



Half-year Report

for the six months ended
31 December 2018



Just Water International Limited

Directory

Directors

Hilary Poole (Independent Director and Chair)
Tony Falkenstein (Executive Director)
Ian Malcolm (Non-Executive Director)
Steve Bootten (Independent Director – appointed 1st January 2019)
Richard Carver (Independent Director – appointed 1st March 2019)

Executive management

Tony Falkenstein
Chief Executive Officer

Eldon Roberts
Chief Operating Officer and Chief Financial Officer

Warren Drinkwater
General Manager (Homotech Limited)

Lynne Banks
General Manager (Just Water New Zealand)

Registered office and address for service

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Auckland 1010
New Zealand

Auditors

PricewaterhouseCoopers

JWI on the web

www.jwi.co.nz
www.justwater.co.nz
www.justwaterfilters.co.nz
www.aquacool.co.nz
www.melambra.com
www.dolphinwater.co.nz
www.homotech.co.nz
www.solatube.co.nz
www.justlifegroup.co.nz

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

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Bank of New Zealand Limited

Solicitors

Harmos Horton Lusk
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Just Water International Limited

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For the six months ended 31 December 2018**

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Chair and Chief Executive Report

First-half 2019 announcement

The directors of Just Water International Ltd (to be renamed Just Life Group Ltd effective 1st March 2019) present the financial results for the half year ended 31 December 2018.

Key highlights extracted from the Statement of Comprehensive Income

Results:

	Current half-year	Previous half-year	% change
	\$'000	\$'000	
Operating Revenue	17,032	8,446	102%
EBITDA	3,206	2,348	37%
Depreciation & Amortisation	(1,089)	(1,027)	(6%)
Amortisation of customer contracts	(417)	-	0%
EBIT	1,700	1,321	29%
Interest	(261)	(29)	(800%)
Net Profit before tax	1,439	1,292	11%

The six-months ended 31 December 2018 represents the first trading period of 100% ownership of Hometech Ltd and consolidation of its financial results.

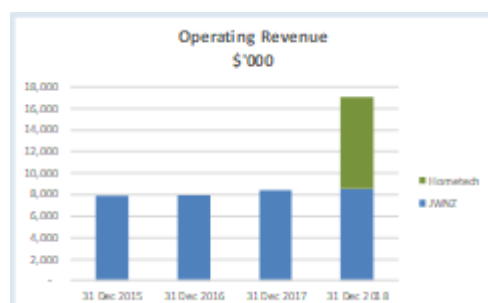
Group revenue has effectively doubled because of the Hometech acquisition. EBITDA has increased by 37% from \$2,348,000 to \$3,206,000.

EBITDA has increased at a lower percentage than the increase in revenue. This is because, whilst Hometech is meeting performance expectations, the operating margins at Hometech are lower than Just Water New Zealand. This was understood and considered at the time of acquisition. The group is also carrying the interest costs associated with the purchase of Hometech.

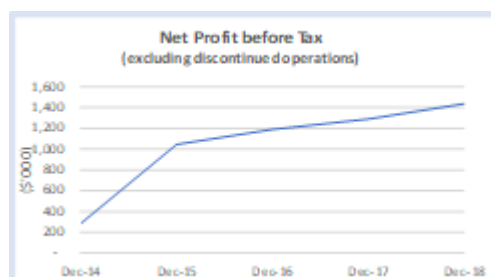
As announced at the 2018 annual meeting there is a customer contract amortisation charge of \$800,000 for the year ending 30 June 2019, \$400,000 of which is reflected in the half-year result. This charge was as a result of the allocation of a portion of the goodwill paid for Hometech allocated to customer contracts which is fully amortised during the year and will not recur in 2020.

EBIT increased by 29% to \$1,700,000. Adding back the customer contract amortisation charge of \$400,000 noted above EBIT would have increased to \$2,100,000 or by 59%.

Housing New Zealand have advised Hometech that the contract as the preferred supplier of ventilation services will be extended until 30 June 2020. Included in this contract is the 'Warm and Dry' programme which is scheduled to be completed by 30 June 2019. This programme has historically accounted for approximately 8% of the Group revenue. Hometech is a preferred direct supplier to Housing New Zealand and management believe that the company is well placed to continue to undertake ongoing services to Housing New Zealand through other programmes.

