



Water Intelligence plc

Group Annual Report and Financial Statements
for the Year Ended 31 December 2015

Company number 03923150

Group Annual Report and Financial Statements

for the year ended 31 December 2015

Contents

Company Information

Directors & Advisers

Directors	Patrick DeSouza	Executive Chairman
	David Silverstone	Executive Director
	Stephen Leeb	Non-Executive Director
	Robert Mitchell	Non-Executive Director
	Michael Reisman	Non-Executive Director
Company Secretary and Registered Office	Liam O'Donoghue 201 Temple Chambers 3-7 Temple Avenue London EC4Y 0DT	
Company number	Registered in England and Wales number 03923150	
Nominated adviser and broker	WH Ireland Limited 24 Martin Lane London EC4R 0DR	
Independent Auditor	Crowe Clark Whitehill LLP St Brides House 10 Salisbury Square London EC4Y 8EH	
Registrar	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen B63 3DA	
Bankers	HSBC Bank plc 2 London Road Twickenham Middlesex TW1 3RY	Liberty Bank 215 Church Street New Haven CT 06510 USA

Chairman's Statement

Introduction

Our corporate growth strategy is having a positive effect on the Company. We are pleased to report our 2015 results. We have achieved significant growth in both our top-line and bottom-line numbers. This momentum has also continued during the first third of 2016. We have continued to bolster our management team and have increased the size of our staff as we prepare the way to execute a robust growth trajectory.

Future Growth/Potential Dividend Strategy

During the first quarter of 2016, we completed shareholder actions that provide us the flexibility to issue dividends and buy back shares when compatible with the reinvestment requirements of our growth plan. Hence, as we roll further into 2016, our competitive strategy, customer demand, franchisee and corporate execution and shareholder considerations are all well-aligned. Going forward, we plan to communicate more fully on the value that such alignment should realize for our shares.

We appreciate the support of our franchisees and our shareholders in building our brand. Hence, the board and management make two commitments: First, our operating expenses will continue to be geared towards fueling the growth of our franchisees. We already see the benefits for sustainable growth from providing our water loss solutions using a business-to-business focus in areas such as insurance and property management. As part of our commitment to our franchisees, we will also begin to increase R&D spending to ensure our long-run competitive edge. Our 2016 annual convention in November will be located near Silicon Valley to promote our technology value proposition for minimally-invasive water leak detection. Second, subject to achieving anticipated operating performance targets and meeting reinvestment needs to support our franchisees and reacquisition strategy, we plan to recommend a dividend for our shareholders at year-end. We look forward reinforcing our alignment among management, franchisees and shareholders.

Trading Results

We continue to see an increase in customer demand for our minimally-invasive solutions to stem water loss. Total revenue increased 23% year-over-year to $8.84 million. Further, each component of total revenue had meaningful growth. First, franchise royalty income increased 6% to $5.22 million. Considering that our franchisees pay us a royalty fee based on a percentage of their gross sales, this component of Water Intelligence revenue implied approximately $70 million in system-wide sales to the end-customers of our company. Our franchisee units themselves are growing at a rate faster than our 6% royalty growth because our royalty charges reduce as franchisees reach higher and higher levels of their own sales. Last year we added 4 new members to the "Million Dollar Sales Club" bringing the total to 25. Second, corporate-executed sales increased 79% to $2.61 million. Some of that significant growth is attributable to our corporate strategy of selectively reacquiring franchises to incorporate a portion of the $70 million of system-wide sales onto the books of Water Intelligence. Finally, product and equipment sales grew approximately 23% during 2015. This revenue component is important because it is an indicator of franchisee reinvestment for future growth in sales.

The strength of market demand has enabled us to maintain or, in some cases, even raise pricing. Combined with improvements in execution, we have achieved strong growth in operating profits. For 2015, profits before tax grew 66% to $972,440. Such increase in profits did not come at the expense of making the right investments to support future growth. Total administrative costs grew during 2015 by 16% to $6.95 million with an increase in corporate headcount to 63 from 50 in 2014.

Unlocking Shareholder Value: Franchise Reacquisition Strategy

As discussed in prior Chairman's Statements, Water Intelligence's corporate strategy is two-fold: First, grow our business footprint - both franchise-executed and corporate executed sales – through national customer channels such as insurance and property management; and second, add critical mass to Water Intelligence revenue and earnings by selectively reacquiring a portion of the approximately $70 million of current system-wide sales. Both franchisor and franchisees have come to see such a reacquisition plan as a mutually-beneficial proposition. Each franchisee has an opportunity to realize his investment in the franchise when the time is right. Meanwhile, especially through the business to business channel, our franchise business can drive more growth synergies with its customers, who have come to rely on the brand.

In executing our reacquisition strategy, management has a defined roadmap that has as its ultimate goal the formation of a multinational growth company. Several criteria establish franchise selection priorities: (i) geographic location to contribute to the formation of a corporate infrastructure that spans the US, as well as, Commonwealth countries of UK, Canada and Australia; (ii) customer base for the piloting/testing of new service offerings; (iii) underperformance of an existing franchise affording the opportunity for rapid "turnaround" growth; (iv) quality revenue and earnings of an existing franchise affording the opportunity to blend stable growth with "turnaround" growth; and (v) synergies with surrounding franchises to speed franchise growth at a regional level.

As announced, during Q1 2015, we launched our strategy to unlock value with three franchise reacquisitions: Miami, New York and Detroit. Miami and New York were selected to address underperformance of existing franchisees. Through Q1 2016, we have achieved significant sales growth in these locations. Detroit was selected as part of a retirement plan for a franchisee with dependable revenue and earnings. Through Q1 2016, we have achieved solid earnings growth in Detroit and have provided a case study for our franchisees of a mutually beneficial partnership.

Moreover, Miami and New York built upon existing corporate operations in nearby Fort Lauderdale and Boston, respectively, to form regional corporate centers in the Southeast and Northeast of the U.S. Detroit, meanwhile, along with a 2016 transaction involving Cincinnati, will form the basis for a Midwest corporate presence in the U.S.

