statement has been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

#### **2.9. Leases**

##### **2.9.1. The Group is the lessee**

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

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

##### **2.9.2. The Group is the lessor**

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

Indirect 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 assets**

Intangible and tangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

#### **2.11. Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly-liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

#### **2.12. Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest-rate. The amount of the provision is recognised in the income statement.



## 2.13. Inventories

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

## 2.14. Investments and other financial assets

Financial fixed assets include investments in companies other than subsidiaries and associates, financial receivables held for investment purposes, treasury shares and other securities. Financial fixed assets are initially recorded at cost including additional direct charges. A permanent impairment is provided as a direct reduction of the securities account. The Company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re evaluates this designation at each reporting date.

### 2.14.1. Financial assets at fair value through profit or loss

This category has two sub-categories:

- Financial assets held for trading; and
- Those designated at fair value through profit or loss at inception.

A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short-term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

### 2.14.2. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

### 2.14.3. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

### 2.14.4. Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated

in this category or not-classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

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

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities. The Group did not hold any investments in this category during the year.

## 2.15. Property, plant and equipment

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

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

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

|                     |            |
|---------------------|------------|
| Rental equipment    | 8 years    |
| Motor vehicles      | 4-5 years  |
| Office equipment    | 7-11 years |
| Plant and equipment | 4-6 years  |
| Buildings           | 50 years   |

# **Just Water International Limited**

## **Notes to the Financial Statements**

### **For the year ended 30 June 2007**

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

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

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

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

## **2.16. Intangible assets**

### **2.16.1. Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired business/associate at the date of acquisition. Goodwill on acquisitions of businesses is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash generating units represents the Group's investment in each country of operation by each secondary reporting segment.

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

### **2.16.2. Research and development**

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

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

### **2.16.3. Other intangibles**

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

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date or where there are indicators of impairment. Customer contracts that arose on the acquisition of Clearwater and the business of Operation Water Pty Limited are amortised based on the anticipated revenues in respect of these contracts. Other acquired patents, trademarks, brands and licences are amortised over their anticipated useful lives of 10 years.

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

## **2.17. Share capital**

Ordinary shares are classified as equity.

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

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

## **2.18. Trade and other payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

## **2.19. Borrowings**

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

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

## 2.20. Employee benefits

### 2.20.1. Wages and salaries, annual leave and sick leave

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

### 2.20.2. Long service leave

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

### 2.20.3. Share-based payments

The Group's management awards high-performing employees bonuses in the form of share options, from time to time, on a discretionary basis. The fair value at grant date is recognised as an employee benefits expense with a corresponding increase in other reserve equity over the vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

### 2.20.4. Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

### 2.20.5. Short-term employee benefits

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

## 2.21. Dividends

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

## 3. EARNINGS PER SHARE

### 3.1.1. Basic earnings per share

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

### 3.1.2. Diluted earnings per share

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

## 4. CRITICAL ACCOUNTING ESTIMATES

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

### 4.1. Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment.

### 4.2. Income Taxes

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

## 5. FINANCIAL RISK MANAGEMENT

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

# **Just Water International Limited**

## **Notes to the Financial Statements**

### **For the year ended 30 June 2007**

#### **5.1. Foreign exchange risk**

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

#### **5.2. Credit risk**

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

#### **5.3. Interest-rate risk**

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

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

The following new standards, amendments and interpretations to existing standards have been published that are mandatory to the Group's accounting periods beginning on or after 1 January 2007 or later periods but which the Group has not early adopted, as follows:

#### **6.1. NZ IFRS 7: Financial instruments: (mandatory for reporting periods beginning on or after 1 January 2007)**

Application of this standard is expected to result in additional disclosure regarding financial instruments and financial risk management.

#### **6.2. NZ IFRS 8: Operating segments: (mandatory for reporting periods beginning on or after 1 January 2009)**

Application of this standard requires segments to be identified on the basis of reporting to chief decision-makers of the organisation and requires information provided to the chief decision-makers to be presented in the financial statements.

#### **6.3. Amendments to IAS 23: Borrowing costs (mandatory for reporting periods beginning on or after 1 January 2009)**

This amendment removes the option of simply expensing borrowing costs incurred in the construction of qualifying assets. Borrowing costs incurred in relation to assets that take a substantial period of time to get ready for intended use must be capitalised as part of the cost of the asset.

#### **6.4. Amendments to IAS 1: Presentation of financial statements (mandatory for reporting periods beginning on or after 1 January 2009)**

The revised IAS 1 requires an entity to present all owner changes in equity, separately from non-owner changes in equity, in a statement of changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (an income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

#### **6.5. IFRIC 11: Group and treasury share transactions (mandatory for reporting periods beginning on or after 1 March 2007)**

The interpretation provides additional guidance regarding accounting for share-based payments between two or more entities within the same group. This is not expected to affect the Group.

#### **6.6. IFRIC 13: Customer loyalty programmes (mandatory for reporting periods beginning on or after 1 July 2008)**

The interpretation provides additional guidance for accounting for customer loyalty programmes. This is not expected to affect the Group.

## 7. SEGMENT INFORMATION

### Business segments

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

### Geographical segments

The Group operates in two geographic segments – New Zealand and Australia.

|   | NOTE | NEW ZEALAND<br>2007<br>\$'000 | AUSTRALIA<br>2007<br>\$'000 | ELIMINATIONS<br>2007<br>\$'000 | GROUP TOTAL<br>2007<br>\$'000 |
|---|------|-------------------------------|-----------------------------|--------------------------------|-------------------------------|
| Rental income   | 8    | 13,829                        | 4,841                       | -                              | 18,670                        |
| Sales and service income  | 8    | 7,285                         | 4,665                       | -                              | 11,950                        |
| Other operating income  | 9    | 666                           | 85                          | (656)                          | 95                            |
| <b>Income</b>   |      | <b>21,780</b>                 | <b>9,591</b>                | <b>(656)</b>                   | <b>30,715</b>                 |
| <b>Earnings before interest,<br/>tax, depreciation and<br/>amortisation</b> | 10   | <b>7,655</b>                  | <b>(2,768)</b>              | <b>(604)</b>                   | <b>4,283</b>                  |
| Depreciation  | 18   | 1,541                         | 506                         | -                              | 2,047                         |
| Amortisation  | 19   | 11                            | 375                         | -                              | 386                           |
| <b>Earnings before interest<br/>and tax</b>                                 |      | <b>6,103</b>                  | <b>(3,649)</b>              | <b>(604)</b>                   | <b>1,850</b>                  |
| Interest expense  | 10   | 710                           | 949                         | (604)                          | 1,055                         |
| <b>Profit before income tax</b>   |      | <b>5,393</b>                  | <b>(4,598)</b>              | <b>-</b>                       | <b>795</b>                    |
| Income tax expense  | 11   | 1,638                         | (1,276)                     | -                              | 362                           |
| <b>Profit attributable to<br/>shareholders of the company</b>               |      | <b>3,755</b>                  | <b>(3,322)</b>              | <b>-</b>                       | <b>433</b>                    |
| Total tangible assets   |      | 36,625                        | 8,155                       | (23,295)                       | 21,485                        |
| Total assets  |      | 41,866                        | 31,190                      | (23,295)                       | 49,761                        |
| Total liabilities   |      | 18,703                        | 17,652                      | (7,351)                        | 29,004                        |
| Total cost to acquire assets to be<br>used for more than one period         |      | 388                           | 974                         | -                              | 1,362                         |



# Just Water International Limited

## Notes to the Financial Statements

### For the year ended 30 June 2007

#### 7. SEGMENT INFORMATION CONTINUED

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

#### 8. REVENUE

|                          | GROUP<br>YEAR ENDED<br>30 JUNE<br>2007<br>\$'000 | GROUP<br>YEAR ENDED<br>30 JUNE<br>2006<br>\$'000 | PARENT<br>YEAR ENDED<br>30 JUNE<br>2007<br>\$'000 | PARENT<br>YEAR ENDED<br>30 JUNE<br>2006<br>\$'000 |
|--------------------------|--|--|---|---|
| Rental income            | 18,670   | 16,170   | 10,781  | 9,920   |
| Sales and service income | 11,950   | 12,418   | 3,225   | 3,345   |
| <b>Total income</b>      | <b>30,620</b>                                    | <b>28,588</b>                                    | <b>14,006</b>                                     | <b>13,265</b>                                     |

## 9. OTHER OPERATING INCOME

|   | GROUP<br>YEAR ENDED<br>30 JUNE<br>2007<br>\$'000 | GROUP<br>YEAR ENDED<br>30 JUNE<br>2006<br>\$'000 | PARENT<br>YEAR ENDED<br>30 JUNE<br>2007<br>\$'000 | PARENT<br>YEAR ENDED<br>30 JUNE<br>2006<br>\$'000 |
|---|--|--|---|---|
| Net gain on disposal of property, plant and equipment             | -  | -  | -   | -   |
| Net gain on foreign currency derivatives not qualifying as hedges | -  | 507  | -   | 507   |
| Foreign exchange gains (net)                                      | 31   | (41)   | 2   | (31)  |
| Interest income   | 64   | 27   | 874   | 457   |
| <b>Total</b>  | <b>95</b>  | <b>493</b>                                       | <b>876</b>  | <b>933</b>  |

## 10. EXPENSES

|   | GROUP<br>YEAR ENDED<br>30 JUNE<br>2007<br>\$'000 | GROUP<br>YEAR ENDED<br>30 JUNE<br>2006<br>\$'000 | PARENT<br>YEAR ENDED<br>30 JUNE<br>2007<br>\$'000 | PARENT<br>YEAR ENDED<br>30 JUNE<br>2006<br>\$'000 |
|---|--|--|---|---|
| <b>Classification of expenses by function</b>         |  |  |   |   |
| Directors' fees                                       | 130  | 100  | 130   | 100   |
| Interest and finance charges paid/payable             | 1,055  | 1,025  | 709   | 279   |
| Net loss on disposal of property, plant and equipment | 291  | 49   | 5   | -   |
| Rental expense relating to operating leases           | 1,007  | 745  | 268   | 159   |
| Foreign exchange losses                               | -  | -  | -   | -   |
| Auditors' fees  |  |  |   |   |
| Audit services provided by principal auditors         |  |  |   |   |
| Statutory audit                                       | 116  | 80   | 48  | 42  |
| Other assurance fees                                  | 15   | 42   | -   | -   |
| Employee costs  |  |  |   |   |
| Wages and salaries                                    | 14,143   | 10,178   | 5,050   | 4,827   |
| Share options granted to directors and employees      | 93   | 14   | 93  | 14  |
| <b>Total employee costs</b>                           | <b>14,236</b>                                    | <b>10,192</b>                                    | <b>5,143</b>                                      | <b>4,841</b>                                      |

