



**Just Water International Limited**

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**Just Water International Limited**

**Annual Meeting**

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**103 Hugo Johnston Drive, Penrose, Auckland**

**Chairman's Address, Tony Falkenstein**

**11.00 am, Monday, 5 December 2016**

**Chairman's Address:** Good Morning. I am Tony Falkenstein, Chairman and Chief Executive of Just Water International Limited. I'd like to welcome you to this, the thirteenth Annual Meeting of Just Water since floating on the NZAX in 2004. The class of 2004, wasn't a good one, which gives us even more pleasure that we can be so positive today, 13 years after our IPO.

Just to cover Housekeeping, toilets are down the back of the room to my left, we have two exits, out the front and back. If the alarm goes off, please assemble in the front of the building.

We are very proud to be holding this Annual meeting in our own building, which houses our Auckland bottling plant, which is a world class facility. I think you'll agree this is a prestigious workplace. We were fortunate to have the Prime Minister, the Honourable John Key, open the building only six weeks ago.

It's now my pleasure to declare open this 13<sup>th</sup> Annual Meeting of Just Water International Limited.

I confirm that a quorum is present and that the meeting is duly constituted. The notice of meeting has been circulated to all shareholders and I propose to take it as read.

There is an apology from Norman Godden. There were no other apologies.

Let me introduce my fellow directors and Chief Operating Officer.

- Ian Malcolm, Chairman of the Audit Committee
- Brendan Wood, an independent director, and Chairman of the Remuneration Committee
- and Eldon Roberts, our Chief Operating Officer and CFO

We also have staff here, so welcome all.

The first item of business today will be the receipt of the company's Annual Report, followed by a few remarks from me. There will be a full opportunity for your questions after my comments.

We will then proceed with the other two resolutions, which were notified in the formal Notice of Meeting being the re-election of Ian Malcolm as a director and secondly approving the reappointment of PWC as auditors.

I will then formally close the meeting and invite you to join the directors and other Just Water personnel on an informal basis.

I record that proxies have been received and are held by myself and other named persons totalling 70,237,631 shares representing 78.6% of the shares on issue.



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The Minutes of the previous Annual Meeting of Just Water International Limited, held on 7<sup>th</sup> December 2015, have been available for inspection at the registered office of the Company, and are also available at this meeting.

In accordance with normal practice, these Minutes were considered by the company's board at a meeting following the last Annual Meeting, and were regarded, at that time, as a true and correct record of that meeting

It is therefore proposed to take them as read. There was no discussion on the Minutes.

We come now to the resolutions set out in the Notice of Meeting.

In dealing with these, I will conduct a vote taken on the floor of the meeting by a formal show of hands.

The first item on the Agenda is the receipt of the Company's Annual Report for the year to 30 June 2016, including the auditors' report.

I will shortly deal formally with that Resolution and the others that have been notified.

However, it is appropriate that I take this opportunity to make some preliminary comments.

The Annual Report has been made available to you as shareholders and I don't intend to repeat what is contained in that document.

The last six years have been tough ones for the Company, its staff and its shareholders. In that time, we have reduced debt from \$27 million to approximate \$1.0 million; we have negotiated an excellent deal on the sale of our Australian subsidiary; we have purchased and refurbished this building to a world class standard, and have installed a state-of -the-art



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bottling plant. We are also pleased to advise that the shareholders have benefited from a doubling of our share price in the same period, much of that increase being over the last year. So, thank you for bearing with us over these tough times. You might have seen in the NBR last Friday, where Tim Hunter suggested that the Pumpkin Patch demise may have been a lack of shareholder support. Our 400 shareholders have given Just Water their support, and that is appreciated.

The last six years of consolidation have laid the platform to look for growth opportunities, both organically, through new entrepreneurial products and concepts, which I will explain later, and through acquisition.

Firstly, I will address some questions by Mr Malcolm Don, who does study our Annual Report fastidiously, which is in the interests of all shareholders. So, thank you Malcolm for doing such a fine job. I will attempt to respond to your questions, which you have sent to me over recent weeks.

Mr Don believes the share price should be 34 cents, and has given a breakdown on why he thinks this should be the value. I am sure we all hope he is right, but as of today, buyers are only prepared to pay 22 cents per share, and despite all our hopes, the price is what the market is prepared to pay, and the open market is generally accepted as the basis of public company valuation.

He also asks why the Company doesn't buy back its own shares, and privatise the Company.

Probably this would be the best option in terms of the major shareholder, but this Board recognises all shareholders, and believes that there are more options in being a public company, than being private. It gives us more credibility with both customers and suppliers, and it is easier to raise funds, should we make a major acquisition in the future.

I agree with Mr Don's comments that we have a lazy balance sheet, but we are being patient and are only willing to review opportunities which utilise our core competencies. These are uncertain times, I am sure most shareholders will welcome our conservatism; as stated, "rebuilding shareholder value is the key priority of directors.", and I think they have done just that over the last two years since they were appointed.

In terms of our acquisition strategy, we certainly are not rushing to acquire something for the sake of it. Basically, we would consider anything that utilised our core competencies of sales management, utilising our customer base, warehousing and distribution, and contract billing.

Another question asked by Mr Don. was his understanding that the NZAX platform was being withdrawn in the near future. As stated at last year's meeting, NZX will continue to support the NZAX. We held a meeting with the NZX during the year to confirm that the NZAX will continue into the foreseeable future. With the introduction of the NXT exchange, there was some commentary that NZAX would go – in fact, the only thing to go was the CEO of NZX, Tim Bennett, who dreamed up NXT. It has succeeded in attracting 4 participants, only one of them raising capital. To me it was a complete waste of time having two small cap markets, when they had enough problems with their major business.