Bottom-line: Corporate-executed sales grew year-over-year 79% to $2.61 million while achieving a 5.7% margin that amounted to $148,040 in profits. We anticipate continued strong sales growth and higher margins in 2016, especially since the swing in profits for corporate-executed sales went from ($45,991) in 2014 to $148,040 in 2015.

Outlook

As noted above, we have a significantly strengthened management team that is able to execute an ambitious growth strategy. First, we continue to expand our sales footprint and our franchise business thus ensuring the growth of royalty income. Second, we continue to unlock revenue and earnings through franchise reacquisitions. Based on the positive results from our current selection criteria, we will look to make similar reacquisition choices during 2016 and 2017. Some of the reacquisitions will be underperforming franchises so that we can achieve faster headline growth. Some will be franchises with dependable revenue and earnings where we can illustrate a positive partnership approach and still achieve solid growth. We are always mindful of the geography of potential opportunities so that we create regional infrastructure to support our franchisees and link our nationwide sales footprint for customers. Third, since we have achieved success with our strategy, we plan to extend the model to the UK, Canada and Australia during 2016 to position Water Intelligence for future growth given the reality of a worldwide addressable market for solutions to mitigate water loss.

Given our 2015 achievements, we look forward to building a multinational growth-oriented company that unlocks shareholder value. We are off to a strong start in 2016.

Dr. Patrick DeSouza
Executive Chairman

12 June 2016

Business Review and Key Performance Indicators

The Chairman's Statement, on pages 3 to 4, provides an overview of the year and the outlook for the Water Intelligence plc and its subsidiaries, referred to as the Group. The key performance indicators used by the board to monitor the business are the growth in royalty income, the performance of Corporate-run stores and net debt. These three indicators are reported to the board on a monthly basis and used to assist the board in the management of the business.

Royalty income compared to 2014 as follows:

	Year ended 31 December 2015 $'000	Year ended 31 December 2014 $'000	Change %
Total USA	4,994	4,660	7%
International	227	257	(12)%
Total Group Royalty Income	5,221	4,917	6%

Performance of the Corporate-run stores compared to 2014 as follows:

	Year ended 31 December 2015 $'000	Year ended 31 December 2014 $'000
Revenue	2,614	1,461
Profit/(loss)	148	(46)

Revenue from other activities compared to 2014 as follows:

	Year ended 31 December 2015 $'000	Year ended 31 December 2014 $'000	Change %
Parts and equipment sales	920	746	23%
Franchise sales	49	91	(47%)
Leakage surveys	35	–	n/a
Leakfrog units	3	–	n/a
Total Group Revenue from other activities	1,007	837	20%

Overall, Group Revenue from other activities increased by 20%, primarily due to a 23% increase in parts and equipment sales from franchises. Revenue from leakage surveys of $35k and revenue from Leakfrog units of $3k were achieved by the Group's wholly owned UK subsidiary, ALD International Limited.

Net debt increased to $1,019,000 at 31 December 2015, from $795,000 at 31 December 2014. Amounts owed under the term loan have been reduced on schedule to $2.05 million. Net debt has increased, however, because available cash has been used to execute the Group's franchise reacquisition strategy.

Group

	Year ended 31 December 2015 $'000	**Year ended 31 December 2014 $'000**
Term loan	2,050	2,551
	2,050	2,551
Less: Cash		
Held in US Dollars	1,007	1,722
Held in £ Sterling	24	34
	1,031	1,756
Total Net Debt	1,019	795

The Directors also consider a non-financial performance indicator for the Group: the number of franchises operating in the year. The Group had 99 franchises at the end of 2015 which represented a decrease of 4 franchises (2014: 103). Two of the decreases were the subject of reacquisition. The Group owns and operates 6 territories (2014: 3), an increase of 3 territories.

Principal Risks and Uncertainties

The Group's objectives, policies and processes for measuring and managing risk are described in note 24. The principal risks and uncertainties to which the Group is exposed include:

Product Development Risk
The products in development across the Group may cost more and/or take longer to develop into commercial products than the current estimates within the Group's plan. It is possible that once these products have been successfully developed they may not be commercially successful. In addition, products being developed may not be successful for their anticipated use.

Market Risk
The Group's activities expose it to the financial risk of changes in foreign currency exchange rates as it undertakes certain transactions denominated in foreign currencies. There has been no change to the Group's exposure to market risks. The Group and the Company had no material foreign exchange transactional exposure at 31 December 2015.

Interest Rate Risk
The Group's interest rate risk arises from its short and term loan borrowings.

Whilst borrowing issued at variable rates would expose the Group to cash flow risks, as at year-end, the Company does not have any variable rate borrowings.

Credit Risk
The Group's credit risk is primarily attributable to its cash and cash equivalents and trade receivables. The credit risk on other classes of financial assets is considered insignificant.

Liquidity Risk
The Group manages its liquidity risk primarily through the monitoring of forecasts and actual cash flows.

Other Risks

There is a risk that existing and new customer relationships will not lead to the sales currently forecast (especially, as noted above, from new products currently in development). As with any technology business, the Group is reliant on a small number of skilled managers. Further, the Group is reliant on effective relationships with its franchisees, especially in the US.

By order of the Board

Patrick DeSouza
Executive Chairman

12 June 2016

Directors' Report

The Directors present their report on the affairs of Water Intelligence plc (the "Company") and its subsidiaries, referred to as the Group, together with the audited Financial Statements and Independent Auditors' report for the year ended 31 December 2015.

Principal Activities

The Group is the leading provider of leak detection and remediation services. The Group's strategy is to be a "one-stop" shop for solutions (including products) for residential, commercial and municipal customers.

Results

The financial performance for the year, including the Group's Statement of Comprehensive Income and the Group's financial position at the end of the year, is shown in the Financial Statements on pages 16 to 22.

99.6% of the Group's revenue in the year ended 31 December 2015 (2014: 100%) came from its wholly owned subsidiary American Leak Detection, Inc. ("ALD"), with the remaining 0.4% of revenue coming from its wholly-owned subsidiary ALD International Limited.