# Just Water International Limited

## Notes to the Financial Statements

### For the year ended 30 June 2007

#### 11. INCOME TAX EXPENSE

|   | GROUP<br>YEAR ENDED<br>30 JUNE<br>2007<br>\$'000 | GROUP<br>YEAR ENDED<br>30 JUNE<br>2006<br>\$'000 | PARENT<br>YEAR ENDED<br>30 JUNE<br>2007<br>\$'000 | PARENT<br>YEAR ENDED<br>30 JUNE<br>2006<br>\$'000 |
|---|--|--|---|---|
| Current tax   | 1,251  | 1,729  | 1,277   | 1,393   |
| Deferred tax (note 17)  | (889)  | 256  | 110   | 46  |
| Net income tax expense attributable to wholly owned tax consolidated entities   | -  | -  | (188)   | -   |
| <b>Income tax expense</b>   | <b>362</b>                                       | <b>1,985</b>                                     | <b>1,199</b>                                      | <b>1,439</b>                                      |
| Income tax expense is attributable to:  |  |  |   |   |
| Profit before income tax expense  | 795  | 5,976  | 4,047   | 4,339   |
| The tax in the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows: |  |  |   |   |
| Tax calculated at domestic tax rates applicable to profits in the respective countries  | 392  | 1,964  | 1,336   | 1,432   |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income:   |  |  |   |   |
| Tax losses from Group company   | -  | -  | (188)   | -   |
| Expenses not deductible for tax purposes  | 46   | 21   | 38  | 7   |
| Prior period adjustments  | (38)   | -  | 40  | -   |
| Corporate tax rate change   | (38)   | -  | (27)  | -   |
| <b>Income tax expense</b>   | <b>362</b>                                       | <b>1,985</b>                                     | <b>1,199</b>                                      | <b>1,439</b>                                      |
| <b>Imputation credit account</b>  |  |  |   |   |
| Balance at beginning of year  | 2,079  | 1,151  | 1,220   | 745   |
| Resident withholding tax on interest received   | -  | 14   | -   | 14  |
| Income tax paid   | 1,615  | 2,076  | 1,330   | 1,611   |
| Refunds received  | (8)  | (26)   | (5)   | -   |
| Other   | 2  | 4  | (1)   | (10)  |
| Imputation credits attached to dividends paid   | (1,297)  | (1,140)  | (1,297)   | (1,140)   |
| Imputation credits lost due to shareholding continuity  | -  | -  | -   | -   |
| <b>Balance at end of year</b>   | <b>2,391</b>                                     | <b>2,079</b>                                     | <b>1,247</b>                                      | <b>1,220</b>                                      |
| <b>Imputation credits available to shareholders of the parent company</b>   |  |  |   |   |
| Through the parent  | 1,247  | 1,220  | 1,247   | 1,220   |
| Through subsidiaries  | 1,144  | 859  | -   | -   |

## 12. CASH AND CASH EQUIVALENTS

|  | GROUP<br>AS AT<br>30 JUNE<br>2007<br>\$'000 | GROUP<br>AS AT<br>30 JUNE<br>2006<br>\$'000 | PARENT<br>AS AT<br>30 JUNE<br>2007<br>\$'000 | PARENT<br>AS AT<br>30 JUNE<br>2006<br>\$'000 |
|--|---|---|--|--|
| Cash at bank and in hand               | 6   | 4   | 1  | 1  |
| Short-term bank deposits               | 315   | 1,215                                       | -  | -  |
| <b>Total cash and cash equivalents</b> | <b>321</b>                                  | <b>1,219</b>                                | <b>1</b>                                     | <b>1</b>                                     |

**Cash and bank overdrafts include the following for the purposes of the cash flow statement:**

|                                      |            |              |            |              |
|--------------------------------------|------------|--------------|------------|--------------|
| Cash and cash equivalents            | 321        | 1,219        | 1          | 1            |
| Bank overdrafts (see note 21)        | (4)        | (127)        | (4)        | (127)        |
| <b>Total cash and bank overdraft</b> | <b>317</b> | <b>1,092</b> | <b>(3)</b> | <b>(126)</b> |

## 13. TRADE AND OTHER RECEIVABLES

|                                    | GROUP<br>AS AT<br>30 JUNE<br>2007<br>\$'000 | GROUP<br>AS AT<br>30 JUNE<br>2006<br>\$'000 | PARENT<br>AS AT<br>30 JUNE<br>2007<br>\$'000 | PARENT<br>AS AT<br>30 JUNE<br>2006<br>\$'000 |
|------------------------------------|---|---|--|--|
| Trade receivables                  | 3,615                                       | 3,567                                       | 1,178  | 1,120  |
| Provision for doubtful receivables | (137)                                       | (57)  | (37)   | (8)  |
| <b>Net trade receivables</b>       | <b>3,478</b>                                | <b>3,510</b>                                | <b>1,141</b>                                 | <b>1,112</b>                                 |
| Related-party receivables          | -   | -   | 20,333                                       | 5,790  |
| Prepayments                        | 137   | 103   | 81   | 74   |
| <b>Trade and other receivables</b> | <b>3,615</b>                                | <b>3,613</b>                                | <b>21,555</b>                                | <b>6,976</b>                                 |

### Bad and doubtful trade receivables

The Company has recognised a loss of \$83,372 (2006: \$65,998) in respect of bad and doubtful trade receivables during the year ended 30 June 2007. The loss has been included in 'other expenses' in the income statement.

# Just Water International Limited

## Notes to the Financial Statements

### For the year ended 30 June 2007

#### 14. INVENTORIES

|                          | GROUP<br>AS AT<br>30 JUNE<br>2007<br>\$'000 | GROUP<br>AS AT<br>30 JUNE<br>2006<br>\$'000 | PARENT<br>AS AT<br>30 JUNE<br>2007<br>\$'000 | PARENT<br>AS AT<br>30 JUNE<br>2006<br>\$'000 |
|--------------------------|---|---|--|--|
| Finished Goods           | 1,380                                       | 1,189                                       | 276  | 639  |
| Consumables              | 1,093                                       | 715   | 309  | 167  |
| <b>Total inventories</b> | <b>2,473</b>                                | <b>1,904</b>                                | <b>585</b>                                   | <b>806</b>                                   |

#### Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2007 amounted to \$247,223 (2006: \$127,817). The expense has been included in 'changes in inventories of finished goods and consumables' in the income statement.

#### 15. DERIVATIVE FINANCIAL INSTRUMENTS

|                                    | GROUP<br>AS AT<br>30 JUNE<br>2007<br>\$'000 | GROUP<br>AS AT<br>30 JUNE<br>2006<br>\$'000 | PARENT<br>AS AT<br>30 JUNE<br>2007<br>\$'000 | PARENT<br>AS AT<br>30 JUNE<br>2006<br>\$'000 |
|------------------------------------|---|---|--|--|
| <b>Current asset</b>               |   |   |  |  |
| Forward foreign exchange contracts | -   | 507   | -  | 507  |

#### Foreign exchange forward contract

The notional principal amounts of forward contracts at 30 June 2007 was nil (2006: AUD\$3,500,000).

#### 16. CURRENT TAX RECEIVABLES

|   | GROUP<br>AS AT<br>30 JUNE<br>2007<br>\$'000 | GROUP<br>AS AT<br>30 JUNE<br>2006<br>\$'000 | PARENT<br>AS AT<br>30 JUNE<br>2007<br>\$'000 | PARENT<br>AS AT<br>30 JUNE<br>2006<br>\$'000 |
|---|---|---|--|--|
| Excess of tax paid for current period over amount due | 420   | 425   | 399  | 118  |



## 17. DEFERRED TAX

Deferred income tax assets and liabilities are offset when there is a legally-enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The movements on the deferred income tax account are as follows:

|                                       | GROUP<br>AS AT<br>30 JUNE<br>2007<br>\$'000 | GROUP<br>AS AT<br>30 JUNE<br>2006<br>\$'000 | PARENT<br>AS AT<br>30 JUNE<br>2007<br>\$'000 | PARENT<br>AS AT<br>30 JUNE<br>2006<br>\$'000 |
|---------------------------------------|---|---|--|--|
| <b>Deferred tax asset/(liability)</b> |   |   |  |  |
| Beginning of the year                 | 138   | 86  | (65)   | (19)   |
| Acquisition of subsidiary (note 26)   | (72)  | 276   | -  | -  |
| Income statement charge (note 11)     | 889   | (256)                                       | (110)  | (46)   |
| Exchange differences                  | 27  | 32  | -  | -  |
| End of the year                       | <b>982</b>                                  | <b>138</b>                                  | <b>(175)</b>                                 | <b>(65)</b>                                  |

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<br>RECOGNISED<br>\$'000 | ACCRUALS<br>\$'000 | OTHER<br>\$'000 | TOTAL<br>\$'000 |
|--|------------------------------------|--------------------|-----------------|-----------------|
| <b>Deferred tax assets:</b>                |                                    |                    |                 |                 |
| <b>GROUP</b>                               |                                    |                    |                 |                 |
| <b>At 1 July 2005</b>                      | <b>(6)</b>                         | <b>68</b>          | <b>20</b>       | <b>82</b>       |
| Acquisition of subsidiary                  | 559                                | 65                 | -               | 624             |
| Charged/(credited) to the income statement | (165)                              | 37                 | (2)             | (130)           |
| Exchange differences                       | 32                                 | -                  | -               | 32              |
| <b>At 30 June 2006</b>                     | <b>420</b>                         | <b>170</b>         | <b>18</b>       | <b>608</b>      |
| Acquisition of subsidiary                  | -                                  | -                  | -               | -               |
| Charged/(credited) to the income statement | 840                                | 170                | 46              | 1,056           |
| Exchange differences                       | 27                                 | -                  | -               | 27              |
| <b>At 30 June 2007</b>                     | <b>1,287</b>                       | <b>340</b>         | <b>64</b>       | <b>1,691</b>    |