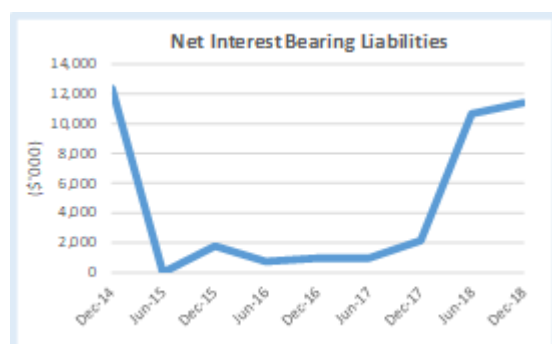


Just Water International Limited



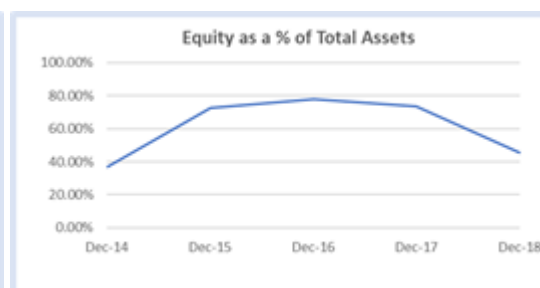
Debt & Equity

Net interest-bearing liabilities include cash and cash equivalents and interest-bearing liabilities. The graph below details the net interest-bearing liabilities for the Group over the past four years.



Net interest-bearing liabilities increased because of the acquisition of the shares in Hometech Ltd for \$8.1m and the acquisition of the business operations of Dolphin Water Products Ltd for \$0.4m during the twelve months ended 31 December 2018.

Shareholder equity has steadily increased from \$11,912,000 to \$13,821,000 over the last 4 years. During the past year the debt to equity ratio increased from 27%:73% to 54%:46% due to the two acquisitions noted above. The directors believe the company is appropriately geared relative to the scale of operations across the two business units.



Acquisitions and New Opportunities

The directors will continue to pursue new opportunities for growth, both organically, and by acquisition.

On 3 January 2019, Hometech acquired the business of Unovent Ltd. The business is a leading innovator in patent pending ductless home ventilation products, which offers installation and pricing advantage over competitor ventilation systems.

Bank facilities and interest-bearing debt

The Company was in compliance with all bank covenants as at 31 December 2018.

Audit

The financial statements for the six months ended 31 December 2018 and 31 December 2017 are unaudited. The comparative information for the year ended 30 June 2018 is audited.

Comparative information has been adjusted for the financial effect of the implementation IFRS 15 (Revenue from Contracts with Customers) and IFRS 9 (Financial Instruments).

Just Water International Limited

Health & Safety

The ongoing health and safety of the Group team members, contracting parties and visitors is vital for the safety and wellbeing of our people and a critical input into the Company's operations. Directors and management continue to ensure we have a strong health and safety culture and ongoing health and safety training.

Board

Steve Bootten was appointed to the Board on 1st January 2019, and on 1st March 2019 Richard Carver will join the Board. Both new directors are considered to be independent directors under the NZX Listing Rules.

Richard Carver was already a director of Homotech Ltd, and Steve Bootten will join the Homotech Board on 1st March 2019.

Shareholders

All shareholders were sent a shareholder newsletter in November 2018. This was sent directly to all shareholders who have advised the Company of their email address. It is also available on our website – www.jwi.co.nz. A further shareholder newsletter will be sent to shareholders in March 2019. The Company is keen to keep shareholders informed of current developments in the Group. The directors will also undertake nationwide meetings with shareholders during the year and will update the market accordingly.

Senior Management

The senior management team of the Group comprises Eldon Roberts – Just Water International Ltd Group COO/CFO, Lynne Banks – General Manager Just Water New Zealand and Warren Drinkwater – General Manager Homotech Ltd.

NZX

The Company has announced that it will migrate from the NZAX to the NZX Main Board effective 1 March 2019. As a result of the change of name to Just Life Group Limited the ticker code will change from JWI to JLG. The change in name reflects the strategic intent of the Group, evidenced by the recent acquisition of Homotech Ltd and Unovent Ltd.

The Company will be seeking ways to create more liquidity in its stock, to ensure that shareholders can buy or sell parcels of shares at will.

Management and Team

The directors wish to acknowledge the excellent team culture which has played a major part in achieving the result for the period. Management and team members have shown absolute commitment in every part of the Company, and the directors thank them for their dedication.

For and on behalf of the Board



Hilary Poole
Chair



Tony Falkenstein
Chief Executive

Just Water International Limited

Consolidated statement of comprehensive income (unaudited)

For the six months ended 31 December 2018

	NOTE	GROUP 6 MONTHS ENDED 31 DECEMBER 2018 \$'000	GROUP 6 MONTHS ENDED 31 DECEMBER 2017 \$'000 (RESTATED)
Revenue	6	17,032	8,446
Employee costs		(4,556)	(3,345)
Changes in inventories of finished goods and consumables		(360)	(66)
Purchases of finished goods and consumables		(3,867)	(732)
Other expenses		(5,043)	(1,954)
Earnings before interest, tax, depreciation and amortisation		3,206	2,348
Depreciation		(789)	(703)
Amortisation		(300)	(324)
Amortisation of customer contracts		(417)	-
Earnings before interest and tax		1,700	1,321
Interest expense		(261)	(29)
Earnings before income tax		1,439	1,292
Income tax expense		(447)	(270)
Earnings after income tax		992	1,022
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Other comprehensive income		-	-
Total comprehensive income		992	1,022
Earnings per share for profit attributable to the shareholders of the Parent			
Basic and diluted earnings per share (cents)		1.2	1.2