Going Concern

The Directors have prepared a business plan and cash flow forecast for the period to June 2017. The forecast contains certain assumptions about the level of future sales and the level of margins achievable. These assumptions are the Directors' best estimate of the future development of the business. The Directors acknowledge that the Group in the near-term is funded entirely on cash generation by its profitable US-based franchise business, ALD. The Directors believe that the funding will be available on a case by case basis for different initiatives such that the Group will have adequate cash resources to pursue its growth plan. The Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future and accordingly, continue to adopt the going concern basis in preparing the financial statements.

Research Design & Development

The Group is committed to the research, design and development of product enhancements and additional features needed by the market.

Expenditure on research and development, all of which was undertaken by third parties not related to the Group, was:

	2015 $	2014 $
Research and development costs	13,878	68,437

Dividends

The Directors do not recommend the payment of a dividend (2014: $nil).

Share Price

On 31 December 2015, the closing market price of Water Intelligence plc ordinary shares was 62.0 pence. The highest and lowest prices of these shares during the year to 31 December 2015 were 78.5 pence and 26.0 pence.

Capital Structure

Details of the authorised and issued share capital are shown in Note 22.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Future Developments

Future developments are outlined in the Outlook section of the Chairman's Statement on page 4.

Financial Risk Management

Financial risk management is outlined in the principal risks and uncertainties section of the strategic report on page 6.

Subsequent Events

Following a general meeting held on 29 March 2016, where shareholders voted to approve the matter, a share capital reorganisation was undertaken on 30 March 2016 pursuant to which every 230 ordinary shares of 1p each were consolidated into 1 ordinary share of £2.30 nominal value and then subdivided back into ordinary shares of 1p each. Undertaking this exercise enabled the Company to significantly decrease the number of persons on its shareholder register and reduce the associated costs and administrative burden of maintaining a large shareholder base with no material interest in the Company. The total number of shares in issue following completion of the share capital reorganisation was 10,617,720 ordinary shares of 1p each.

On 20 April 2016, following approval by shareholders at the general meeting held on 29 March 2016 and the High Court of Justice of England and Wales, the Company undertook a capital reduction exercise pursuant to which:

- the share premium account of the Company was cancelled;
- the capital redemption account of the Company was cancelled;
- the issued share capital of the Company was reduced by cancelling all the issued deferred shares; and
- the amount of US$7,500,000 standing to the credit of the merger reserve was capitalised and applied in paying up bonus shares which were then cancelled.

Accordingly, for the purposes of the Company's balance sheet, on 20 April 2016, the share premium account and capital redemption account were reduced to zero, the merger reserve was reduced by US$7,500,000 and the share capital of the Company was reduced by £8,084,507.60 (US$12,679,741).

In total, this exercise generated US$31,497,995 to be credited against the negative distributable reserves of the Company (2014: US$24,671,150) thereby creating positive distributable reserves. Having positive distributable reserves means that the Company will be able to pay dividends and buy back shares in the future should it be deemed desirable to do so.

Current Trading is referred to in the Chairman's Statement.

Directors

The Directors who served the Company during the year and up to the date of this report were as follows:

Executive Directors
Patrick DeSouza – Executive Chairman
David Silverstone

Non-Executive Directors
Stephen Leeb
Robert Mitchell
Michael Reisman

The biographical details of the Directors of the Company are set out on the Company's website *www.waterintelligence.co.uk*

Directors' emoluments

2015	Salary, Fees & Bonus $	Benefits $	Redundancy $	Total $
Executive Directors				
P DeSouza	367,107	37,383	–	404,490
D Silverstone	105,353	–	–	105,353
Non-Executive Directors				
S Leeb	20,853	–	–	20,853
M Reisman	20,853	–	–	20,853
R Mitchell	41,451	–	–	41,451
	555,617	**37,383**	**–**	**593,000**

2014	Salary & Fees $	Benefits $	Redundancy $	Total $
Executive Directors				
P DeSouza	288,269	36,689	–	324,958
D Silverstone	66,271	–	–	66,271
Non-Executive Directors				
S Leeb	20,604	–	–	20,604
M Reisman	20,604	–	–	20,604
R Mitchell	20,604	–	–	20,604
	416,352	**36,689**	**–**	**453,041**

The remuneration for Mr. DeSouza, other than $277,500 paid direct to Mr. DeSouza (2014: $116,769) was paid to Plain Sight Systems Inc. (PSS).

Directors' interests

The Directors who held office at 31 December 2015 had the following direct interest in the ordinary shares of the Company, excluding the shares held by Plain Sight Systems, Inc.:

	Number of shares at 31 December 2015	% held at 31 December 2015
Patrick DeSouza*	2,842,110	26.76%
Michael Reisman*	147,200	1.39%
Stephen Leeb *	73,600	0.69%

*Patrick DeSouza, Michael Reisman and Stephen Leeb are directors and shareholders in Plain Sight Systems, Inc.

Share option schemes

In order to provide incentive for the management and key employees of the Group the Directors announced at the time of the Reverse Acquisition that the share option scheme issued to ALD employees was to be replaced. This action was completed in 2013.

Details of the current scheme are set out in Note 7.

Substantial Shareholders

As well as the Directors' interests reported above, the following interests of 3.0% and above as at the date of this report were as follows:

	Number of shares	**% held**
Plain Sight Systems, Inc.	2,544,410	23.97%
Chase Nominees Limited	507,150	4.78%
Principal Nominees Limited	457,240	4.31%
Amati VCT	419,290	3.95%
Amati VCT 2	395,370	3.73%

Corporate Responsibility

The Board recognises its employment, environmental and health and safety responsibilities. It devotes appropriate resources towards monitoring and improving compliance with existing standards. The Executive Director has responsibility for these areas at Board level, ensuring that the Group's policies are upheld and providing the necessary resources.

Employees

The Board recognises that the Group's employees are its most important asset.

The Group is committed to achieving equal opportunities and to complying with relevant anti-discrimination legislation. It is established Group policy to offer employees and job applicants the opportunity to benefit from fair employment, without regard to their sex, sexual orientation, marital status, race, religion or belief, age or disability. Employees are encouraged to train and develop their careers.

The Group has continued its policy of informing all employees of matters of concern to them as employees, both in their immediate work situation and in the wider context of the Group's well-being. Communication with employees is effected through the Board, the Group's management briefings structure, formal and informal meetings and through the Group's information systems.