# Just Water International Limited

## Notes to the Financial Statements

### For the year ended 30 June 2007

#### 17. DEFERRED TAX CONTINUED

|  | CUSTOMER<br>CONTRACTS<br>\$'000 | ACCELERATED<br>DEPRECIATION<br>\$'000 | OTHER<br>\$'000 | TOTAL<br>\$'000 |
|--|---------------------------------|---------------------------------------|-----------------|-----------------|
| <b>Deferred tax liabilities:</b>           |                                 |                                       |                 |                 |
| <b>GROUP</b>                               |                                 |                                       |                 |                 |
| <b>At 1 July 2005</b>                      | -                               | 4                                     | -               | 4               |
| Acquisition of subsidiary                  | (348)                           | -                                     | -               | (348)           |
| Charged/(credited) to the income statement | 67                              | (193)                                 | -               | (126)           |
| <b>At 30 June 2006</b>                     | <b>(281)</b>                    | <b>(189)</b>                          | -               | <b>(470)</b>    |
| Acquisition of subsidiary                  | (72)                            | -                                     | -               | (72)            |
| Charged/(credited) to the income statement | 84                              | (251)                                 | -               | (167)           |
| <b>At 30 June 2007</b>                     | <b>(269)</b>                    | <b>(440)</b>                          | -               | <b>(709)</b>    |

|  | TAX LOSSES<br>RECOGNISED<br>\$'000 | ACCRUALS<br>\$'000 | OTHER<br>\$'000 | TOTAL<br>\$'000 |
|--|------------------------------------|--------------------|-----------------|-----------------|
| <b>Deferred tax assets:</b>                |                                    |                    |                 |                 |
| <b>PARENT</b>                              |                                    |                    |                 |                 |
| <b>At 1 July 2005</b>                      | -                                  | 50                 | -               | 50              |
| Acquisition of subsidiary                  | -                                  | -                  | -               | -               |
| Charged/(credited) to the income statement | -                                  | 27                 | -               | 27              |
| Exchange differences                       | -                                  | -                  | -               | -               |
| <b>At 30 June 2006</b>                     | -                                  | <b>77</b>          | -               | <b>77</b>       |
| Acquisition of subsidiary                  | -                                  | -                  | -               | -               |
| Charged/(credited) to the income statement | -                                  | (2)                | -               | (2)             |
| Exchange differences                       | -                                  | -                  | -               | -               |
| <b>At 30 June 2007</b>                     | -                                  | <b>75</b>          | -               | <b>75</b>       |

|  | CUSTOMER<br>CONTRACTS<br>\$'000 | ACCELERATED<br>DEPRECIATION<br>\$'000 | OTHER<br>\$'000 | TOTAL<br>\$'000 |
|--|---------------------------------|---------------------------------------|-----------------|-----------------|
| <b>Deferred tax liabilities:</b>           |                                 |                                       |                 |                 |
| <b>PARENT</b>                              |                                 |                                       |                 |                 |
| <b>At 1 July 2005</b>                      | -                               | (69)                                  | -               | (69)            |
| Acquisition of subsidiary                  | -                               | -                                     | -               | -               |
| Charged/(credited) to the income statement | -                               | (65)                                  | (8)             | (73)            |
| <b>At 30 June 2006</b>                     | -                               | <b>(134)</b>                          | <b>(8)</b>      | <b>(142)</b>    |
| Acquisition of subsidiary                  | -                               | -                                     | -               | -               |
| Charged/(credited) to the income statement | -                               | (95)                                  | (13)            | (108)           |
| <b>At 30 June 2007</b>                     | -                               | <b>(229)</b>                          | <b>(21)</b>     | <b>(250)</b>    |

## 18. PROPERTY, PLANT AND EQUIPMENT

|   | LAND AND<br>BUILDINGS | LEASEHOLD<br>IMPROVMENTS | RENTAL<br>EQUIPMENT | MOTOR<br>VEHICLES | OFFICE<br>EQUIPMENT | PLANT AND<br>EQUIPMENT | FURNITURE<br>AND FITTINGS | TOTAL         |
|---|-----------------------|--------------------------|---------------------|-------------------|---------------------|------------------------|---------------------------|---------------|
|   | \$'000                | \$'000                   | \$'000              | \$'000            | \$'000              | \$'000                 | \$'000                    | \$'000        |
| <b>GROUP</b>                            |                       |                          |                     |                   |                     |                        |                           |               |
| <b>As at 1 July 2005</b>                |                       |                          |                     |                   |                     |                        |                           |               |
| Cost or valuation                       | 1,285                 | 395                      | 6,969               | 621               | 1,223               | 964                    | 110                       | 11,567        |
| Accumulated depreciation and impairment | (17)                  | (84)                     | (2,400)             | (224)             | (759)               | (213)                  | (40)                      | (3,737)       |
| Net book amount                         | <b>1,268</b>          | <b>311</b>               | <b>4,569</b>        | <b>397</b>        | <b>464</b>          | <b>751</b>             | <b>70</b>                 | <b>7,830</b>  |
| <b>Year ended 30 June 2006</b>          |                       |                          |                     |                   |                     |                        |                           |               |
| Opening net book amount                 | 1,268                 | 311                      | 4,569               | 397               | 464                 | 751                    | 70                        | 7,830         |
| Additions <sup>N1</sup>                 | -                     | 42                       | 3,978               | 315               | 256                 | 222                    | 17                        | 4,830         |
| Acquisition of business (refer note 26) | -                     | 153                      | 1,539               | 162               | 41                  | 87                     | 12                        | 1,994         |
| Disposals <sup>N1</sup>                 | -                     | -                        | (2,061)             | (289)             | (25)                | (18)                   | (4)                       | (2,397)       |
| Impairment charge                       | -                     | -                        | -                   | -                 | -                   | -                      | -                         | -             |
| Depreciation charge                     | (11)                  | (40)                     | (1,065)             | (137)             | (232)               | (111)                  | (14)                      | (1,610)       |
| Closing net book amount                 | <b>1,257</b>          | <b>466</b>               | <b>6,960</b>        | <b>448</b>        | <b>504</b>          | <b>931</b>             | <b>81</b>                 | <b>10,647</b> |
| <b>As at 30 June 2006</b>               |                       |                          |                     |                   |                     |                        |                           |               |
| Cost or valuation                       | 1,285                 | 590                      | 9,003               | 789               | 1,494               | 1,254                  | 135                       | 14,550        |
| Accumulated depreciation and impairment | (28)                  | (124)                    | (2,043)             | (341)             | (990)               | (323)                  | (54)                      | (3,903)       |
| Net book amount                         | <b>1,257</b>          | <b>466</b>               | <b>6,960</b>        | <b>448</b>        | <b>504</b>          | <b>931</b>             | <b>81</b>                 | <b>10,647</b> |
| <b>Year ended 30 June 2007</b>          |                       |                          |                     |                   |                     |                        |                           |               |
| Opening net book amount                 | 1,257                 | 466                      | 6,960               | 448               | 504                 | 931                    | 81                        | 10,647        |
| Foreign Currency Movements              | -                     | (12)                     | (144)               | (5)               | (2)                 | (4)                    | (1)                       | (168)         |
| Additions <sup>N1</sup>                 | -                     | 227                      | 3,942               | 489               | 442                 | 169                    | 59                        | 5,328         |
| Acquisition of business (refer note 26) | -                     | -                        | -                   | -                 | -                   | -                      | -                         | -             |
| Disposals <sup>N1</sup>                 | -                     | (136)                    | (499)               | (138)             | (11)                | (11)                   | (1)                       | (796)         |
| Impairment charge                       | -                     | -                        | -                   | -                 | -                   | -                      | -                         | -             |
| Depreciation charge                     | (11)                  | (57)                     | (1,385)             | (174)             | (265)               | (136)                  | (19)                      | (2,047)       |
| Closing net book amount                 | <b>1,246</b>          | <b>488</b>               | <b>8,874</b>        | <b>620</b>        | <b>668</b>          | <b>949</b>             | <b>119</b>                | <b>12,964</b> |
| <b>As at 30 June 2007</b>               |                       |                          |                     |                   |                     |                        |                           |               |
| Cost or valuation                       | 1,285                 | 665                      | 12,291              | 1,066             | 1,923               | 1,404                  | 190                       | 18,824        |
| Accumulated depreciation and impairment | (39)                  | (177)                    | (3,417)             | (446)             | (1,255)             | (455)                  | (71)                      | (5,860)       |
| Net book amount                         | <b>1,246</b>          | <b>488</b>               | <b>8,874</b>        | <b>620</b>        | <b>668</b>          | <b>949</b>             | <b>119</b>                | <b>12,964</b> |

