

Chair and Chief Executive Review

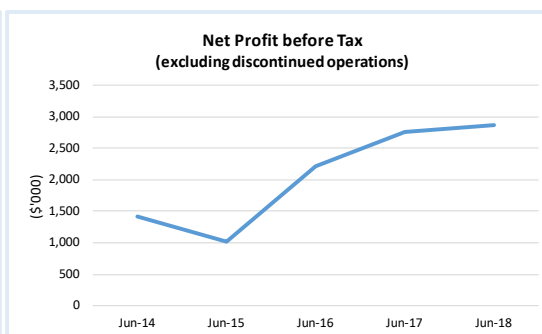
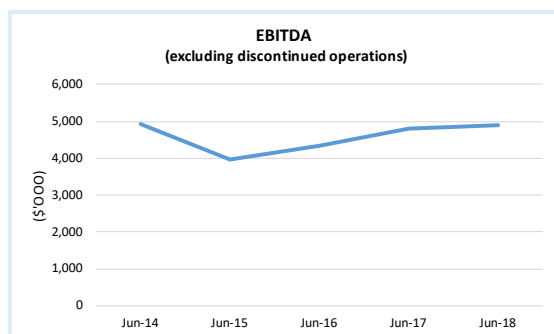
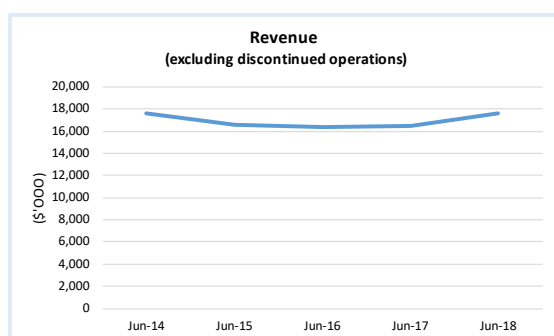
The directors of Just Water International Limited (JWI) present the financial results for the year ended 30 June 2018. This incorporates the financial results of Just Water New Zealand, the equity accounting for the net profit after tax from the 51% shareholding in Hometech Ltd for the second half of the year and the financial results from the business operations of Dolphin Water Products Ltd acquired on the 31st May 2018.

Key highlights extracted from the Statement of Comprehensive Income (refer to page 19):

Results

	Current year \$'000	Previous year \$'000	% change
Operating Revenue	17,575	16,446	7%
Acquisition Costs	(138)	-	
EBITDA	4,892	4,790	2%
Depreciation & Amortisation	(2,075)	(1,956)	(6%)
EBIT	2,817	2,834	(1%)
Interest	(177)	(80)	(121%)
Equity income from associates	221	0	
Net profit before tax	2,861	2,754	4%
Net profit after tax	2,106	2,047	3%
Gain on asset revaluation	-	343	
Total comprehensive income	2,106	2,390	(12%)

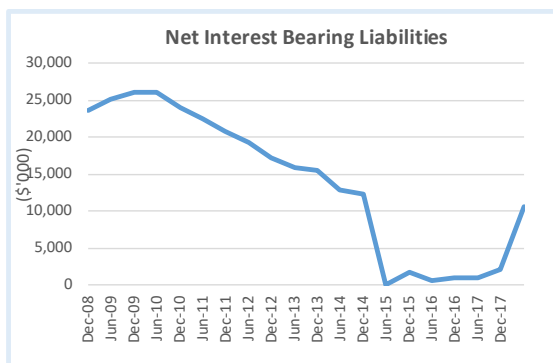
Net profit before tax increased by 4% over the prior year to \$2,861,000 after incurring acquisition costs of \$138,000, accounting for the equity share of income from Hometech Ltd of \$221,000 (after tax) and increased interest costs of \$97,000. The equity income from the 51% share of Hometech for the six months included substantial restructuring and other one-off costs to establish a base for growth in the future. Going forward the financial results of Hometech will be consolidated 100% into the Group as Just Water International Ltd acquired a 100% shareholding on the 29th June 2018.



The above key indicators all showed growth over the prior year.

Debt

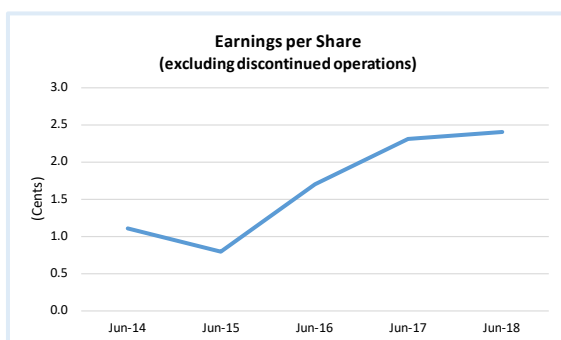
Net interest-bearing liabilities include cash and cash equivalents and interest-bearing liabilities. The graph below details the net interest-bearing liabilities for the Group over the past ten years.