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

Just Water International Limited

Consolidated balance sheet

As at 31 December 2018

		GROUP AS AT 31 DECEMBER 2018	GROUP AS AT 31 DECEMBER 2017	GROUP AS AT 30 JUNE 2018
	NOTE	\$'000	\$'000	\$'000
			(Restated)	(audited) (Restated)
ASSETS				
Current assets				
Cash and cash equivalents		2	3	12
Trade and other receivables	7	3,675	2,164	4,138
Current tax receivables		-	42	-
Inventories		2,544	440	2,065
Total current assets		6,221	2,649	6,215
Non-current assets				
Property, plant and equipment		10,126	9,432	9,869
Contract assets		20	21	21
Intangible assets	8	12,749	5,328	13,128
Deferred tax asset		642	653	737
Other assets		473	485	503
Total non-current assets		24,010	15,919	24,258
Total assets		30,231	18,568	30,473
LIABILITIES				
Current liabilities				
Bank overdraft		246	135	969
Interest bearing liabilities	9	-	352	464
Trade and other payables		4,650	2,351	4,205
Current tax payable		153	379	290
Deferred income		57	44	24
Total current liabilities		5,106	3,261	5,952
Non-current liabilities				
Interest bearing liabilities	9	11,125	1,650	9,509
Deferred tax liabilities		179	-	295
Total non-current liabilities		11,304	1,650	9,804
Total liabilities		16,410	4,911	15,756
Net assets		13,821	13,657	14,717
EQUITY				
Share capital		21,568	21,543	21,540
Accumulated losses		(8,090)	(8,229)	(7,166)
Asset revaluation reserve		343	343	343
Total equity		13,821	13,657	14,717

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

Just Water International Limited

Consolidated statement of changes in equity (unaudited)

For the six months ended 31 December 2018

	NOTE	SHARE CAPITAL \$'000	ASSET REVALUATION RESERVE \$'000	ACCUMULATED LOSSES \$'000	TOTAL EQUITY \$'000
GROUP					
Balance at 30 June 2017		21,485	343	(7,727)	14,101
Change in accounting policy	10	-	-	216	216
Restated total equity at 1 July 2017		21,485	343	(7,511)	14,317
Profit after tax (restated)		-	-	1,022	1,022
Total comprehensive income for the period		-	-	1,022	1,022
Issue of ordinary shares in relation to the Dividend Reinvestment Plan		58	-	-	58
Dividend paid		-	-	(1,740)	(1,740)
Balance at 31 December 2017		21,543	343	(8,229)	13,657
Profit after tax (restated)		-	-	1,063	1,063
Total comprehensive income for the period		-	-	1,063	1,063
Shares cancelled		(3)	-	-	(3)
Balance at 30 June 2018		21,540	343	(7,166)	14,717
Profit after tax		-	-	992	992
Total comprehensive income for the period		-	-	992	992
Issue of ordinary shares in relation to the Dividend Reinvestment Plan		28	-	-	28
Dividend paid		-	-	(1,916)	(1,916)
Balance at 31 December 2018		21,568	343	(8,090)	13,821

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

Just Water International Limited

Consolidated cash flow statement (unaudited)

For the six months ended 31 December 2018

	GROUP 6 MONTHS ENDED 31 DECEMBER 2018 \$'000	GROUP 6 MONTHS ENDED 31 DECEMBER 2017 \$'000
Cash flows from operating activities		
Receipts from customers	19,900	8,014
Payments to suppliers and employees	(16,137)	(5,829)
Interest paid	(261)	(29)
Income tax paid	(605)	(379)
Purchases of non-current assets held for rental service	(963)	(849)
Net cash generated from operating activities	1,934	928
Cash flows from investing activities		
Purchases of plant and equipment	(407)	(363)
Proceeds from sale of property, plant and equipment	2	-
Purchases of intangible assets	(75)	(117)
Net cash outflow from investing activities	(478)	(480)
Cash flows from financing activities		
Proceeds from borrowings	1,616	1,600
Repayment of borrowings	(1,412)	(442)
Dividends paid to company's shareholders	(1,916)	(1,682)
Net cash outflow from financing activities	(1,712)	(524)
Net decrease in cash, cash equivalents and bank overdrafts	(256)	(76)
Cash and cash equivalents at the beginning of the financial year	12	(56)
Bank Balances included in interest bearing liabilities	246	135
Cash and cash equivalents at the end of the period	2	3

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

Notes to the consolidated financial statements

1. GENERAL INFORMATION

The following consolidated interim financial statements for Just Water International Ltd (the 'Company') and its subsidiaries, (collectively the 'Group') are for the six months ended 31 December 2018 and represent the half year result for the Group. The Group has two principal activities; 1. the provision of filtered water solutions to customers including the sale of water and water related products and 2. the enabling of healthier homes with its premium Solatube daylighting products, home ventilation systems and attic stairs.