# Just Water International Limited

## Notes to the Financial Statements

### For the year ended 30 June 2007

#### 18. PROPERTY, PLANT AND EQUIPMENT CONTINUED

|   | LAND AND<br>BUILDINGS | LEASEHOLD<br>IMPROVMENTS | RENTAL<br>EQUIPMENT | MOTOR<br>VEHICLES | OFFICE<br>EQUIPMENT | PLANT AND<br>EQUIPMENT | FURNITURE<br>AND FITTINGS | TOTAL        |
|---|-----------------------|--------------------------|---------------------|-------------------|---------------------|------------------------|---------------------------|--------------|
|   | \$'000                | \$'000                   | \$'000              | \$'000            | \$'000              | \$'000                 | \$'000                    | \$'000       |
| <b>PARENT</b>                           |                       |                          |                     |                   |                     |                        |                           |              |
| <b>As at 1 July 2005</b>                |                       |                          |                     |                   |                     |                        |                           |              |
| Cost or valuation                       | 1,285                 | 226                      | 4,816               | 236               | 834                 | 101                    | 57                        | 7,555        |
| Accumulated depreciation and impairment | (17)                  | (67)                     | (1,744)             | (94)              | (592)               | (98)                   | (26)                      | (2,638)      |
| Net book amount                         | <b>1,268</b>          | <b>159</b>               | <b>3,072</b>        | <b>142</b>        | <b>242</b>          | <b>3</b>               | <b>31</b>                 | <b>4,917</b> |
| <b>Year ended 30 June 2006</b>          |                       |                          |                     |                   |                     |                        |                           |              |
| Opening net book amount                 | 1,268                 | 159                      | 3,072               | 142               | 242                 | 3                      | 31                        | 4,917        |
| Additions <sup>N1</sup>                 | -                     | 11                       | 2,086               | 78                | 136                 | 8                      | 6                         | 2,325        |
| Acquisition of business                 | -                     | -                        | -                   | -                 | -                   | -                      | -                         | -            |
| Disposals <sup>N1</sup>                 | -                     | -                        | (1,137)             | (11)              | (23)                | -                      | -                         | (1,171)      |
| Impairment charge                       | -                     | -                        | -                   | -                 | -                   | -                      | -                         | -            |
| Depreciation charge                     | (11)                  | (16)                     | (587)               | (53)              | (131)               | (2)                    | (7)                       | (807)        |
| Closing net book amount                 | <b>1,257</b>          | <b>154</b>               | <b>3,434</b>        | <b>156</b>        | <b>224</b>          | <b>9</b>               | <b>30</b>                 | <b>5,264</b> |
| <b>As at 30 June 2006</b>               |                       |                          |                     |                   |                     |                        |                           |              |
| Cost or valuation                       | 1,285                 | 238                      | 4,343               | 283               | 950                 | 109                    | 63                        | 7,271        |
| Accumulated depreciation and impairment | (28)                  | (84)                     | (909)               | (127)             | (726)               | (100)                  | (33)                      | (2,007)      |
| Net book amount                         | <b>1,257</b>          | <b>154</b>               | <b>3,434</b>        | <b>156</b>        | <b>224</b>          | <b>9</b>               | <b>30</b>                 | <b>5,264</b> |
| <b>Year ended 30 June 2007</b>          |                       |                          |                     |                   |                     |                        |                           |              |
| Opening net book amount                 | 1,257                 | 154                      | 3,434               | 156               | 224                 | 9                      | 30                        | 5,264        |
| Additions <sup>N1</sup>                 | -                     | 45                       | 1,532               | -                 | 75                  | -                      | 14                        | 1,666        |
| Acquisition of business                 | -                     | -                        | -                   | -                 | -                   | -                      | -                         | -            |
| Disposals <sup>N1</sup>                 | -                     | -                        | (89)                | (25)              | -                   | -                      | -                         | (114)        |
| Impairment charge                       | -                     | -                        | -                   | -                 | -                   | -                      | -                         | -            |
| Depreciation charge                     | (11)                  | (17)                     | (667)               | (56)              | (115)               | (2)                    | (7)                       | (875)        |
| Closing net book amount                 | <b>1,246</b>          | <b>182</b>               | <b>4,210</b>        | <b>75</b>         | <b>184</b>          | <b>7</b>               | <b>37</b>                 | <b>5,941</b> |
| <b>As at 30 June 2007</b>               |                       |                          |                     |                   |                     |                        |                           |              |
| Cost or valuation                       | 1,285                 | 283                      | 5,786               | 258               | 1,025               | 109                    | 76                        | 8,822        |
| Accumulated depreciation and impairment | (39)                  | (101)                    | (1,576)             | (183)             | (841)               | (102)                  | (39)                      | (2,881)      |
| Net book amount                         | <b>1,246</b>          | <b>182</b>               | <b>4,210</b>        | <b>75</b>         | <b>184</b>          | <b>7</b>               | <b>37</b>                 | <b>5,941</b> |

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

## 19. INTANGIBLE ASSETS

|  | SOFTWARE  | GOODWILL      | INTELLECTUAL<br>PROPERTY | PATENTS AND<br>TRADEMARKS | CUSTOMER<br>CONTRACTS | TOTAL         |
|--|-----------|---------------|--------------------------|---------------------------|-----------------------|---------------|
|  | \$'000    | \$'000        | \$'000                   | \$'000                    | \$'000                | \$'000        |
| <b>GROUP</b>                                 |           |               |                          |                           |                       |               |
| <b>As at 1 July 2005</b>                     |           |               |                          |                           |                       |               |
| Cost or valuation                            | 67        | 5,171         | -                        | -                         | -                     | 5,238         |
| Accumulated amortisation and impairment      | (54)      | -             | -                        | -                         | -                     | (54)          |
| Net book amount                              | <b>13</b> | <b>5,171</b>  | <b>-</b>                 | <b>-</b>                  | <b>-</b>              | <b>5,184</b>  |
| <b>Year ended 30 June 2006</b>               |           |               |                          |                           |                       |               |
| Opening net book amount                      | 13        | 5,171         | -                        | -                         | -                     | 5,184         |
| Additions                                    | 6         | -             | -                        | 60                        | -                     | 66            |
| Acquisition of business (refer note 26)      | 34        | 16,179        | -                        | 87                        | 1,159                 | 17,459        |
| Disposals                                    | -         | -             | -                        | -                         | -                     | -             |
| Impairment charge                            | -         | -             | -                        | -                         | -                     | -             |
| Amortisation charge                          | (7)       | -             | -                        | (5)                       | (223)                 | (235)         |
| Closing net book amount                      | <b>46</b> | <b>21,350</b> | <b>-</b>                 | <b>142</b>                | <b>936</b>            | <b>22,474</b> |
| <b>As at 30 June 2006</b>                    |           |               |                          |                           |                       |               |
| Cost or valuation                            | 107       | 21,350        | -                        | 147                       | 1,159                 | 22,763        |
| Accumulated amortisation and impairment      | (61)      | -             | -                        | (5)                       | (223)                 | (289)         |
| Net book amount                              | <b>46</b> | <b>21,350</b> | <b>-</b>                 | <b>142</b>                | <b>936</b>            | <b>22,474</b> |
| <b>Year ended 30 June 2007</b>               |           |               |                          |                           |                       |               |
| Opening net book amount                      | 46        | 21,350        | -                        | 142                       | 936                   | 22,474        |
| Adjustments to opening balances              | -         | -             | -                        | -                         | -                     | -             |
| Foreign Currency Movement in Opening Balance | (2)       | -             | -                        | (7)                       | -                     | (9)           |
| Additions                                    | 6         | -             | -                        | 29                        | 207                   | 242           |
| Acquisition of business (refer note 26)      | -         | 5,644         | -                        | -                         | 312                   | 5,956         |
| Disposals                                    | -         | -             | -                        | -                         | -                     | -             |
| Impairment charge                            | -         | -             | -                        | -                         | -                     | -             |
| Amortisation charge                          | (42)      | -             | -                        | (29)                      | (315)                 | (386)         |
| Closing net book amount                      | <b>8</b>  | <b>26,994</b> | <b>-</b>                 | <b>135</b>                | <b>1,140</b>          | <b>28,277</b> |
| <b>As at 30 June 2007</b>                    |           |               |                          |                           |                       |               |
| Cost or valuation                            | 111       | 26,994        | -                        | 169                       | 1,678                 | 28,952        |
| Accumulated amortisation and impairment      | (103)     | -             | -                        | (34)                      | (538)                 | (675)         |
| Net book amount                              | <b>8</b>  | <b>26,994</b> | <b>-</b>                 | <b>135</b>                | <b>1,140</b>          | <b>28,277</b> |

# Just Water International Limited

## Notes to the Financial Statements

### For the year ended 30 June 2007

#### 19. INTANGIBLE ASSETS CONTINUED

|   | SOFTWARE<br>\$'000 | GOODWILL<br>\$'000 | INTELLECTUAL<br>PROPERTY<br>\$'000 | PATENTS AND<br>TRADEMARKS<br>\$'000 | CUSTOMER<br>CONTRACTS<br>\$'000 | TOTAL<br>\$'000 |
|---|--------------------|--------------------|------------------------------------|-------------------------------------|---------------------------------|-----------------|
| <b>PARENT</b>                           |                    |                    |                                    |                                     |                                 |                 |
| <b>As at 30 June 2006</b>               |                    |                    |                                    |                                     |                                 |                 |
| Cost or valuation                       | 67                 | -                  | -                                  | -                                   | -                               | 67              |
| Accumulated amortisation and impairment | (54)               | -                  | -                                  | -                                   | -                               | (54)            |
| Net book amount                         | 13                 | -                  | -                                  | -                                   | -                               | 13              |
| <b>Year ended 30 June 2006</b>          |                    |                    |                                    |                                     |                                 |                 |
| Opening net book amount                 | 13                 | -                  | -                                  | -                                   | -                               | 13              |
| Additions                               | 4                  | -                  | -                                  | 37                                  | -                               | 41              |
| Acquisition of business                 | -                  | -                  | -                                  | -                                   | -                               | -               |
| Disposals                               | -                  | -                  | -                                  | -                                   | -                               | -               |
| Impairment charge                       | -                  | -                  | -                                  | -                                   | -                               | -               |
| Amortisation charge                     | (7)                | -                  | -                                  | -                                   | -                               | (7)             |
| Closing net book amount                 | 10                 | -                  | -                                  | 37                                  | -                               | 47              |
| <b>As at 30 June 2006</b>               |                    |                    |                                    |                                     |                                 |                 |
| Cost or valuation                       | 70                 | -                  | -                                  | 37                                  | -                               | 107             |
| Accumulated amortisation and impairment | (60)               | -                  | -                                  | -                                   | -                               | (60)            |
| Net book amount                         | 10                 | -                  | -                                  | 37                                  | -                               | 47              |
| <b>Year ended 30 June 2007</b>          |                    |                    |                                    |                                     |                                 |                 |
| Opening net book amount                 | 10                 | -                  | -                                  | 37                                  | -                               | 47              |
| Additions                               | 6                  | -                  | -                                  | 16                                  | -                               | 22              |
| Acquisition of business                 | -                  | -                  | -                                  | -                                   | -                               | -               |
| Disposals                               | -                  | -                  | -                                  | -                                   | -                               | -               |
| Impairment charge                       | -                  | -                  | -                                  | -                                   | -                               | -               |
| Amortisation charge                     | (9)                | -                  | -                                  | -                                   | -                               | (9)             |
| Closing net book amount                 | 7                  | -                  | -                                  | 53                                  | -                               | 60              |
| <b>As at 30 June 2007</b>               |                    |                    |                                    |                                     |                                 |                 |
| Cost or valuation                       | 76                 | -                  | -                                  | 53                                  | -                               | 129             |
| Accumulated amortisation and impairment | (69)               | -                  | -                                  | -                                   | -                               | (69)            |
| Net book amount                         | 7                  | -                  | -                                  | 53                                  | -                               | 60              |

#### Impairment tests for goodwill

Goodwill is allocated to the company's cash-generating units (CGUs) identified according to business segment and country of operation. A segment-level summary of the goodwill allocation is presented below.

|             | GROUP<br>YEAR ENDED<br>30 JUNE<br>2007<br>\$'000 | GROUP<br>YEAR ENDED<br>30 JUNE<br>2006<br>\$'000 | PARENT<br>YEAR ENDED<br>30 JUNE<br>2007<br>\$'000 | PARENT<br>YEAR ENDED<br>30 JUNE<br>2006<br>\$'000 |
|-------------|--|--|---|---|
| New Zealand | 5,171  | 5,171  | -   | -   |
| Australia   | 21,823   | 16,179   | -   | -   |
|             | 26,994   | 21,350   | -   | -   |

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. Cash flows are discounted at a pre-tax discount rate of 16.5 percent. The value-in-use calculation supports the carrying amount of the recorded goodwill at year end.