Independent Auditors

Crowe Clark Whitehill LLP has expressed their willingness to continue in office. In accordance with section 489 of the Companies Act 2006, resolutions for their re-appointment and to authorise the Directors to determine the Independent Auditors' remuneration will be proposed at the forthcoming Annual General Meeting.

Corporate Governance

The Board is committed to proper standards of Corporate Governance, managing the Group in an efficient, effective, entrepreneurial and ethical manner for the benefit of shareholders over the longer term.

Under the AIM listing rules, the Company is not obliged to implement the provisions of the UK Governance Code (formerly the Combined Code). However, the Company is committed to considering, where appropriate, the principles of good governance contained in the UK Governance Code for a company of its size and nature.

In the context of the Group's strategy for growth, the Board will continue to actively review its Corporate Governance at regular intervals.

The Board is responsible for the Group's system of internal control and reviewing its effectiveness. Such a system is designed to manage rather than eliminate risk of failure to achieve business objectives, and can only provide reasonable and not absolute insurance against material misstatement or loss. The system of internal financial control comprises of controls established to provide reasonable assurance of:

(i) The safeguarding of assets against unauthorised use or disposal and;

(ii) The reliability of financial information used within the business and for publication and the maintenance of proper accounting records.

In addition the key procedures on the internal financial control of the Group are as follows:

(i) The Board reviews and approves budgets and monitors performance against those budgets regularly with any variance being fully investigated and;

(ii) The Group has clearly defined reporting and authorisation procedures relating to the key financial areas.

The Annual General Meeting is the principal forum for dialogue with shareholders.

The Board also welcome shareholders' enquiries, which may be sent via the Company's website *www.waterIntelligence.co.uk.*

Statement of Directors' Responsibilities

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with the Companies Act 2006 and for being satisfied that the Financial Statements give a true and fair view. The Directors are also responsible for preparing the Financial Statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Company law requires the Directors to prepare Financial Statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and the Group for that period. In preparing those Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the Financial Statements. The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, disclose with reasonable accuracy at any time the financial position of the Company and the Group, and to enable them to ensure that the Financial Statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the Annual Report and Financial Statements are made available on a website. Financial Statements are published on the Group's website (*www.waterintelligence.co.uk*) in accordance with legislation in the United Kingdom governing the preparation and dissemination of Financial Statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors – the work carried out by the auditors does not involve the consideration of these matters and, accordingly, and the auditors accept no responsibly for any changes that may have occurred in the accounts since they were initially presented on the website. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

Statement of disclosure to the Independent Auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

By order of the Board

Patrick DeSouza
Executive Chairman

12 June 2016

Independent Auditors' report to the members of Water Intelligence plc

We have audited the Group and Parent Company Financial Statements of Water Intelligence plc for the year ended 31 December 2015 (the "Financial Statements"), which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows, together with the related notes, numbers 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Group's members, as a body, in accordance with Part 3 of Chapter 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors
As explained more fully under 'Statement of Directors' Responsibilities' on page 13, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB) Ethical Standards for auditors.

Scope of the audit of the Financial Statements
An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors Report and any other surround information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatement or inconsistencies we consider the implications for our report.

Opinion on Financial Statements
In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with the IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent Auditors' report to the members of Water Intelligence plc

continued

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Nigel Bostock
Senior Statutory Auditor

For and on behalf of

Crowe Clark Whitehill LLP
Chartered Accountants
Statutory Auditor

St Brides House
10 Salisbury Square
London
EC4Y 8EH

12 June 2016

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2015

	Notes	Year ended 31 December 2015 $	Year ended 31 December 2014 $
Revenue	4	8,842,349	7,215,097
Cost of sales		(799,441)	(525,055)
Gross profit		8,042,908	6,690,042
Administrative expenses			
– Other Income		29,394	36,550
– Share-based payments	7	(35,232)	–
– Amortisation of intangibles	13	(270,492)	(341,870)
– Other administrative costs	5	(6,676,362)	(5,675,869)
Total administrative expenses		(6,952,692)	(5,981,189)
Operating profit	5	1,090,216	708,853
Finance income	8	17,326	18,154
Finance expense	9	(135,102)	(141,837)
Profit before tax		972,440	585,170
Taxation expense	10	(391,687)	(209,118)
Profit for the year		580,753	376,052
Other Comprehensive Income			
Items that will or maybe reclassified to Profit & Loss			
Exchange differences arising on translation of foreign operations		(37,029)	(50,622)
Total comprehensive profit for the year		543,724	325,430
Profit per share		**Cents**	**Cents**
Basic	11	5.5	3.6
Diluted	11	5.5	3.6

The results reflected above relate to continuing activities. The profit for the current and prior year and the total comprehensive profit for the current and total comprehensive loss for the prior year are wholly attributable to equity holders of the Parent Company, Water Intelligence plc.

The accompanying notes on pages 23 to 52 are an integral part of these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2015

	Notes	2015 $	2014 $
ASSETS			
Non-current assets			
Goodwill	12	1,469,027	801,211
Other intangible assets	13	2,680,523	3,003,215
Property, plant and equipment	14	107,448	57,948
Trade and other receivables	17	37,576	29,076
		4,294,574	3,891,450
Current assets			
Inventories	16	275,204	205,477
Trade and other receivables	17	1,350,804	830,272
Cash and cash equivalents	18	1,031,454	1,756,014
		2,657,462	2,791,763
TOTAL ASSETS		6,952,036	6,683,213
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent			
Share capital	22	12,733,307	12,732,564
Share premium	22	4,829,377	4,800,610
Shares to be issued	22	–	29,510
Capital redemption reserve	22	6,517,644	6,517,644
Merger reserve		8,501,150	8,501,150
Share based payment reserve		35,232	–
Other reserves		(148,095)	(111,066)
Reverse acquisition reserve		(27,758,088)	(27,758,088)
Retained loss		(874,022)	(1,454,775)
		3,836,505	3,257,549
Non-current liabilities			
Borrowings	24	1,459,027	2,048,472
Deferred consideration	12	277,208	–
Deferred tax liability	21	64,449	195,319
		1,800,684	2,243,791
Current liabilities			
Trade and other payables	19	663,616	667,997
Borrowings	24	591,450	502,029
Deferred consideration	12	59,781	–
Provision for onerous contracts	20	–	11,847
		1,314,847	1,181,873
TOTAL EQUITY AND LIABILITIES		6,952,036	6,683,213

These Financial Statements were approved and authorised for issue by the Board of Directors on 12 June 2016 and were signed on its behalf by:

Patrick De Souza
Executive Chairman

The accompanying notes on pages 23 to 52 are an integral part of these financial statements.