Just Water International Limited is a limited liability company which is domiciled and incorporated in New Zealand; and whose shares are publicly traded on the New Zealand Stock Exchange (NZX).

These consolidated interim financial statements have been approved for issue by the board of directors on 11 March 2019.

2. BASIS OF PREPARATION

Statement of compliance

The consolidated interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice New Zealand (NZ GAAP) as applicable for profit orientated entities. They comply with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting. The Interim Report does not include all the information normally included in the Annual Report. Accordingly, these Group consolidated interim financial statements should be read in conjunction with the Annual Report for the year ended 30 June 2018.

The accounting policies and methods of computation and presentation adopted in the consolidated interim financial statements are consistent with those described and applied in the Annual Report for the financial year ended 30 June 2018. The only exception is the adoption of new or amended standards as set out below.

These consolidated interim financial statements are not audited.

Taxes on income in the interim periods are accrued for using the tax rate that would have been applicable to expected total annual profit or loss.

3. GOING CONCERN

The consolidated interim financial statements have been prepared on a going concern basis. As at 31 December 2018 the Group has a working capital balance of \$1.15m (2017: \$0.612m negative). The directors have assessed the financial performance of the Group including forecast cash flows and are satisfied that the going concern assumption remains appropriate.

4. NEW ACCOUNTING STANDARDS ADOPTED

A number of new or amended standards become applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

The impact of the adoption of these new standards is disclosed in note 10.

Impact of standards issued but not yet adopted by Group:

IFRS 16 Leases was issued in January 2016. It will result in almost all leases being recognised on the Statement of Financial Position, as the distinction between operating leases and finance leases is removed. The standard is mandatory for reporting periods beginning or after 1 January 2019. The Group does not intend to adopt the standard before its mandatory effective date and is yet to assess its full impact.

5. SEGMENT INFORMATION

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

The Group operates and sells its products in New Zealand. The segment information that the CODM reviews in order to allocate resources and to assess the performance of the Group is consistent with the financial information presented in the consolidated statement of comprehensive income.

31 DECEMBER 2018		JUST WATER \$'000	HOMETECH LTD \$'000	TOTAL GROUP \$'000
	NOTE			
At a point in time		3,098	8,478	11,576
Over time		5,456	-	5,456
Revenue	6	8,554	8,478	17,032
Employee costs		(3,373)	(1,183)	(4,556)
Other trading expenses		(3,156)	(6,114)	(9,270)
Earnings before interest, tax, depreciation and amortisation		2,025	1,181	3,206
Depreciation		(676)	(113)	(789)
Amortisation		(300)	-	(300)
Amortisation of customer contracts from acquisitions		(16)	(401)	(417)
Earnings before interest and tax		1,033	667	1,700
Interest expense		(238)	(23)	(261)
Earnings before income tax		795	644	1,439
Income tax expense		(261)	(186)	(447)
Earnings attributable to shareholders		534	458	992
Total assets		26,328	3,903	30,231
Total liabilities		13,687	2,723	16,410

During FY18 Just Water International Ltd acquired 100% of the shares in Homotech. The acquisition occurred in two instalments with 51% being acquired on the 3 January 2018 and the remaining 49% on the 29 June 2018. This acquisition is now finalised. There were no adjustments to the acquisition accounting disclosed in the FY18 Annual Report.

The inclusion of six months trading results from Homotech Ltd has added \$8.478 million worth of additional revenue to the Groups results, and increased goodwill by \$6.741 million

Just Water International Limited

SEGMENT INFORMATION CONTINUED

31 DECEMBER 2017 (RESTATED)		JUST WATER \$'000	HOMETECH LTD \$'000	TOTAL GROUP \$'000
	NOTE			
At a point in time		3,141	-	3,141
Over time		5,305	-	5,305
Revenue	6	8,446	-	8,446
Employee costs		(3,345)	-	(3,345)
Other trading expenses		(2,752)	-	(2,752)
Earnings before interest, tax, depreciation, amortisation		2,348	-	2,348
Depreciation		(703)	-	(703)
Amortisation		(324)	-	(324)
Earnings before interest and tax		1,321	-	1,321
Interest expense		(29)	-	(29)
Earnings before income tax		1,292	-	1,292
Income tax expense		(270)	-	(270)
Earnings attributable to shareholders		1,022	-	1,022
Total assets		18,568	-	18,568
Total liabilities		4,911	-	4,911

6. REVENUE BY STREAM

	GROUP 6 MONTHS ENDED 31 DECEMBER 2018 \$'000	GROUP 6 MONTHS ENDED 31 DECEMBER 2017 \$'000 RESTATED
Rental service	5,456	5,305
Product	2,777	2,825
Maintenance	321	316
Supply and installation of Hometech product	8,478	-
Total revenue	17,032	8,446

7. TRADE AND OTHER RECEIVABLES

The following table summarises the impact of IFRS 9 Financial Instruments on the trade receivables balance as at 31 December 2018.