## 20. TRADE AND OTHER PAYABLES

|                                       | GROUP<br>AS AT<br>30 JUNE<br>2007<br>\$'000 | GROUP<br>AS AT<br>30 JUNE<br>2006<br>\$'000 | PARENT<br>AS AT<br>30 JUNE<br>2007<br>\$'000 | PARENT<br>AS AT<br>30 JUNE<br>2006<br>\$'000 |
|---------------------------------------|---|---|--|--|
| Trade payables                        | 2,170                                       | 1,200                                       | 314  | 361  |
| Related-party payables                | 241   | 471   | -  | 879  |
| Accrued expenses and provisions       | 1,664                                       | 1,141                                       | 831  | 494  |
| Deferred payment (note 26)            | -   | 6,825                                       | -  | -  |
| <b>Total trade and other payables</b> | <b>4,075</b>                                | <b>9,637</b>                                | <b>1,145</b>                                 | <b>1,734</b>                                 |

## 21. INTEREST-BEARING LIABILITIES

|   | GROUP<br>AS AT<br>30 JUNE<br>2007<br>\$'000 | GROUP<br>AS AT<br>30 JUNE<br>2006<br>\$'000 | PARENT<br>AS AT<br>30 JUNE<br>2007<br>\$'000 | PARENT<br>AS AT<br>30 JUNE<br>2006<br>\$'000 |
|---|---|---|--|--|
| <b>Current</b>                                    |   |   |  |  |
| Bank overdraft                                    | 4   | 127   | 4  | 127  |
| Commercial bills                                  | 16,373                                      | 4,400                                       | 16,373                                       | 4,400  |
| Other loans                                       | 243   | 69  | -  | -  |
| <b>Total current interest-bearing liabilities</b> | <b>16,620</b>                               | <b>4,596</b>                                | <b>16,377</b>                                | <b>4,527</b>                                 |

### Assets pledged as security

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

# Just Water International Limited

## Notes to the Financial Statements

### For the year ended 30 June 2007

#### 21. INTEREST-BEARING LIABILITIES CONTINUED

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

|                        | 6 MONTHS<br>OR LESS | 6-12 MONTHS | OVER 1 YEAR | TOTAL  |
|------------------------|---------------------|-------------|-------------|--------|
| <b>Group</b>           |                     |             |             |        |
| <b>At 30 June 2007</b> |                     |             |             |        |
| Bank overdraft         | 4                   | -           | -           | 4      |
| Commercial bills       | 16,373              | -           | -           | 16,373 |
| Other loans            | 243                 | -           | -           | 243    |
| <b>At 30 June 2006</b> |                     |             |             |        |
| Bank overdraft         | 127                 | -           | -           | 127    |
| Commercial bills       | 4,400               | -           | -           | 4,400  |
| Other loans            | 69                  | -           | -           | 69     |
| <b>Parent</b>          |                     |             |             |        |
| <b>At 30 June 2007</b> |                     |             |             |        |
| Bank overdraft         | 4                   | -           | -           | 4      |
| Commercial bills       | 16,373              | -           | -           | 16,373 |
| Other loans            | -                   | -           | -           | -      |
| <b>At 30 June 2006</b> |                     |             |             |        |
| Bank overdraft         | 127                 | -           | -           | 127    |
| Commercial bills       | 4,400               | -           | -           | 4,400  |
| Other loans            | -                   | -           | -           | -      |

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

|                  | GROUP<br>AS AT<br>30 JUNE<br>2007<br>\$'000 | GROUP<br>AS AT<br>30 JUNE<br>2006<br>\$'000 | PARENT<br>AS AT<br>30 JUNE<br>2007<br>\$'000 | PARENT<br>AS AT<br>30 JUNE<br>2006<br>\$'000 |
|------------------|---|---|--|--|
| Bank overdraft   | -   | -   | 10.82%                                       | 10.13%                                       |
| Commercial bills | 9.35% - 11.03%                              | 8.90%                                       | 9.35% - 9.70%                                | 8.90%  |
| Other loans      | 3.31% - 15.61%                              | 6.80%                                       | -  | -  |

## 22. SHARE CAPITAL

|  | GROUP<br>30 JUNE<br>2007<br>SHARES | GROUP<br>30 JUNE<br>2006<br>SHARES | PARENT<br>30 JUNE<br>2007<br>\$'000 | PARENT<br>30 JUNE<br>2006<br>\$'000 |
|--|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|
| Ordinary shares, issued and fully-paid | 74,160,567                         | 70,353,766                         | 15,762                              | 12,524                              |

All ordinary shares rank equally with one vote attached to each fully-paid ordinary share. On 15 June 2004 the Company was listed on the NZAX – the secondary market of the New Zealand Stock Exchange.

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

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

### Movements in ordinary share capital:

|   | NUMBER<br>OF SHARES | SHARE<br>CAPITAL<br>\$'000 |
|---|---------------------|----------------------------|
| Ordinary shares on issue 1 July 2005                    | 66,436,400          | 9,115                      |
| Shares issued   |                     |                            |
| - Tranche 1 payment (refer note 26)                     | 3,367,545           | 3,031                      |
| - Share options exercised                               | 440,000             | 264                        |
| - Share issued in lieu of directors' fees               | 109,821             | 100                        |
| Fair value of options issued to directors and employees | -                   | 14                         |
| <b>Ordinary shares on issue as at 30 June 2006</b>      | <b>70,353,766</b>   | <b>12,524</b>              |
| Shares issued   |                     |                            |
| - Tranche 2 payment (refer note 26)                     | 2,683,601           | 2,415                      |
| - Share options exercised                               | 1,000,000           | 600                        |
| - Share issued in lieu of directors' fees               | 123,200             | 130                        |
| Fair value of options issued to directors and employees | -                   | 93                         |
| <b>Ordinary shares on issue as at 30 June 2007</b>      | <b>74,160,567</b>   | <b>15,762</b>              |

The Group issued 2,683,601 shares on 7 September 2006 to the shareholders of Clearwater as part of the purchase consideration for 100 percent of its ordinary share capital (note 26). The ordinary shares issued have the same rights as the others shares in issue. The fair value of the shares issued amounted to \$2.415m.

The Group issued 123,200 shares in November 2006 to the directors of Just Water International Limited in lieu of directors' fees for the year, to the value of \$130,000.

# Just Water International Limited

## Notes to the Financial Statements

### For the year ended 30 June 2007

## 22. SHARE CAPITAL CONTINUED

### Options

Share options are granted to directors and to selected employees. The exercise price of the granted options is as below. Employee share options are able to be exercised over a period of time which varies per employee with a final exercise date as below. The exercise price as below may be beneath the actual share price on the exercise date. Options are conditional on the employees' remaining in the employment of JWI unless special circumstances exist. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

On 13 August 2006 and 13 October 2006 the Company issued 700,000 and 1,000,000 options respectively to senior executives at a exercise price of \$1.10 per option (2006: 200,000 options issued at an exercise price of \$1.00 per option).

|                   | Parent and Group<br>2007                     |                        | Parent and Group<br>2006                     |                        |
|-------------------|--|------------------------|--|------------------------|
|                   | Average<br>exercise price in<br>\$ per share | Options<br>(thousands) | Average<br>exercise price in<br>\$ per share | Options<br>(thousands) |
| At 1 July         | 0.67   | 1,200                  | 0.60   | 1,440                  |
| Granted           | 1.10   | 1,700                  | 1.00   | 200                    |
| Forfeited         | -  | -                      | -  | -                      |
| Exercised         | 0.60   | (1,000)                | 0.60   | (440)                  |
| Exercised         | 1.00   | (200)                  | -  | -                      |
| Lapsed            | 1.00   | (700)                  | -  | -                      |
| <b>At 30 June</b> | <b>1.10</b>                                  | <b>1,000</b>           | <b>0.67</b>                                  | <b>1,200</b>           |

All options are exercisable on grant date. Options exercised in 2007 resulted in 1,000,000 ordinary shares (2006: 440,000 shares) being issued at \$0.60 each (2006: \$0.60 each).

Share options outstanding (in thousands) at the end of the year have the following expiry date and exercise prices:

| Expiry date | Exercise price | Options (thousands) |       |
|-------------|----------------|---------------------|-------|
|             |                | 2007                | 2006  |
| 29/09/2007  | 0.60           | -                   | 1,000 |
| 29/09/2007  | 1.00           | -                   | 200   |
| 1/03/2010   | 1.10           | 1,000               | -     |

### Fair value of share options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2007 was 18.40 cents per option (2006: 6.96 cents per option). The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest-rate for the term of the option.

The fair value of options granted during the period determined using the Black-Scholes valuation model was \$183,986 (2006: \$13,936) which is recognised over the vesting period of the options. The significant inputs into the model were share price of \$1.10 (2006: \$0.90) at the grant date, exercise price shown above, standard deviation of expected share price returns of 30 percent (2006: 30 percent), dividend yield of five percent (2006: five percent), option life disclosed above, and annual risk-free interest-rate of six percent (2006: six percent). The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the last three years.