Company Statement of Financial Position

as at 31 December 2015

	Notes	2015 $	2014 $
ASSETS			
Non-current assets			
Investment in subsidiaries	15	8,132,601	8,532,529
		8,132,601	8,532,529
Current assets			
Trade and other receivables	17	677,593	435,168
Cash and cash equivalents	18	18,937	17,329
		696,530	452,497
TOTAL ASSETS		8,829,131	8,985,026
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent			
Share capital	22	12,733,307	12,732,564
Share premium	22	4,829,377	4,800,610
Shares to be issued	22	–	29,510
Capital redemption reserve	22	6,517,644	6,517,644
Merger reserve		8,501,150	8,501,150
Share based payment reserve		35,232	–
Other reserves		(514,331)	(143,781)
Retained losses		(24,219,895)	(24,671,150)
		7,882,484	7,766,547
Current liabilities			
Trade and other payables	19	946,647	1,218,479
		946,647	1,218,479
TOTAL EQUITY AND LIABILITIES		8,829,131	8,985,026

These Financial Statements were approved and authorised for issue by the Board of Directors on 12 June 2016 and were signed on its behalf by:

Patrick De Souza
Executive Chairman

The accompanying notes on pages 23 to 52 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

	Share Capital $	Share Premium $	Shares to be issued $	Capital Redemption Reserve $	Reverse Acquisition Reserve $	Merger Reserve $	Share based payment reserve $	Other reserves $	Retained Losses $	Total Equity $
As at 1 January 2014	**12,732,564**	**4,800,610**	**–**	**6,517,644**	**(27,758,088)**	**8,501,150**	**110,680**	**(60,444)**	**(1,941,507)**	**2,902,609**
Issue of Ordinary Shares	–	–	–	–	–	–	–	–	–	–
Shares to be issued	–	–	29,510	–	–	–	–	–	–	29,510
Release of share based payment reserve	–	–	–	–	–	–	(110,680)	–	110,680	–
Profit for the year	–	–	–	–	–	–	–	–	376,052	376,052
Other comprehensive loss	–	–	–	–	–	–	–	(50,622)	–	(50,622)
As at 31 December 2014	**12,732,564**	**4,800,610**	**29,510**	**6,517,644**	**(27,758,088)**	**8,501,150**	**–**	**(111,066)**	**(1,454,775)**	**3,257,549**
As at 1 January 2015	**12,732,564**	**4,800,610**	**29,510**	**6,517,644**	**(27,758,088)**	**8,501,150**	**–**	**(111,066)**	**(1,454,775)**	**3,257,549**
Issue of Ordinary Shares	743	28,767	(29,510)	–	–	–	–	–		–
Share-based payment expense	–	–	–	–	–	–	35,232	–	–	35,232
Profit for the year	–	–	–	–	–	–	–	–	580,753	580,753
Other comprehensive loss	–	–	–	–	–	–	–	(37,029)	–	(37,029)
As at 31 December 2015	**12,733,307**	**4,829,377**	**–**	**6,517,644**	**(27,758,088)**	**8,501,150**	**35,232**	**(148,095)**	**(874,022)**	**3,836,505**

The following describes the nature and purpose of each reserve within owners' equity:

Share capital	Amount subscribed for share capital at nominal value. The share capital above includes share capital and shares to be issued relating to the New York franchise reacquisition. These are disclosed separately on the face of the Balance Sheet.
Share premium	Amount subscribed for share capital in excess of nominal value.
Shares to be issued	Equity to be issued in respect of an equity settled transaction.
Capital redemption	Non-distributable reserve in relation to cancellation of deferred shares.
Retained losses	Cumulative net losses recognised in the Financial Statements.
Reverse acquisition	Non-distributable amount arising on the reverse acquisition.
Merger acquisition	Non-distributable reserve arising on reverse acquisition.
Other reserves	Exchange differences on translating foreign operations.
Share based payment reserve	Amounts recognised for the fair value of share options granted in accordance with IFRS 2.

The accompanying notes on pages 23 to 52 are an integral part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2015

	Share Capital $	Share Premium $	Shares to be issued $	Capital Redemption Reserve $	Merger Reserve $	Share based payment reserve $	Other reserves $	Retained Losses $	Total Equity $
As at 1 January 2014	**12,732,564**	**4,800,610**	**–**	**6,517,644**	**8,501,150**	**179,349**	**379,618**	**(24,475,509)**	**8,635,426**
Issue of ordinary shares	–	–	–	–	–	–	–	–	–
Shares to be issued	–	–	29,510	–	–	–	–	–	29,510
Release of share based payment reserve	–	–	–	–	–	(179,349)	–	179,349	–
Loss for the year	–	–	–	–	–	–	–	(374,990)	(374,990)
Other comprehensive loss	–	–	–	–	–	–	(523,399)	–	(523,399)
As at 31 December 2014	**12,732,564**	**4,800,610**	**29,510**	**6,517,644**	**8,501,150**	**–**	**(143,781)**	**(24,671,150)**	**7,766,547**
As at 1 January 2015	**12,732,564**	**4,800,610**	**29,510**	**6,517,644**	**8,501,150**	**–**	**(143,781)**	**(24,671,150)**	**7,766,547**
Issue of ordinary shares	743	28,767	(29,510)	–	–	–	–	–	–
Share-based payment reserve	–	–	–	–	–	35,232	–	–	35,232
Profit for the year	–	–	–	–	–	–	–	451,255	451.255
Other comprehensive loss	–	–	–	–	–	–	(370,550)	–	(370,550)
As at 31 December 2015	**12,733,307**	**4,829,377**	**–**	**6,517,644**	**8,501,150**	**35,232**	**(514,331)**	**(24,219,895)**	**7,882,484**

The following describes the nature and purpose of each reserve within owners' equity:

Share capital	Amount subscribed for share capital at nominal value. The share capital above includes share capital and shares to be issued relating to the New York franchise reacquisition. These are disclosed separately on the face of the Balance Sheet.
Share premium	Amount subscribed for share capital in excess of nominal value.
Shares to be issued	Equity to be issued in respect of an equity settled transaction.
Capital redemption reserve	Non-distributable reserve in relation to cancellation of deferred shares.
Retained losses	Cumulative net losses recognised in the Financial Statements.
Other reserves	foreign exchange differences on re-translation.
Share based payment reserve	Amounts recognised for the fair value of share options granted in accordance with IFRS 2.
Merger reserve	Non-distributable reserve arising on reverse acquisition.