	GROUP AS AT 31 DECEMBER 2018 \$'000 UNAUDITED	GROUP AS AT 31 DECEMBER 2017 \$'000 UNAUDITED	GROUP AS AT 30 JUNE 2018 \$'000 RESTATED
Trade receivables - gross	2,885	2,090	4,122
IFRS 9 credit loss estimate	(81)	(254)	(230)
Doubtful debts provision	(110)	-	(119)
Total trade receivables	2,694	1,836	3,773
Prepayments	981	328	365
Total trade and other receivables	3,675	2,164	4,138

8. INTANGIBLE ASSETS

Intangible assets have increased significantly between the reporting periods due to the acquisition of Hometech Limited and Dolphin Water products Ltd. The table below reconciles the movement.

	SOFTWARE \$'000	GOODWILL \$'000	PATENTS AND TRADEMARKS \$'000	CUSTOMER CONTRACTS \$'000	TOTAL \$'000
GROUP					
Period ended 31 December 2017					
Opening net book amount	84	5,171	15		5,270
Additions	117	-	-		117
Disposals	-	-	-		-
Amortisation charge	(59)	-	-		(59)
Closing net book amount	142	5,171	15	-	5,328
As at 31 December 2017					
Cost	2,234	5,171	79		7,484
Accumulated amortisation	(2,092)	-	(64)		(2,156)
Net book amount	142	5,171	15	-	5,328

Just Water International Limited

INTANGIBLE ASSETS CONTINUED

	SOFTWARE \$'000	GOODWILL \$'000	PATENTS AND TRADEMARKS \$'000	CUSTOMER CONTRACTS \$'000	TOTAL \$'000
Period ended 30 June 2018					
Opening net book amount	142	5,171	15	-	5,328
Additions	16	-	-	-	16
Acquisition of subsidiary	35	6,741	-	1,055	7,831
Amortisation charge	(46)	-	(1)	-	(47)
Closing net book amount	147	11,912	14	1,055	13,128
As at 30 June 2018					
Cost	2,705	11,912	79	1,055	15,751
Accumulated amortisation	(2,558)	-	(65)	-	(2,623)
Net book amount	147	11,912	14	1,055	13,128
Period ended 31 December 2018					
Opening net book amount	147	11,912	14	1,055	13,128
Additions	140	-	4	-	144
Amortisation charge	(106)	-	(1)	(416)	(523)
Closing net book amount	181	11,912	17	639	12,749
As at 31 December 2018					
Cost	2,846	11,912	34	1,055	15,847
Accumulated amortisation	(2,665)	-	(17)	(416)	(3,098)
Net book amount	181	11,912	17	639	12,749
Goodwill					
Just Water		5,374			
Hometech Limited		6,538			
Net book amount		11,912			

9. INTEREST BEARING LIABILITIES

Non-current interest-bearing liabilities have increased from June 2018 due to two factors. Firstly, Hometech established a loan facility for \$700,000 transferring their balance from current interest-bearing liabilities to non-current interest-bearing liabilities. Secondly, the Group utilised some of the undrawn bank facility.

The Group is subject to a number of covenants under its banking arrangements. During the period, the group complied with all the required covenants.

The net bank facility drawn as at period end was \$11,371,000 (2017: \$2,137,000), the undrawn banking facility at period end was \$829,000 (2017: \$4,715,000).

INTEREST BEARING LIABILITIES CONTINUED

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

	GROUP AS AT 31 DECEMBER 2018	GROUP AS AT 31 DECEMBER 2017	GROUP AS AT 30 JUNE 2018
Bank overdraft	6.31%	6.29%	6.33 - 7.23%
Bank loans	4.75 - 4.83%	4.79%	4.69 - 5.83%
Finance leases	N/A	5.85 - 8.43%	5.85 - 8.43%

10. ACCOUNTING STANDARDS

There were two new standards applied during the period. This note explains the impact of the adoption of NZ IFRS 9 Financial Instruments and NZ IFRS 15 Revenue from Contracts with Customers on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2017.

10.1 NZ IFRS 9: Financial Instruments

This standard replaces NZ IAS 39 and addresses the classification, measurement and recognition of financial assets and liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. NZ IFRS 9 replaces the 'incurred loss' model in NZ IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to the Group in relation to financial assets classified at amortised cost, being the Group's trade receivables and contract assets. The Group has applied NZ IFRS 9 retrospectively and has restated the comparative information. As a result, the comparative information provided is accounted for in accordance with the Group's new accounting policy.