## 23. DIVIDENDS

|  | GROUP<br>YEAR ENDED<br>30 JUNE<br>2007<br>\$'000 | GROUP<br>YEAR ENDED<br>30 JUNE<br>2006<br>\$'000 | PARENT<br>YEAR ENDED<br>30 JUNE<br>2007<br>\$'000 | PARENT<br>YEAR ENDED<br>30 JUNE<br>2006<br>\$'000 |
|--|--|--|---|---|
| <b>Ordinary shares</b>   |  |  |   |   |
| Final dividend for the year ended 30 June 2006 of 1.98 cents (2005: 1.79 cents) per fully-paid share paid on 6 October 2006 (2005: 7 October 2005) | 1,446  | 1,190  | 1,446   | 1,190   |
| Interim dividend for the year ended 30 June 2007 of 1.60 cents (2006: 1.60 cents) per fully-paid share paid on 20 April 2007 (2006: 21 April 2006) | 1,189  | 1,126  | 1,189   | 1,126   |

### Imputed dividends

The dividends are fully imputed. Supplementary dividends of \$42,008 (2006: \$14,663) were paid to shareholders not tax-resident in New Zealand for which the Company received a foreign investor tax credit entitlement.

Subsequent to year end the board of directors resolved to pay a final dividend of 1.98 cents per ordinary share, a total of \$1,468,400. The dividend will be paid on 5 October 2007 to all shareholders on the Company's register at the close of business on 28 September 2007.

## 24 COMMITMENTS

### Capital commitments

The Group and the Parent company have no capital commitments as at 30 June 2007 (2006: nil).

### Lease commitments: Company as lessee

#### Operating leases

The Company leases various offices and warehouses under non-cancellable operating leases expiring within two to eight years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

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

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

|  | GROUP<br>AS AT<br>30 JUNE<br>2007<br>\$'000 | GROUP<br>AS AT<br>30 JUNE<br>2006<br>\$'000 | PARENT<br>AS AT<br>30 JUNE<br>2007<br>\$'000 | PARENT<br>AS AT<br>30 JUNE<br>2006<br>\$'000 |
|--|---|---|--|--|
| Within one year  | 581   | 770   | 51   | 97   |
| Later than one year but not later than five years      | 1,130                                       | 689   | 56   | 56   |
| Later than five years                                  | -   | 2   | -  | 2  |
| Commitments not recognised in the financial statements | 1,711                                       | 1,461                                       | 107  | 155  |



## Just Water International Limited

### Notes to the Financial Statements

#### For the year ended 30 June 2007

#### 25. RELATED PARTIES

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

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

During the year the JWI Group leased premises for \$31,500 (2006: \$42,000) from Amante Limited, a company of which Ian Malcolm is a director and Tony Falkenstein a director and shareholder.

During the year the Clearwater Filter Systems (Aust) Pty Limited (Clearwater) leased premises for \$159,372 (2006: \$66,589) from Springfresh Marketing Pty Limited, a company of which Phil Dash is a director and shareholder. Clearwater also leased premises for nil (2006: \$27,295) from Dash Family Trust Staff Superannuation Fund, of which Phil Dash is a Trustee and Beneficiary.

Mabee Halstead & Kiddle Limited, a company of which Ian Malcolm is a director and a shareholder, provided accounting compliance and accounting services to the Group during the financial year to the value of \$155,939 (2006: \$125,024).

Axis Direct Limited, a company of which Ian Malcolm is a director and a shareholder, supplied computer hardware and network support services to the Just Water Group during the financial year to the value of \$13,154 (2006: \$9,725).

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

|  | GROUP<br>30 JUNE<br>2007<br>\$'000 | GROUP<br>30 JUNE<br>2006<br>\$'000 | PARENT<br>30 JUNE<br>2007<br>\$'000 | PARENT<br>30 JUNE<br>2006<br>\$'000 |
|--|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|
| <b>Trade receivables</b>                     |                                    |                                    |                                     |                                     |
| Aqua-Cool Limited                            | -                                  | -                                  | 4,111                               | 5,381                               |
| Clearwater Filter Systems (Aust) Pty Limited | -                                  | -                                  | 9,232                               | -                                   |
| Just Water Limited Partnership               | -                                  | -                                  | 137                                 | -                                   |
| Just Water Victoria Pty Limited              | -                                  | -                                  | 374                                 | 409                                 |
| JWA Holdings Limited                         | -                                  | -                                  | 6,479                               | -                                   |
| <b>Total trade receivables</b>               | <b>-</b>                           | <b>-</b>                           | <b>20,333</b>                       | <b>5,790</b>                        |
| <b>Trade payables</b>                        |                                    |                                    |                                     |                                     |
| Texel Holdings Limited                       | 241                                | 471                                | -                                   | 222                                 |
| Just Water Limited Partnership               | -                                  | -                                  | -                                   | 608                                 |
| Clearwater Filter Systems (Aust) Pty Limited | -                                  | -                                  | -                                   | 49                                  |
| <b>Total trade payables</b>                  | <b>241</b>                         | <b>471</b>                         | <b>-</b>                            | <b>879</b>                          |

Key management compensation is as follows:

|  | GROUP<br>30 JUNE<br>2007<br>\$'000 | GROUP<br>30 JUNE<br>2006<br>\$'000 | PARENT<br>30 JUNE<br>2007<br>\$'000 | PARENT<br>30 JUNE<br>2006<br>\$'000 |
|--|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|
| Short-term benefits                      | 1,729                              | 1,475                              | 945                                 | 768                                 |
| Other long-term benefits                 | -                                  | 21                                 | -                                   | -                                   |
| Termination benefits                     | 121                                | 16                                 | -                                   | 16                                  |
| Share-based payments                     | 93                                 | 14                                 | 93                                  | 14                                  |
| <b>Total key management compensation</b> | <b>1,943</b>                       | <b>1,526</b>                       | <b>1,038</b>                        | <b>798</b>                          |

## 26. BUSINESS COMBINATIONS

### (a)

On 1 May 2007, the Group acquired the business of Operation Water Pty Limited, a water-cooler rental company operating in Australia, which had operated as a franchisee of Clearwater Filter Systems (Aust) Pty Limited (Clearwater) for the past ten years. The acquisition was made by and the business was entirely merged into Clearwater.

The acquired business contributed revenues of \$0.250m and net profit after tax of \$0.046m to the Group for the period from 1 May 2007 to 30 June 2007. If the acquisition had occurred on 1 July 2006 the acquired business would have contributed revenues of \$1.498m and net profit after tax of \$0.277m.

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

|  | \$'000       |
|--|--------------|
| <b>Purchase consideration:</b>         |              |
| Cash paid                              | 2,486        |
| <b>Total purchase consideration</b>    | <b>2,486</b> |
| Fair value of net liabilities acquired | (3,230)      |
| <b>Goodwill arising on acquisition</b> | <b>5,716</b> |

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

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

|                                 | Fair<br>Value<br>\$'000 | Acquiree's<br>Carrying<br>Amount<br>\$'000 |
|---------------------------------|-------------------------|--|
| Inventories                     | 101                     | 101  |
| Customer Contracts              | 240                     | -  |
| Deferred tax liability          | (72)                    | -  |
| Unearned income                 | (3,499)                 | (3,499)                                    |
| <b>Net liabilities acquired</b> | <b>(3,230)</b>          | <b>(3,398)</b>                             |

### Reconciliation to statement of cash flows

|  |              |
|--|--------------|
| Cash paid (including direct costs relating to the acquisition) | 2,486        |
| less cash and cash equivalents acquired                        | -            |
| <b>Total purchase consideration</b>                            | <b>2,486</b> |

### (b)

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

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

The shares in Clearwater are held by Just Water Limited Partnership (JWLP), a Limited Partnership registered in Victoria, Australia, with Just Water Australia Pty Limited as the General Partner and JWA Holdings Limited as the Limited Partner. JWA Holdings Limited is a New Zealand company incorporated in 2004, previously a non-trading company (Just C Limited, name changed 26 September 2005) and is a 100 percent subsidiary of Just Water International Limited. Just Water Australia Pty Limited is an Australian company and is also a 100 percent subsidiary of Just Water International Limited.

# Just Water International Limited

## Notes to the Financial Statements

### For the year ended 30 June 2007

#### 26. BUSINESS COMBINATIONS CONTINUED

The initial capital contributions to the Limited Partnership by JWA Holdings Limited and Just Water Australia Pty Limited were \$3.465m and \$0.035m respectively. The maximum liability of JWA Holdings Limited as Limited Partner is \$4.0m. Details of the net assets acquired and goodwill are as follows:

**\$'000**

##### Purchase consideration:

|  |               |
|--|---------------|
| - Cash paid  | 4,474         |
| - Direct costs relating to the acquisition                 | 235           |
| - Fair value of shares issued (see note 22)                | 3,031         |
| - Deferred payment   | 4,095         |
| - Fair value of shares to be issued with Tranche 2 payment | 2,730         |
| <b>Total purchase consideration</b>                        | <b>14,565</b> |
| Fair value of net liabilities acquired                     | (1,344)       |
| <b>Goodwill arising on acquisition</b>                     | <b>15,909</b> |

The deferred payment related to Tranche 2 cash which was paid in September 2006. The payment was discounted to its net present value using a discount rate of 7.75 percent. Discount was amortised in the income statement over the settlement period. The make up of this final payment is made up as follows:

**\$'000**

##### Purchase consideration:

|  |              |
|--|--------------|
| - Cash paid  | 3,838        |
| - Fair value of shares issued with Tranche 2 payment | 2,415        |
| <b>Total Tranche 2 consideration</b>                 | <b>6,253</b> |

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

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

**ACQUIREE'S  
CARRYING  
AMOUNT**

**FAIR  
VALUE**

**\$'000**

**\$'000**

|                                 |                |                |
|---------------------------------|----------------|----------------|
| Cash and cash-equivalents       | 259            | 259            |
| Property, plant and equipment   | 1,715          | 1,715          |
| Inventories                     | 609            | 609            |
| Receivables and prepayments     | 1,062          | 1,062          |
| Future tax benefit              | 276            | 276            |
| Acquired intangible assets      | 107            | 107            |
| Customer contracts              | 1,159          | -              |
| Payables                        | (745)          | (745)          |
| Unearned income                 | (5,654)        | (5,315)        |
| Hire purchase liabilities       | (132)          | (132)          |
| <b>Net liabilities acquired</b> | <b>(1,344)</b> | <b>(2,164)</b> |

The fair value of deferred revenue at acquisition date has been increased by \$0.339m with a corresponding increase in goodwill. The 2006 comparative information is restated to reflect this adjustment as the 2006 acquisition was reported provisionally only.