The accompanying notes on pages 23 to 52 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2015

	Notes	Year ended 31 December 2015 $	Year ended 31 December 2014 $
Net cash generated from operating activities	25	199,484	621,517
Cash flows from investing activities			
Purchase of plant and equipment		(66,244)	(56,589)
Purchase of intangible assets		–	(58,490)
Reacquisition of franchises		(240,000)	–
Interest received		17,326	18,154
Net cash used in investing activities		(288,918)	(96,925)
Cash flows from financing activities			
Interest paid		(135,102)	(141,837)
Proceeds from borrowings		–	1,000,000
Principal payments on long term debt and promissory notes		(500,024)	(419,209)
Net cash used in financing activities		(635,126)	438,954
Net (decrease)/increase in cash and cash equivalents		(724,560)	963,546
Cash and cash equivalents at the beginning of year		1,756,014	792,468
Cash and cash equivalents at end of year		1,031,454	1,756,014

The accompanying notes on pages 23 to 52 are an integral part of these financial statements.

Company Statement of Cash Flows

for the year ended 31 December 2015

	Notes	Year ended 31 December 2015 $	Year ended 31 December 2014 $
Net cash generated by/(used in) operating activities	25	1,608	(171,554)
Decrease cash and cash equivalents		1,608	(171,554)
Cash and cash equivalents at the beginning of period		17,329	188,883
Cash and cash equivalents at end of period		18,937	17,329

The accompanying notes on pages 23 to 52 are an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2015

1 General information

The Group is the leading provider of non-invasive, leak detection and remediation services. The Group's strategy is to be a "one-stop" shop of water leak solutions (including products) for residential, commercial and municipal customers.

The Company is a public limited company domiciled in the United Kingdom and incorporated under registered number 03923150 in England and Wales. The Company's registered office is 201 Temple Chambers, 3-7 Temple Avenue, EC4Y 0DT.

The Company is listed on AIM of the London Stock Exchange. These Financial Statements were authorised for issue by the Board of Directors on the 12 June 2016.

2 Adoption of new and revised International Financial Reporting Standards

No new IFRS standards, amendments or interpretations became effective in 2015 which had a material effect on these Financial Statements.

At the date of approval of these Financial Statements, the directors have considered IFRS Standards and Interpretations, which have not been applied in these Financial Statements, were in issue but not yet effective.

The Group has not early adopted these amended standards and interpretations. The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's Financial Statements in the periods of initial application, however, the directors' review of the potential impact of IFRS 15 and IFRS16, has yet to be concluded.

3 Significant accounting policies

Basis of preparation

These Financial Statements of the Group and Company are prepared on a going concern basis, under the historical cost convention (with the exception of share based payments and goodwill) and in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union, in accordance with the Companies Act 2006. The Parent Company's Financial Statements have also been prepared in accordance with IFRS and the Companies Act 2006.

The preparation of Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Financial Statements are presented in US Dollars ($), rounded to the nearest dollar.

Going concern

The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Directors' Report and the Chairman's Statement.

The Directors have prepared a business plan and cash flow forecast for the period to June 2017. The forecast contains certain assumptions about the level of future sales and the level of margins achievable. These assumptions are the Directors' best estimate of the future development of the business. The Directors acknowledge that the Group in the near-term is funded entirely on cash generation by its profitable US-based franchise business, ALD. The Directors believe that the funding will be available on a case by case basis for different initiatives such that the Group will have adequate cash resources to pursue its growth plan.

3 Significant accounting policies continued

The Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future and accordingly, continue to adopt the going concern basis in preparing the financial statements.

Basis of consolidation
The Group financial statements consolidate the accounts of Water Intelligence plc and all of its subsidiary undertakings made up to 31 December 2015. The Consolidated Statement of Comprehensive Income includes the results of all subsidiary undertakings for the period from the date on which control passes. Control is achieved where the Company (or one of its subsidiary undertakings) obtains the power to govern the financial and operating policies of an investee entity so as to derive benefits from its activities.

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. 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.

The acquisition of ALDHC in 2011 was accounted for as a reverse acquisition. The assets and liabilities revalued at their fair value on acquisition therefore related to the Company. Both a merger reserve and a reverse acquisition reserve were created to enable the presentation of a consolidated statement of financial position which combines the equity structure of the legal parent with the reserves of the legal subsidiary.

Inter-company transactions and balances and unrealised gains or losses on transactions between Group companies are eliminated in full.

Parent Company income statement – UK head office only
The Company has taken advantage of Section 408 of the Companies Act 2006 in not presenting its own Statement of Comprehensive Income. The Company's profit after tax for the year ended 31 December 2015 of $451,255 (2014: ($374,990)), includes a deferred tax adjustment of $837,271 related to the utilisation by ALDHC of tax losses generated by the parent company, which eliminates on consolidation. Excluding this, the loss before tax of $422,016 is included within the Consolidated Statement of Comprehensive Income.

Inventories
The inventories, consisting primarily of equipment, parts, and supplies, are recorded at the lower of cost (FIFO) or market value.

Provisions
A provision shall be recognised only in the event that certain criteria are met, these being:

- An obligation has arisen as a result of the Group or Company's past activities;
- A cash outflow will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

Onerous contracts
An onerous contract is defined as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefit by it, this being the unavoidable net loss arising from the contract. The lower of the net cost to fulfil the contract or any penalties and compensation payable from failure to fulfil the contract shall be recognised as a provision against such a contract.