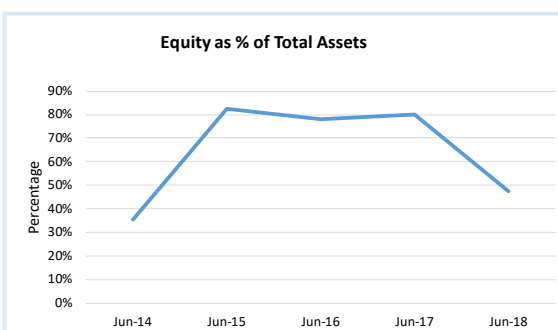
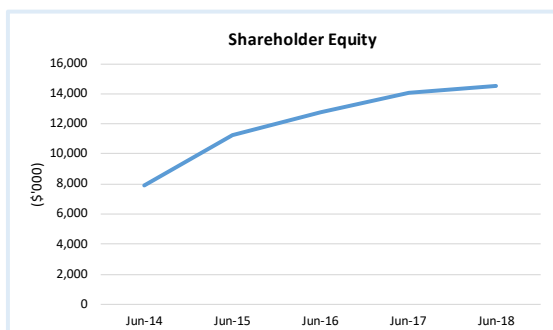
Net interest-bearing liabilities increased as a result of the acquisition of Hometech Ltd for \$8.136m and the acquisition of the business operations of Dolphin Water Products Ltd for \$0.385m during the six-month period ended 30 June 2018.

Shareholder Returns

Earnings per share increased from 2.3 cents per share to 2.4 cents per share.



Shareholder equity has steadily increased from \$11,221,000 to \$14,522,000 over the last 4 years. During the past year the debt to equity ratio increased from 18/82 to 52/48 due to the two acquisitions noted above. The directors believe the company is conservatively geared relative to the scale of operations across the two business units.



Dividends

Free cashflow increased from \$819,000 for the year ended 30 June 2017 to \$1,304,000 for the year ended 30 June 2018. As a result the directors are pleased to recommend that a fully-imputed dividend of 2.2 cents per share be declared for the current year. The record date for the dividend will be 2nd November 2018 and the payment date will be the 16th November 2018.

Dividend Reinvestment Plan

The company operates a dividend reinvestment plan. The Harvard Group has advised it will not be participating in the dividend reinvestment plan.

Acquisitions and New Opportunities

The Company continues to pursue new opportunities for growth, both organically, and by acquisition.

During the past six months ended 30 June 2018 the Company acquired 51% of the shares in Hometech Ltd on the 3rd January 2018, and then acquired the remaining 49% on 29th June 2018. The business has since been restructured, resulting in a proportionate charge of \$113,000 incurred for redundancy & inventory obsolescence provisions included in the net equity earnings for the six-month period of \$221,000.

On the 31st May 2018 the Company acquired the business operations of Dolphin Water Products Ltd, a business similar to Just Water. This was a relatively straight forward acquisition and was easily assimilated within Just Water's current operations.

The Company is looking at other opportunities which will be announced in due course.

Hometech Ltd

The Company's acquisition of Hometech is a solid step in the plan to grow the business operations of JWI. Hometech is a similar size to Just Water, has been operating for over 25 years and is the New Zealand distributor and installer of ventilation and natural lighting products.

Hometech is focused on providing healthier homes, with its premium Solatube daylighting products, home ventilation systems, and attic stairs. The General Manager is Warren Drinkwater, and he leads a team of 30 staff, with branches in Auckland and Wellington and has a well-trained national distribution and installer network.

The company has established relationships with Housing New Zealand, Auckland International Airport, architects and residential builders nationwide

The business has been structured to give it a strong foundation for future growth and the directors will continue to pursue both the addition of premium products to distribute through its current channels and look to acquire further businesses that leverage the existing capabilities of Hometech and Just Water.

Bank Covenants

The Company has complied with all bank covenants during the year to 30 June 2018.

Expected Future Income Rental Streams

As noted in previous annual reports a significant portion of the Just Water operations is a subscription rental and service business. At 30 June 2018, there was approximately \$80 million expected future rental income stream which is not recognised in the consolidated financial statements.

Consistent with prior disclosures, expected future rental income streams have been calculated based on the last month's rental income multiplied by the average customer life, which exceeds seven years.

Audit

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

Health & Safety

The ongoing health and safety of the Just Water team members, contracting parties and visitors is a critical input into the Company's operations. Directors and management continue to ensure health and safety training and compliance is always a high priority across the culture and operations of the company.

Board

In April 2018 Hilary Poole was appointed an independent director of JWI. Brendan Wood subsequently resigned as a director in June 2018 and in the same month Hilary was appointed as Chair. In accordance with the constitution Hilary will hold office until the Annual Meeting and will offer herself for re-election at that time.

Hilary has twenty years of experience in a variety of leadership and governance roles within the finance, food, education, sporting and not for profit sectors in New Zealand, Australia and London.

Upon completion of the full acquisition of Hometech in June 2018, Ian Malcolm and Hilary Poole were also elected to the board of Hometech with Hilary also appointed to the position of Chair.

In August 2018, Richard Carver was appointed an independent director of Hometech. Richard is Managing Director and co-owner of Jennian Homes, as well as serving on several boards relating to the building industry.

We would like to thank our fellow directors, Ian Malcolm and Brendan Wood, with a further special thanks to Brendan for his strong commitment to the company during his four years of service. With this small Board, we have been able to make decisions quickly and ensure excellent governance processes.

As a board, we are committed to keeping our shareholders informed on the activities of the company. To that end all shareholders for whom we have current email addresses were sent a shareholder newsletter in July 2018, and this practice will continue along with our half year and annual reports and annual shareholder meeting. This is also available on our website - www.jwi.co.nz.

In addition, we aim to continue small meetings of shareholders around the country each year. Recently a meeting was held in Wellington, and all shareholders in the area were invited to meet the Chair and directors of JWI and Hometech.

NZX

The Company has advised the NZX that it intends to move from the NZAX to the NZX Main Board from 1 January 2019. Generally, the Company already complies with the Main Board listing requirements, although an additional independent director will need to be appointed prior to the move.

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.

Just Water Team

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



Hilary Poole
Chair



Tony Falkenstein
Chief Executive