##### Reconciliation to statement of cash flows

|  |              |
|--|--------------|
| Cash paid (including direct costs relating to the acquisition) | 4,709        |
| less cash and cash equivalents acquired                        | (259)        |
| <b>Total purchase consideration</b>                            | <b>4,450</b> |

(c)

On 31 August 2005, the Group acquired 100 percent of the share capital in Just Water Victoria Pty Limited, a water-cooler rental company operating in Australia. The acquired business contributed revenues of \$0.263m and net loss after tax of \$0.061m to the Group for the period from 1 September 2005 to 30 June 2006.

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

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

|  | \$'000     |
|--|------------|
| <b>Purchase consideration:</b>         |            |
| Cash paid                              | 19         |
| <b>Total purchase consideration</b>    | <b>19</b>  |
| Fair value of net assets acquired      | (252)      |
| <b>Goodwill arising on acquisition</b> | <b>271</b> |

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

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

|                                 | FAIR<br>VALUE<br>\$'000 | ACQUIREE'S<br>CARRYING<br>AMOUNT<br>\$'000 |
|---------------------------------|-------------------------|--|
| Cash and cash-equivalents       | 60                      | 60   |
| Property, plant and equipment   | 46                      | 46   |
| Inventories                     | 8                       | 8  |
| Receivables and prepayments     | 49                      | 49   |
| Future tax benefit              | -                       | -  |
| Acquired intangible assets      | 44                      | 44   |
| Customer contracts              | -                       | -  |
| Payables                        | (74)                    | (74)                                       |
| Unearned income                 | (26)                    | (26)                                       |
| Related company advances        | (359)                   | (359)                                      |
| <b>Net liabilities acquired</b> | <b>(252)</b>            | <b>(252)</b>                               |

**Reconciliation to statement of cash flows**

|   |             |
|---|-------------|
| Cash paid                               | 19          |
| less cash and cash equivalents acquired | (60)        |
| <b>Total purchase consideration</b>     | <b>(41)</b> |

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

# Just Water International Limited

## Notes to the Financial Statements

### For the year ended 30 June 2007

#### 27. SUBSIDIARIES

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

| NAME OF ENTITY                               | COUNTRY OF INCORPORATION | CLASS OF SHARES | EQUITY HOLDINGS % |      |
|--|--------------------------|-----------------|-------------------|------|
|  |                          |                 | 2007              | 2006 |
| Aqua-Cool Limited                            | New Zealand              | Ordinary        | 100               | 100  |
| Cool Water Company Limited                   | New Zealand              | Ordinary        | 100               | 100  |
| JWA Holdings Limited                         | New Zealand              | Ordinary        | 100               | 100  |
| Just Water Australia Pty Limited             | Australia                | Ordinary        | 100               | 100  |
| Just Water Limited Partnership               | Australia                | Ordinary        | 100               | 100  |
| Just Water Victoria Pty Limited              | Australia                | Ordinary        | 100               | 100  |
| Clearwater Filter Systems (Aust) Pty Limited | Australia                | Ordinary        | 100               | 100  |

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

|  | GROUP<br>30 JUNE<br>2007<br>\$'000 | GROUP<br>30 JUNE<br>2006<br>\$'000 | PARENT<br>30 JUNE<br>2007<br>\$'000 | PARENT<br>30 JUNE<br>2006<br>\$'000 |
|--|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|
| <b>Profit for the year</b>   | <b>433</b>                         | <b>3,991</b>                       | <b>2,848</b>                        | <b>2,900</b>                        |
| <b>Adjustments for</b>   |                                    |                                    |                                     |                                     |
| Tax  | (912)                              | (265)                              | (171)                               | (169)                               |
| Depreciation   | 2,047                              | 1,610                              | 875                                 | 807                                 |
| Amortisation   | 386                                | 235                                | 9                                   | 7                                   |
| (Profit)/loss on sale of property, plant and equipment   | 291                                | 49                                 | 5                                   | -                                   |
| Fair value gains on derivative financial instruments   | 507                                | (507)                              | 507                                 | (507)                               |
| Share options issued   | 93                                 | 14                                 | 93                                  | 14                                  |
| Provision for doubtful debts   | 80                                 | 15                                 | 28                                  | (16)                                |
| Movement in deferred income  | (2,989)                            | 1,420                              | -                                   | -                                   |
| <b>Changes in working capital (excluding the effects of acquisition)</b>                         |                                    |                                    |                                     |                                     |
| Inventories  | (468)                              | (104)                              | 221                                 | (28)                                |
| Trade and other receivables  | 457                                | (501)                              | 1,291                               | (926)                               |
| Trade and other payables   | 266                                | (72)                               | (594)                               | 911                                 |
| <b>Cash generated from operations</b>  | <b>191</b>                         | <b>5,885</b>                       | <b>5,112</b>                        | <b>2,993</b>                        |
| <b>In the cash flow statement, proceeds from sale of property, plant and equipment comprise:</b> |                                    |                                    |                                     |                                     |
| Net book amount  | 796                                | 336                                | 38                                  | 34                                  |
| (Profit)/loss on sale of property, plant and equipment   | (291)                              | (49)                               | -                                   | -                                   |
| <b>Proceeds from sale of property, plant and equipment</b>                                       | <b>505</b>                         | <b>287</b>                         | <b>38</b>                           | <b>34</b>                           |

#### Non-cash transactions

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

## 29. EVENTS OCCURRING AFTER BALANCE SHEET DATE

There were no material events occurring after balance date (2006: nil).

## 30. EARNINGS PER SHARE

|  | GROUP<br>YEAR ENDED<br>30 JUNE<br>2007<br>\$'000 | GROUP<br>YEAR ENDED<br>30 JUNE<br>2006<br>\$'000 | PARENT<br>YEAR ENDED<br>30 JUNE<br>2007<br>\$'000 | PARENT<br>YEAR ENDED<br>30 JUNE<br>2006<br>\$'000 |
|--|--|--|---|---|
| <b>Basic earnings per share</b>  |  |  |   |   |
| Profit from operations attributable to the ordinary equity holders of the company  | 433  | 3,991  | 2,848   | 2,900   |
| <b>Diluted earnings per share</b>  |  |  |   |   |
| Profit from operations attributable to the ordinary equity holders of the company  | 433  | 3,991  | 2,848   | 2,900   |
| <b>Reconciliations of earnings used in calculating earnings per share</b>  |  |  |   |   |
|  | GROUP<br>YEAR ENDED<br>30 JUNE<br>2007<br>CENTS  | GROUP<br>YEAR ENDED<br>30 JUNE<br>2006<br>CENTS  | PARENT<br>YEAR ENDED<br>30 JUNE<br>2007<br>CENTS  | PARENT<br>YEAR ENDED<br>30 JUNE<br>2006<br>CENTS  |
| Basic earnings per share   | 0.6  | 5.8  | 3.9   | 4.2   |
| Diluted earnings per share   | 0.6  | 5.7  | 3.8   | 4.1   |
|  | GROUP<br>YEAR ENDED<br>30 JUNE<br>2007<br>CENTS  | GROUP<br>YEAR ENDED<br>30 JUNE<br>2006<br>CENTS  | PARENT<br>YEAR ENDED<br>30 JUNE<br>2007<br>CENTS  | PARENT<br>YEAR ENDED<br>30 JUNE<br>2006<br>CENTS  |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share                                 | 73,506   | 69,048   | 73,506  | 69,048  |
| Adjustments for calculation of diluted earnings per share: Options   | 1,000  | 1,200  | 1,000   | 1,200   |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | <b>74,506</b>                                    | <b>70,248</b>                                    | <b>74,506</b>                                     | <b>70,248</b>                                     |

### 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.



## Statutory disclosures in relation to shareholders

### TOP 20 LARGEST HOLDINGS LIST AS AT TUESDAY 28 AUGUST 2007

| HOLDER NAME   | Total             | %             |
|---|-------------------|---------------|
| 1 ASB Nominees Limited as bare trustees for The Harvard Group Limited | 40,000,000        | 53.937        |
| 2 Springfresh Marketing Pty Limited                                   | 5,048,589         | 6.808         |
| 3 New Zealand Central Securities Depository Limited                   | 4,254,692         | 5.737         |
| 4 Anthony Edwin Falkenstein and Ian Donald Malcolm                    | 3,268,000         | 4.407         |
| 5 Anthony Edwin Falkenstein and Christopher Roy Saunders              | 2,000,000         | 2.697         |
| 6 Anthony Edwin Falkenstein and Barry Harrison Spicer                 | 2,000,000         | 2.697         |
| 7 Heather Jeanette Falkenstein and Ian Donald Malcolm                 | 1,268,000         | 1.710         |
| 8 ACE Finance Limited   | 832,730           | 1.123         |
| 9 Christopher Peter Huljich and Colin Gordon Powell                   | 621,500           | .838          |
| 10 Custodial Services Limited   | 530,235           | .715          |
| 11 Anthony Henry Kandziora  | 500,000           | .674          |
| 12 Morris West Limited  | 470,500           | .634          |
| 13 J T Maxwell & Company Limited                                      | 300,000           | .405          |
| 14 Jillian Dawn Reid and Ian Donald Malcolm                           | 300,000           | .405          |
| 15 Cunnack Company Pty Limited  | 286,095           | .386          |
| 16 HMF I Pty Limited  | 252,557           | .341          |
| 17 J K McLay Limited  | 250,191           | .337          |
| 18 Rainer Huebner and Shanti Huebner                                  | 240,000           | .324          |
| 19 Investment Custodial Services Limited                              | 226,000           | .305          |
| 20 Giffney & Jones  | 220,850           | .298          |
| <b>Total</b>  | <b>62,869,939</b> | <b>84.775</b> |

### EQUITY SECURITIES HELD AS AT 30 JUNE 2007

In accordance with NZAX Listing Rule 1.5.3 the following table identifies the equity securities in which each director has a relevant interest as at 30 June 2007.

| DIRECTOR                  | IN OWN NAME AND BENEFICIAL INTEREST | AS INDEPENDENT TRUSTEE | TOTAL EQUITY SECURITIES HELD AT 30 JUNE 2007 |
|---------------------------|-------------------------------------|------------------------|--|
| Anthony Edwin Falkenstein | 44,536,000                          | 4,000,000              | 48,536,000                                   |
| Philip John Dash          | 5,073,229                           | -                      | 5,073,229                                    |
| Ian Donald Malcolm        | 256,095                             | 4,836,000              | 5,092,095                                    |
| James Kenneth McLay       | 250,191                             | -                      | 250,191                                      |
| John Renfree Cunnack      | 286,095                             | -                      | 286,095                                      |