3 Significant accounting policies continued

Taxation

Income tax expense represents the sum of the current tax and deferred tax charge for the year.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's and Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end.

Deferred tax

Deferred income taxes are provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred income taxes are determined using tax rates that have been enacted or substantially enacted and are expected to apply when the related deferred income tax asset is realised or the related deferred income tax liability is settled.

The principal temporary differences arise from depreciation or amortisation charged on assets and tax losses carried forward. Deferred tax assets relating to the carry forward of unused tax losses and are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Foreign currencies

(i) Functional and presentational currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which each entity operates ("the functional currency") which is considered by the Directors to be Pounds Sterling (£) for the Parent Company and US Dollars ($) for ALDHC. The Financial Statements have been presented in US Dollars which represents the dominant economic environment in which the Group operates and is considered to be the functional currency of the Group. The effective exchange rate at 31 December 2015 was £1 = US$1.4804 (2014: £1 = US$1.5332).

(ii) Transactions 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.

(iii) Group Companies

The results and financial position of all the group entities that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at closing rate at the date of the statement;

(b) the income and expenses are translated at average exchange rates for period where there is no significant fluctuation in rates, otherwise a more precise rate at a transaction date is used; and

(c) all resulting exchange differences are recognised in equity.

3 Significant accounting policies continued

Leases

Assets held under finance leases are initially recognised as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lesser is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs.

Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable.

Service revenue is recognised when the services rendered and complete.

Advance collections from franchise sales are included in deferred income until all requirements are performed.

In particular, the Group receives royalties from franchisees in various percentages of their gross monthly sales. Royalties are paid monthly and recognised under the accrual method of accounting.

Sales of other goods and products, in particular corporate run stores, are sold by the Group are recognised at fair value of the consideration received or receivable following delivery of the goods or services.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Cash and cash equivalents

Cash and cash equivalent comprise cash in hand, deposits held at call with banks, and other short term highly liquid investments with original maturities of three months or less.

3 Significant accounting policies continued

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each year end. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments
An equity instrument is any instrument with a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments (ordinary shares) are recorded at the proceeds received, net of direct issue costs.

Financial liabilities
Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Property, plant and equipment
All property, plant and equipment is stated at cost less accumulated depreciation.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Equipment and displays:	5 to 7 years
Motor vehicles:	5 years
Leasehold improvements:	7 years or lease term, whichever is shorter

The asset's residual values and economic 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. Assets that are no longer of economic use to the business are retired.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses) or gains in the income statement.

Goodwill
Goodwill represents the excess of the fair value of the consideration over the fair values of the identifiable net assets acquired.

Goodwill arising on acquisitions is not subject to amortisation but is subject to annual impairment testing. Any impairment is recognised immediately in the Consolidated Statement of Comprehensive Income and not subsequently reversed.

Other intangible assets
Intangible assets are recorded as separately identifiable assets and recognised at historical cost less any accumulated amortisation. These assets are amortised over their definite useful economic lives on the straight-line method.

3 Significant accounting policies continued

Amortisation is computed using the straight-line method over the definite estimated useful lives of the assets as follows:

	Years
Covenants not to compete	3
Customer lists	5
Trademarks	20
Patents	10
Product development	2
Territory servicing rights	10

Any amortisation is included within administrative expenses in the statement of comprehensive income.

The asset's residual values and economic 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 the proceeds with the carrying amount and are recognised within other (losses) or gains in the Statement of Comprehensive Income.

Research and development
Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled.

- It is technically feasible to complete the intangible asset so that it will be available for use or resale;
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible;
- It can be demonstrated how the intangible asset will generate possible future economic benefits;
- Adequate technical, financial and other resource to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense in the period incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and are amortised from the point at which they are ready for use on a straight line basis over the asset's estimated useful life.

Segment reporting
A business segment is a group of assets and operations engaged in providing products or services that is subject to risks and returns that are different from those of other business segments.

A geographical segment is identified by reference to revenues from external customers (i) attributed to the entity's country of domicile and (ii) attributed to all foreign countries in total from which the entity derives revenues. If revenues from external customers attributed to an individual foreign country are material (more than 10%) those revenues are disclosed separately.

Pension contributions
There are no pension schemes in the Group.

3 Significant accounting policies continued

Impairment reviews

Assets that are subject to amortisation and depreciation are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be fully recoverable. Assets that are not subject to amortisation and depreciation are reviewed on an annual basis at each year end and, if there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use. Any impairment loss arising from the review is charged to the Statement of Comprehensive Income whenever the carrying amount of the asset exceeds its recoverable amount.

Share based payments

The Group has made share-based payments to certain Directors and employees and to certain advisers and lenders by way of issue of share options. The fair value of these payments is calculated either using the Black Scholes option pricing model or by reference to the fair value of any fees or remuneration settled by way of granting of options. The expense is recognised on a straight line basis over the period from the date of award to the date of vesting, based on the best estimate of the number of shares that will eventually vest.

Critical accounting estimates and judgements

The preparation of Financial Statements in conformity with International Financial Reporting Standards requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the carrying value of the goodwill, the carrying value of the other intangibles, the carrying value of the investments, and the deferred taxation provision. Please see relevant notes for these areas.

4 Segmental Information

In the opinion of the Directors, the operations of the Group currently comprise four operating segments, being the franchises, corporate-operated stores, other activities including product and equipment sales and head office costs.

The Group mainly operates in the US, with operations in the UK and certain other countries. In 2015, 99.6% (2014: 100%) of its revenue came from American Leak Detection, which includes royalties from franchisees and corporate-operated stores, with the remaining 0.4% of revenue coming from its UK based wholly-owned ALD International Limited subsidiary.

No single customer accounts for more than 10% of the Group's total external revenue.

Information reported to the Group's Chief Operating Decision Maker (being the Executive Chairman), for the purpose of resource allocation and assessment of division performance is separated into three segments:

- Franchisor royalties revenue less US head office costs
- Corporate-operated stores revenues less direct stores costs
- Other activities including product and equipment sales

Items that do not fall into the three segments have been categorised as unallocated head office costs.

