Just Water International Limited

Chairman and Chief Executive's review

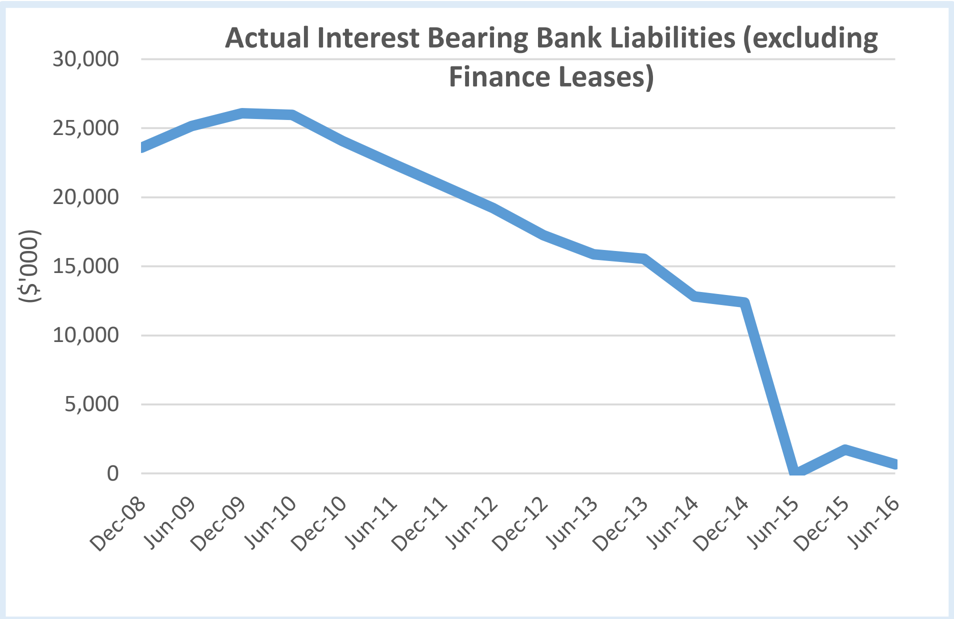
The directors of Just Water International Limited present the full year cash flow and profit results for the year ended 30 June 2016.

Cash Flow:

Rebuilding shareholder value is our key priority. Management continues to focus on initiatives to maximise the generation of cash flow from operations. There have been several opportunities explored during the year, but given the need to ensure on-going profitability and cash flow without putting undue risk to the current fundamentally sound business there were no acquisitions or major changes made during the year. We are pleased with the initial response from the trial of new consumer products in China which is discussed in further detail later in this report.

The Company generated $3.5 million surplus cash flow (2015: $2.6 million) from operations during the year.

At 30 June 2016, the company's net bank debt position showed a small debt of $0.06 million. This was after the purchase of a new building during the year for $3.3 million and refurbishment costs of about $0.4 million. The graph below represents actual net interest bearing liabilities for the Group.



It is noted that net interest bearing bank debt is expected to increase in the six months ending 31 December 2016 as the bulk of the new building renovation and plant upgrade and moving costs will be incurred during this period.

Consumer Products:

The Company launched two new consumer products at SIAL in Shanghai, China in June 2016. SIAL is a major global food and beverage show, and attracted 6,500 exhibitors. Our two products, a Just Water 10 litre Cask and a bottled Manuka Honey beverage were both judged in the top 100 products at the show, with the Manuka Honey beverage receiving the overall show bronze award. The Company is in discussions with parties to distribute these products throughout China but as of the date of this report no agreements has been finalised.

Dividends:

The directors continue to believe that the ability to fund research and development, new product ventures and pursuing suitable acquisitions is key to providing a sound business platform for an ongoing return for shareholders via growth. As such no dividend has been declared for the current year.

Results:

	Continuing Operations		
	Current full-year $'000	Previous full-year $'000	% change
Operating Revenue	16,342	16,537	(1%)
EBITDA	4,345	4,043	7%
Depreciation & Amortisation	(2,025)	(2,243)	10%
EBIT	2,320	1,800	29%
Interest	(101)	(702)	86%
Net profit before tax	2,219	1,098	102%

The results are significantly improved as a result of further operating efficiencies realised during the year, reduced depreciation as a result of reduced capital expenditure over the past few years and a reduced interest charge due to the repayment of almost all debt from the proceeds of the sale of the Australian operations in May 2015. Despite revenue decreasing slightly for the year (2016: decrease 1.1%; 2015: decrease 4.7% from continuing operations) EBIT increased by $0.52 million as a result of the reasons noted above.

Purchase of building to house Head Office:

In August 2015, the Company purchased a building to house its Head Office, Auckland bottling plant and Distribution centre. The purchase price was $3.3 million.

The building office has been gutted and renovated into a modern and dynamic working environment that will provide a platform to offer an enhanced customer experience. The Auckland bottling plant has been upgraded with the latest automation and safety equipment which is now world class. The Company is moving into the new building in September 2016.

Bank Facilities and interest bearing debt:

The Company has complied with all bank covenants during the year to 30 June 2016.

Expected Future Rental Income Streams:

At 30 June 2016 there continued to be in excess of $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 on the basis of the last month's rental income multiplied by the average customer life, which is in excess of seven years.

Audit:

The Company has complied with all bank covenants during the year to 30 June 2016.

Share buyback programme:

The directors announced a share buyback programme, which will continue through to the previously announced date of 20 February 2017.

The Company will buy up to 5% of the shares currently on issue by the Company.

Shareholders may approach the Company directly if they do wish to sell their shareholding.

Board:

I would like to thank my fellow directors, Ian Malcolm and Brendan Wood. In accordance with the constitution, Ian Malcolm retires by rotation and being eligible offers himself for re-election.

Just Water Team:

The directors wish to specifically acknowledge the support and commitment of the whole Just Water team in achieving this pleasing result for the year.

Yours sincerely

Tony Falkenstein ONZM
Chairman and Chief Executive Officer
Just Water International Limited