### HOLDING RANGE AS AT 28 AUGUST 2007

| RANGE OF EQUITY HOLDING | NUMBER OF HOLDERS | NUMBER OF SHARES HELD | %             |
|-------------------------|-------------------|-----------------------|---------------|
| 1-1,000                 | 330               | 103,138               | 0.139         |
| 1,001-5,000             | 285               | 932,633               | 1.258         |
| 5,001-10,000            | 189               | 1,668,034             | 2.249         |
| 10,001-100,000          | 193               | 6,555,885             | 8.840         |
| 100,001 and over        | 33                | 64,900,877            | 87.514        |
| <b>Totals</b>           | <b>1,030</b>      | <b>74,160,567</b>     | <b>100.00</b> |

### 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 28 August 2007, the substantial security holders were as follows:

| SUBSTANTIAL SECURITY HOLDER  | NUMBER OF SHARES HELD | %     |
|--|-----------------------|-------|
| Anthony Edwin Falkenstein through holdings in The Harvard Group Limited and various trusts | 48,536,000            | 65.45 |
| Philip John Dash   | 5,073,229             | 6.84  |

## Notice of meeting

Notice is given that the Annual Meeting of Shareholders of Just Water International Limited (the "Company") will be held on **Wednesday 31st October 2007 at 11:00 am** in the **Guineas Room 3, Ellerslie Convention Centre at Ellerslie Race Course, 80-100 Ascot Ave, Greenlane East, Auckland.**

### BUSINESS

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

**A. Resolution 1: Annual Report**

That the Annual Report of the Company for the year ended 30 June 2007, including the Auditors' Report, be received.

**B. Resolution 2: Auditors' remuneration**

That the Company's board of directors be authorised to fix the auditors' remuneration.

**C. Resolution 3: Re-election of director**

That Anthony Edwin Falkenstein be re-elected as a director of the Company.

**D. Resolution 4: Issue of ordinary shares to directors in lieu of cash remuneration**

That the board is authorised to:

- i) issue fully-paid ordinary shares in the Company to any person who, at the conclusion of the 2007 Annual Meeting, holds office as a director of the Company, at an aggregate issue price not exceeding the aggregate amount of directors' remuneration approved by shareholders, in lieu of the directors receiving their remuneration in cash, on the terms set out in the explanatory notes to the Notice of Meeting; and
- ii) take all actions, do all things and execute all documents necessary or considered expedient by the board to give effect to such issue of shares,

such ordinary shares when issued to rank equally in all respects with the then issued ordinary shares in the Company except they shall not rank for any dividend in respect of the Company's financial year ended 30 June 2007.

**E. General business:**

To transact such other business as may properly be brought before the meeting in accordance with the Company's constitution. Explanatory notes in relation to the proposed resolutions are set out below (see page 46).

## Explanatory notes to resolutions

Each of the resolutions to be considered, and if thought fit, to pass, at the Annual Meeting are ordinary resolutions. An ordinary resolution means a resolution that is approved by a simple majority of the votes of those shareholders entitled to vote and voting on the resolution.

### Resolution 1: Annual Report

The Annual Report for 2007, having been circulated by the share registry, is tabled for discussion and questions.

### Resolution 2: Auditors' remuneration

PricewaterhouseCoopers are automatically reappointed as the Company's Auditor under Section 200 of the Companies Act 1993. This resolution authorises the board to fix the fees and expenses of the Auditor.

### Resolution 3: Re-election of director

Two directors, Anthony Edwin Falkenstein (Tony Falkenstein) and John Renfree Cunnack (Renny Cunnack), retire by rotation. In accordance with Company policy Renny Cunnack is not eligible for re-election. Being eligible, Tony Falkenstein offers himself for re-election at the Annual Meeting.

Tony Falkenstein is CEO of the Company and has been a CEO of a number of companies for over 25 years, including subsidiaries of multinationals, two NZX-listed companies, and for the past sixteen years, his own family company, Red Eagle Corporation Limited. Tony is a past President and Fellow of the Institute of Chartered Secretaries, and is currently a Fellow of the New Zealand Institute of Management. He is Chairman of New Zealand's first business high school, Onehunga High Business School, and is passionate about business education as the key to New Zealand's economic prosperity.

The board unanimously recommends shareholders vote in favour of the re-election of Tony Falkenstein.

### Resolution 4: Issue of ordinary shares to directors in lieu of cash remuneration

The current total aggregate remuneration payable to directors of the Company in New Zealand, as approved by ordinary resolution at the 2006 annual meeting of shareholders of the Company, is \$130,000.

The following directors (who currently hold the number of ordinary shares set out next to their name) have elected to receive their remuneration as directors in the form of ordinary shares issued by the Company:

#### TOTAL EQUITY SECURITIES HELD AT 30 JUNE 2007 IN OWN NAME AND BENEFICIAL INTEREST

##### DIRECTOR

|                      |           |
|----------------------|-----------|
| John Renfree Cunnack | 286,095   |
| Philip John Dash     | 5,073,229 |
| James Kenneth McLay  | 250,191   |
| Ian Donald Malcolm   | 5,092,095 |

No cash remuneration will be paid by the Company to directors in their non-executive capacities. The issue of ordinary shares to directors as remuneration is required to be approved by an ordinary resolution of shareholders pursuant to NZAX Listing Rule 7.3.1.

The directors are of the opinion that having their remuneration related to Company performance over time is consistent with their commitment to the Company and their goal to create long-term value for shareholders.

The number of shares issued to each director will be determined by the board:

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

(b) on other terms not inconsistent with Resolution 4 deemed appropriate by the board.

The ordinary shares to be issued to directors will rank equally in all respects with the then issued ordinary shares in the Company except they shall not rank for any dividend in respect of the Company's financial year ended 30 June 2007.

If any director ceases to be a director prior to 30 June 2008, the fees paid to that director (in the form of newly-issued shares) will be deemed to have accrued on a monthly basis and that director will be required to repay to the Company, in cash, a pro-rated amount of the aggregate issue price of the new shares issued to that director in lieu of cash remuneration. The shares will be issued to directors within 12 months after the date of the Annual Meeting.

## VOTING RESTRICTIONS

Directors of the Company and any person who is an Associated Person (as that term is defined in the Rules) of a director can not vote on Resolution 4.

## Proxy form

|        |       |  |
|--------|-------|--|
| I / WE | NAME  |  |
| OF     | PLACE |  |

being a shareholder of **Just Water International Limited (the "Company")**, hereby

|                        |      |  |    |       |  |
|------------------------|------|--|----|-------|--|
| APPOINT                | NAME |  | OF | PLACE |  |
| OR FAILING THAT PERSON | NAME |  | OF | PLACE |  |

as my/our proxy to vote for me/us on my/our behalf at the Annual Meeting of the Company to be held in the **Guineas Room 3, Ellerslie Convention Centre at Ellerslie Race Course, 80-100 Ascot Ave, Greenlane East, Auckland** on **Wednesday 31st October 2007 at 11:00 am**, and at any adjournment thereof.

Unless otherwise directed as below, the proxy will vote as he or she thinks fit (unless the proxy is prohibited from exercising discretionary proxies given to them in respect of the resolution), or abstain from voting. Should the shareholder(s) wish to direct the proxy how to vote, the following should be completed:

| RESOLUTIONS: |  | For                      | Against                  |
|--------------|--|--------------------------|--------------------------|
| 1.           | <b>Annual Report</b><br>That the Annual Report the Company for the year ended 30 June 2007, including the Auditors' Report, be received.   | <input type="checkbox"/> | <input type="checkbox"/> |
| 2.           | <b>Auditors' remuneration</b><br>That the Company's board of directors be authorised to fix the auditors' remuneration.  | <input type="checkbox"/> | <input type="checkbox"/> |
| 3.           | <b>Re-election of director</b><br>That Anthony Edwin Falkenstein be re-elected as a director of the Company.   | <input type="checkbox"/> | <input type="checkbox"/> |
| 4.           | <b>Issue of ordinary shares to directors in lieu of cash remuneration</b><br>That the board is authorised to: <ul style="list-style-type: none"> <li>i) issue fully-paid ordinary shares in the Company to any person who, at the conclusion of the 2007 Annual Meeting, holds office as a director of the Company, at an aggregate issue price not exceeding the aggregate amount of directors' remuneration approved by shareholders, in lieu of the directors receiving their remuneration in cash, on the terms set out in the explanatory notes to the Notice of Meeting; and</li> <li>ii) take all actions, do all things and execute all documents necessary or considered expedient by the board to give effect to such issue of shares,</li> </ul> such ordinary shares when issued to rank equally in all respects with the then issued ordinary shares in the Company except they shall not rank for any dividend in respect of the Company's financial year to 30 June 2007. | <input type="checkbox"/> | <input type="checkbox"/> |

Signed this  day of  2007      Signature

## Proxies

1. All shareholders are entitled to attend and to vote at the meeting.
2. A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of the shareholder.
3. A proxy need not be a shareholder of the Company.
4. The chairman of the meeting is willing to act as proxy for any shareholder who may wish to appoint him for that purpose.
5. If the proxy form is returned without a direction as to how the proxy should act on a resolution, the proxy will exercise his or her discretion as to whether to vote and, if so, how. However, when appointed as a proxy, a director (including the chairman) will be prohibited from exercising discretionary proxies given to him or her in respect of a resolution in which that director is interested or disqualified from voting. Directors are only able to exercise proxies where the shareholder has provided the director with an express instruction as to how to exercise that shareholder's vote. Express instructions exclude instructions that give the proxy holder discretion to exercise that shareholder's vote as the proxy holder sees fit.
6. Joint holders must all sign the proxy form.
7. If the proxy is signed under a power of attorney, this must be produced for noting by the Company, if not already noted. A certificate of non-revocation of the power of attorney must be attached.
8. Companies appointing a proxy must do so under the signature of two directors or have an authority produced for noting by the Company.
9. Completed proxies must be received by the Company's Share Registrar no later than 11.00 am on Monday 29 October 2007 at the following address:

The Share Registrar  
Just Water International Limited  
c/o Link Market Services  
PO Box 384  
Ashburton 7740

By order of the board.



**Hon. Jim McLay**  
Chairman