In terms of a dividend, as stated, there is no intention to pay one in the current year. It was stated at a previous Annual Meeting, that once we achieve a debt to equity ratio from operational cash flow of 60:40 we would recommence a dividend pay-out. Nothing has changed in that regard. As stated in the Annual Report we continuously are looking for suitable acquisitions, to take us on the next growth path, and feel that this is the best use of borrowing capacity for all shareholders.



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I mentioned in the Annual Report that we were looking at some added consumer products, and I do want to talk about these:

Firstly, the 10 litre water cask –in New Zealand, this is made for people who have beaches, and/or go boating or camping. It is the most efficient, and convenient, way of storing water.

This week we are doing a mailing to 78,000 households, mainly in the eastern suburbs of Auckland, to see the take up of this product. We are offering free delivery, which would utilise our trucks on Saturdays. If any shareholders wish to take any themselves today, they will receive a shareholders' discount of 20% i.e. \$10 per cask.

We have also looked at distributing in China, but haven't signed any distribution agreement yet.

Secondly, Melambra non-alcoholic Manuka Honey liqueur. This is a new category, targeting China, although potentially a global brand. There are 5 reasons for this concept:

1. in China 71% of females and 42% of males are abstainers,
2. Gift giving culture;
3. Support healthy products;
4. They prefer sweet products, and Manuka Honey is very sweet, and
5. They like status products.

We have registered 'Melambra' in terms of the word and trademark in most major countries, and have taken the websites addresses. In May of this year, we showed the product concept at one of the biggest Food and Beverage shows in Shanghai – there were 7,000 exhibitors, and this product received the Bronze Award, and together with the video, has been shown at Trade Shows in New York, London and Paris.

We will be doing focus groups of Chinese on the product, to see if our assumptions are reinforced in the real world. This is a really exciting product, but I do caution you that we have not sold anything yet, and do not yet have market "validity" of the concept.



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The third product concept is the Cask Chiller- you can see here, this holds a 10 litre carton of water, but will also be able to cool white wine. We are currently taking world patent and design rights on both the chiller and carton. Casks are not that popular in New Zealand, although 60% of them are used by Seniors! In the USA and Eastern European countries, they are relatively popular.

We are also excited about this product, which we will be manufacturing in Malaysia, but again we haven't manufactured or sold one yet, nor gained market "validity" of the concept.

Mini chiller This is a product we used to sell in New Zealand – we put about 5,000 in the marketplace, many of which are still there now. However, manufacturing in New Zealand, the cost became horrific. We are purchasing the dies, and having this unit manufactured in Malaysia. This uses the same technology as the Cask Chiller.

We know that globally the smallest water cooler is too big for a kitchen bench, so potentially there is a global market with this product.

We do see growth by innovation as the potential upward spiral of our sales, and from what I have told you, we have not been idle in this area. However, as I have stated, growth by acquisition is also on our radar, and we are continually assessing businesses for acquisition. We are not going to rush into anything for the sake of it, but we do want to have the cash and/or borrowing ability if the right acquisition comes along.

I need to stress that these are all concepts currently, and we are not budgeting on any revenue or profits coming from these products in the current year, apart from domestic sales of the 10 litre cask.



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I wish to thank my fellow directors, each of whom has made an excellent contribution to Just Water's governance. We believe we can be more agile with a small board of just three of us, and have called on specialist help when we needed it. As noted earlier, Ian Malcolm is retiring by rotation, and offers himself for re-election.

It is important that we continued to ensure that the Company's governance structures met the highest standards, and I am confident that I couldn't have two better directors than these two to keep me on track, and to make sure that good governance standards are maintained.

I am pleased that our auditors have given us a clean bill of health and that we have complied with all bank covenants.

In terms of the 2017 year, we are almost through the first half of the year, so I will bring you up-to-date with performance. After five months, our revenue is tracking slightly higher than the previous year, and EBIT is also above budget and last year

Finally, I want to thank the entire Just Water team, for their efforts over the year.

I now ask if there are any questions on my remarks.

A shareholder wished to clarify the director's position regarding the dividend policy of 60:40 equity to debt ratio as adjusted for one-off items. The CFO advised that the adjusted ratio was 54:46 as at 30 June 2016.



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We will now move on to the formal business and resolutions which were advised in the Notice of Meeting;

**Resolution 1**

As I have indicated, Resolution 1 is to receive the Annual Report, (which includes the Auditors' Report), for the year ended 30 June 2016.

*“That the Annual Report of the Company for the year ended 30 June 2016, including the Auditors' Report be received.”*

The resolution was carried.

**Resolution 2**

Resolution 2 relates to setting the Auditors remuneration

*“That the company's Board of Directors be authorised to fix the auditors' remuneration.”*

The resolution was carried.

**Resolution 3**

Resolution 3 relates to the election of a director. Ian Malcolm has made himself available for re-election.

The Board is recommending that he be appointed to the board.

*“That Ian Malcolm be re-elected as a director of the Company.”*

The resolution was carried.

**General Business**

Is there any General Business or are there any further questions?

Ladies and Gentlemen: That concludes this Annual Meeting and I formally declare the meeting closed at 11:24 am.

Thank you all for attending, and I invite you to join us for a cup of tea, or better still, Just Water behind us.