Measurement and impairment of financial asset

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. The transaction costs of financial assets carried at fair value are expensed in the statement of comprehensive income.

From 1 July 2018, the Group assesses, on a forward-looking basis, the expected credit losses associated with its trade and other receivables and contract assets which are carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applied the standard's simplified approach and has calculated ECLs to be recognised from initial recognition of the receivables. To measure the expected credit loss, trade receivables have been grouped into customer types with the expected loss rates being based on the historical credit loss experienced. Where appropriate, the historical loss rates are adjusted for forward looking factors specific to these balances and the economic environment.

Impact on adoption

Adoption of NZ IFRS 9 has resulted in the reclassification of cash and cash equivalents and trade receivables from loans and receivables under NZ IAS 39 to being classified as measured at amortised cost under NZ IFRS 9. Management has assessed there is no change in the fair value of the financial assets as a result of the reclassification.

The expected credit loss provision did change the provision for impairment of receivables as recognised under NZ IAS 39. Previously, the collectability of trade receivables was reviewed as an ongoing basis and a provision was made based upon the aging of the invoices past due date. The doubtful debt provision at 30 June 2017 was \$330,000. Under IFRS 9 a calculation is made for expected credit losses based upon the probability that a credit loss would occur. The ECL at 30 June 2017 was calculated as \$254,000 based on the accounting policy detailed above. To reflect this change, the Group has made an adjustment at 30 June 2017, to increase to retained earnings by \$76,000 and reduce the doubtful debt provision by \$76,000. The subsequent accounting periods have been restated as a result.

The foreign currency swaps in place as at 30 June 2018 qualified as cash flow hedges under NZ IFRS 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of NZ IFRS 9 and these relationships are, therefore, treated as continuing hedges. Accordingly, there was no impact.

While cash and cash equivalents are subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

ACCOUNTING STANDARDS CONTINUED

Contract assets exposed to credit losses arise from the recognition of service performance obligations under IFRS 15 which occur at the beginning of the respective contract terms, these substantially share the same risk characteristics as the trade receivables for rental and service contract services. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery, such indicators including failure by debtor to engage in repayment plan or failure to make contractual payments for more than 120 days past due.

10.2 NZ IFRS 15: Revenue from Contract with Customers

The standard addresses recognition of revenue. It replaces the current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11: Construction Contracts. The new standard is based on the principle that revenue is recognised when control of a good and service transfers to a customer.

The Group adopted NZ IFRS 15 from 1 July 2018, on a full retrospective basis, which resulted in changes to revenue recognition and to the relevant accounting policies. As a result, the comparative information has been restated and is accounted for in accordance with the Group's new accounting policies. The Group has applied the practical expedient in paragraphs C5(a) and (d) of NZ IFRS 15 when applying the new standard related to completed contracts and reporting periods presented before the date of the initial application.

To assess the impact of NZ IFRS 15 on the Group, contracts within the business were aggregated to create portfolios of contracts. An individual contract from each portfolio was selected as being representative of each unique contract type. For each contract type, the five-step method was applied to assess the impact on revenue recognition. The five-step method for recognising revenue from contracts with customers involves consideration of the following:

1. Identifying the contract with the customer
2. Identifying performance obligations
3. Determining the transaction price
4. Allocating the transaction price to distinct performance obligations
5. Recognising revenue

Certain key judgements have been made in the determination of revenue recognition under NZ IFRS 15, specifically in relation to contracts within rental services revenue. Consideration was given to whether these contracts would fall under the scope of NZ IFRS 15 or NZ IAS 17 Leases, given the customer uses one of the Group's water coolers for the duration of the contract. It was determined that the simplicity of a water cooler was such that the customer, could not direct the use of this asset and therefore, was not a lease under the scope of NZ IAS 17. The revenue recognition for these contracts was assessed against the requirements of NZ IFRS 15 and no change in the recognition of revenue was identified, other than the reclassification of home delivery contracts noted below.

The table below provides further information on the application of NZ IFRS 15 across the Group's revenue streams.

Revenue type	Description	Key judgements	Outcome	Timing of recognition
Rental service revenue (previously rental income)	Contract for providing filtered water solution over a contracted period of time,	The company has a single performance obligation to provide a filtered water solution to the customer.	Revenue allocated based a standalone selling price per customer contract terms,	Over time: Revenue is recognised over the period of each performance obligation is satisfied.
Product revenue (previously sales income)	Sale of products to the customer.	No major judgement.	There is one performance obligation being the sale of the product.	Point in time: Revenue is earned at point of sale when the product is delivered.
Maintenance revenue (previously service income)	Contract for providing maintenance services on customer owned water coolers at a point of time.	Determining timing of maintenance obligation being performed.	Revenue allocated on stand-alone selling price per the customer contract,	Point in time: Revenue is recognised at the point the service is performed.

ACCOUNTING STANDARDS CONTINUED

Supply and Installation of Hometech products	Contract to supply and install completed product solutions to the customer.	Determining the timing of the completion of the performance obligation,	Revenue is allocated by reference to the stage of completion of the transaction at the balance date.	Over Time: Revenue is recognised over the period of the performance obligation being performed.
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Impact of adoption

The adoption of NZ IFRS 15, has resulted in a change in the timing of revenue recognition for maintenance contracts and a change in classification for home delivery contracts. The impact of this is to recognise revenue earlier than under NZ IAS 18 with the previously deferred revenue being recognised in an earlier period.

Maintenance contracts are for maintenance services provided in relation to customer owned water coolers. Previously, this has been recognised as revenue when the services are invoiced to the customer or on a stage of completion basis. This resulted in deferred revenue being recognised where customers had been invoiced but the maintenance services were yet to be completed. The amount of the deferred revenue at 30 June 2017 was \$171,000. Under NZ IFRS 15, the revenue is recognised when the maintenance service is performed, with the accrual of this revenue being recognised as a contract asset until the point that the customer is invoiced. The contract asset at 30 June 2017 has been assessed as \$23,000. To reflect this change in policy, the Group has made an adjustment at 30 June 2017 to increase retained earnings by \$194,000, reduce deferred income by \$171,000 and increase contract assets by \$23,000. The subsequent accounting periods have been restated as a result.

Home delivery contracts are part of rental services revenue where a filtered water solution is provided over a contracted period. Through the NZ IFRS 15 assessment completed, it was identified that these contracts included two performance obligations. The provision of a filtered water solution and the provision of bottled water. Previously, the allocation of the sales price between these performance obligations between the rental services revenue and product revenue was not consistent between the contracts. As a result, a reclassification between revenue streams has been recognised on the adoption of NZ IFRS 15.

10.3 Reconciliation of adjustments to previously reported financial statements

As identified in sections 11.1 and 11.2 there are 3 adjustments that have been made in the previously reported financial statements on the adoption of NZ IFRS 9 and NZ IFRS 15. These are as follows:

- (i) The reclassification of home delivery contracts between rental service revenue and product revenue streams
- (ii) The recognition of contract assets in relation to maintenance contracts
- (iii) The recognition of an expected credit loss provision

The impact of these changes on the balance sheet at initial adoption being 30 June 2017 and the subsequent reporting periods are shown in the tables below. Note that the previous period column shows the cumulative adjustments from the previous reporting periods.

ACCOUNTING STANDARDS CONTINUED

30 June 2017

	Previously Reported	Adjustments		Restated
		Timing (ii)	ECL Provision (iii)	
Balance Sheet				
Contract Asset	-	23		23
Trade and other receivables	1,753		106	1,859
Deferred Income	(200)	171		(29)
Deferred tax asset	743	(54)	(30)	659
Accumulated losses	7,727	(140)	(76)	7,511

31 December 2017

	Previously Reported	Adjustments					Restated
		Reclassification (i)	Previous Period	Timing (ii)	ECL Provision (iii)	Rounding	
Product revenue	3,553	(728)					2,825
Maintenance revenue	353	-		(37)			316
Rental service revenue	4,577	728					5,305
Total operating revenue	8,483	-	-	(37)			8,446
Other expense	(1,972)				18		(1,954)
Income tax expense	(276)			10	(5)	1	(270)
Balance Sheet							
Contract Assets	-	-	23	(2)			21
Trade and other receivables	2,040		106		18		2,164
Deferred Income	(180)	-	171	(35)			(44)
Deferred tax asset	732	-	(84)	10	(5)		653
Accumulated losses	8,431	-	(216)	27	(13)		8,229

ACCOUNTING STANDARDS CONTINUED

30 June 2018	Adjustments						Restated
	Previously Reported	Reclassification (i)	Previous Period	Timing (ii)	ECL Provision (iii)	Rounding	
Product revenue	7,221	(644)					6,577
Maintenance revenue	707	-		8			715
Rental service revenue	9,647	644					10,291
Total operating revenue	17,575	-	-	8			17,583
Other expense	(4,314)				(39)		(4,353)
Income tax expense	(755)			(2)	11		(746)
Balance Sheet							
Contract Assets	-	-	21	(1)		1	21
Trade and other receivables	4,052		124		(39)	1	4,138
Deferred Income	(169)	-	136	9			(24)
Deferred tax asset	807	-	(79)	(2)	11		737
Accumulated losses	7,361	-	(202)	(6)	28	(15)	7,166

11. FINANCIAL INSTRUMENTS

Management determines the classification of the Group's liabilities at initial recognition. At initial recognition, the Group measures a financial liability at its fair value. After initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

The Group measures all financial liabilities at amortised cost in the periods covered by these financial statements. Financial liabilities measured at amortised costs are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. Trade and other payable, employee benefits, related party loans and borrowings are classified as financial liabilities measured at amortised cost.

Financial liabilities are derecognized if the Group's obligations specified in the contract expire or are discharged or cancelled.

Refer note 10 for policies related to financial assets.

Fair value of Financial assets and liabilities

The Groups financial assets and liabilities by category are summarised as follows:

Cash and short terms deposits

These are short term in nature and their carrying value is equivalent to their fair value.

Trade, related party and other receivables

These assets are short term in nature and are reviewed for impairment; the carrying value approximates their fair value.

Trade, related party and other payables

These liabilities are mainly short-term nature with their carrying value approximating their fair value.

FINANCIAL INSTRUMENTS CONTINUED

Related party loans

Fair value is estimated based on current market interest rates available for receivables of similar maturity and risk. The interest rate is used to discount future cash flows.

Borrowings

Borrowings have fixed and floating interest rates. Fair value is estimated using the discounted cash flow model based on current market interest rates for similar products; their carrying value approximates their fair value.

Fair Values

The Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels based on the degree to which the fair value is observable.

Level 1 – fair value measurements derived from quoted prices in active markets for identical assets.

Level 2 – fair value measurements derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – fair value measurements derived from valuation techniques that include inputs for the asset or liability which are not based on observable market data.

There have been no transfers between levels or changes in the valuation methods used to determine the fair value of the Group's financial instruments during the period.

	GROUP AS AT 31 DECEMBER 2018	GROUP AS AT 31 DECEMBER 2017	GROUP AS AT 30 JUNE 2018
	\$'000	\$'000	\$'000
Financial assets measured at amortised cost			
Cash and cash equivalent	2	3	12
Trade receivables and other receivables	2,695	1,836	4,138
Total financial assets measured at amortised cost	2,697	1,839	4,150

	GROUP AS AT 31 DECEMBER 2018	GROUP AS AT 31 DECEMBER 2017	GROUP AS AT 30 JUNE 2018
	\$'000	\$'000	\$'000
Financial liabilities measured at amortised cost			
Trade and other payables	3,934	2,230	3,582
Bank overdraft	246	135	969
Interest bearing liabilities	11,125	2,002	9,973
Total financial liabilities measured at amortised cost	15,305	4,367	14,524

12. DIVIDENDS

During the period, the Group paid the final dividend related to the 2018 financial year of \$1.916 million (2017: \$1.740 million). Note that there was no interim dividend paid during FY2018 and therefore only a final dividend paid in the first half of FY2019.

13. RELATED PARTIES

The Group's ultimate parent is the Harvard Group, which owns or has voting entitlements for 80.0% of the company's shares. The remaining 20.0% is widely held. The Group's ultimate controlling parties are Ian Malcolm and Tony Falkenstein.

The Group has a number of loans and advances outstanding from other related parties at balance date. These advances do not have fixed repayment terms and all advances between related parties are unsecured. These related party balances are materially consistent with those disclosed in the 2018 Annual Report.

RELATED PARTIES CONTINUED

The Harvard Group Ltd, a company of which Tony Falkenstein and Ian Malcolm are directors and indirect shareholders, charged management fees for Tony Falkenstein to perform the role of Chief Executive for the Group during the financial period to the value of \$120,000 (2017: \$120,000). As at balance date the Group had a payable balance of \$0 (2017: \$0). Balances are settled in cash.

Key management and director's compensation is as follows:

	GROUP YEAR ENDED 31 DECEMBER 2018 \$'000	GROUP YEAR ENDED 31 DECEMBER 2017 \$'000
Short-term benefits	479	337
Directors fees	57	29
Total key management compensation	536	366

These related party balances are materially consistent with those disclosed in the 2018 Annual Report.

14. SUBSEQUENT EVENTS

Unovent

On 3 January 2019, the Group acquired the intellectual property and inventory of the home ventilation companies, Unovent Limited and Unovent Holdings Limited. Total consideration is \$500,000 for the asset purchase with \$215,000 being paid in cash and the balance through the issue of share of Just Water International Ltd. This business will become a division of Hometech Ltd, the recently acquired subsidiary of Just Water International.

This acquisition is strategically important to the Hometech Limited business and will expand the product offerings in that market. The Unovent product is designed for the home ventilation market, and uses unique technology (patent pending) so that expensive ducting is not required.

Due to the recency of the transaction, the assessment of underlying assets and liabilities and resulting goodwill upon acquisition has not been finalised at the time this report was prepared and as such not disclosed.

NZX

The Group has applied and has been approved to move to the main board of the New Zealand Stock Exchange (NZX) from 1 March 2019.

Change of name

The directors have announced that Company will change its name from Just Water International Ltd to Just Life Group Ltd effective 1 March 2019.

Other

There have been no other subsequent events to 31 December which materially impacts the results reported.

15. COMMITMENTS

Capital commitments

The Group has capital commitments \$214,731 (2017: \$478,821).

There were no contingent liabilities for the Group at 31 December 2018

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