4 Segmental Information continued

The following is an analysis of the Group's revenues and results from operations and assets by business segment:

Revenue

	Year ended 31 December 2015 $	Year ended 31 December 2014 $
Royalties from franchisees	5,221,330	4,916,984
Corporate-operated Stores	2,614,274	1,460,895
Other activities	1,006,745	837,218
Total	8,842,349	7,215,097

Profit/(Loss) before tax

	Year ended 31 December 2015 $	Year ended 31 December 2014 $
Royalties from franchisees	1,186,132	826,265
Corporate-operated Stores	148,040	(45,991)
Other activities	126,442	275,843
Unallocated head office costs	(488,174)	(470,947)
Total	972,440	585,170

Assets

	Year ended 31 December 2015 $	Year ended 31 December 2014 $
Royalties from franchisees	7,868,133	6,790,773
Corporate-operated Stores	791,928	422,193
Other activities	(1,708,025)	(529,753)
Total	6,952,036	6,683,213

Amortisation

	Year ended 31 December 2015 $	Year ended 31 December 2014 $
Royalties from franchisees	270,492	268,690
Other activities	–	73,180
Total	270,492	341,870

4 Segmental Information continued

Depreciation

	Year ended 31 December 2015 $	Year ended 31 December 2014 $
Royalties from franchisees	21,221	11,994
Other activities	434	167
Total	21,655	12,161

Finance Expense

	Year ended 31 December 2015 $	Year ended 31 December 2014 $
Royalties from franchisees	135,102	141,837
Total	135,102	141,837

For the purpose of monitoring segmental performance, no liabilities are reported to the Group's Chief Operating Decision Maker.

Geographic information

Total revenue

Total revenue from activities by geographical area is detailed below:

Revenue by geography

	Year ended 31 December 2015 $	Year ended 31 December 2014 $
US	8,533,134	6,932,950
International	309,215	282,147
Total	8,842,349	7,215,097

Revenue from franchisor activities by geographical area is detailed below:

	Year ended 31 December 2015 $	Year ended 31 December 2014 $
US	4,993,714	4,660,227
International	227,617	256,757
Total	5,221,331	4,916,984

Assets by geography

All significant assets are held in the US in both years.

5 Expenses by nature

The Group's operating profit has been arrived at after charging:

	Note	Year ended 31 December 2015 $	Year ended 31 December 2014 $
Raw materials and consumables used		793,369	573,709
Employee costs	6	3,902,956	2,916,350
Operating lease rentals		3,841	3,593
Depreciation charge		21,655	12,161
Amortisation charge		270,492	341,870
Marketing costs		532,846	611,433
R & D		13,878	68,437
Foreign exchange (gain)/loss		(226)	756
One-time costs		–	126,516

	Year ended 31 December 2015 $	Year ended 31 December 2014 $
Auditors remuneration		
Fees payable to the Company's auditor for audit of Parent Company and Consolidated Financial Statements	37,010	42,162
Fees payables to the Company's auditor for other services:	–	–

The Group Auditors are not the auditors of the US subsidiary companies. The fees paid to the auditor of the US subsidiary companies were $81,012 (2014: $65,033) for the audit of these companies and $nil (2014: $nil) for other services.

6 Employees and Directors

The Directors of the Company are considered to be the key management of the business.

	Year ended 31 December 2015 $	Year ended 31 December 2014 $
Short-Term employee benefits		
Directors fees, salaries and benefits	593,000	453,041
Wages and Salaries	3,039,404	2,266,148
Social Security Costs	235,320	197,161
Long-Term employee benefits		
Share based payments	35,232	–
	3,902,956	2,916,350

6 Employees and Directors continued

Information regarding Directors emoluments are as follows:

	Year ended 31 December 2015 $	Year ended 31 December 2014 $
Short-Term employee benefits		
Directors' fees, salaries and benefits	593,000	453,041
Social Security Costs	14,445	17,721
Long-Term employee benefits		
Share based payments	16,034	–
	623,479	470,762

The highest paid Director received emoluments of $404,490 (2014: $324,959).

The average number of employees (including Directors) in the Group during the year was:

	Year ended 31 December 2015 $	Year ended 31 December 2014 $
Directors (executive and non-executive)	5	5
Management	6	11
Field Services	23	17
Franchise Support	26	15
Administration	3	2
	63	50

7 Share options

The Group has a number of share options schemes as shown in the tables below.

The Company grants share options at its discretion to Directors, management, advisors and lenders. These are accounted for as equity settled options. Share options are granted with vesting periods of between one and three years from the date of grant. Should the options remain unexercised after a period of ten years from the date of grant the options will expire unless an extension is agreed to by the board. Options are exercisable at a price equal to the Company's quoted market price on the date of grant or an exercise price to be determined by the board.

Details for the share options and warrants granted, exercised, lapsed and outstanding at the year-end are as follows:

	Number of share options 2015	Weighted average exercise price ($) 2015	Number of share options 2014	Weighted average exercise price ($) 2014
Outstanding at beginning of year	734,500	1.26	992,026	1.74
Granted during the year	417,500	0.67	–	–
Forfeited/lapsed during the year	–	–	(257,526)	1.85
Exercised during the year	–	–	–	–
Outstanding at end of the year	1,152,000	1.05	734,500	1.26
Exercisable at end of the year	1,152,000	1.05	734,500	1.26

Fair value of share options

During the year, the Group granted 417,500 Share Options to the Executive Chairman and David Silverstone, both directors of the Company, and to certain Employees, all with an exercise price of 45p ($0.67).

The fair value of options granted during the year has been calculated using the Black Scholes model which has given rise to a fair value per share of 0.0552p. This is based on a risk free rate of 1.17% and volatility of 30.6%. The Black Scholes calculation for the Options granted during the year resulted in a charge of $35,232 (2014: $nil) which has been expensed in the year.

The weighted average remaining contractual life of the Share Options is 8.08 years (2014: 8.36 years).

The following options arrangements exist over the Company's shares:

Scheme	2015	2014	Date of Grant	Exercise price	Exercise period From	To
	–	70,000	16/07/2010	$0.99	16/07/2010	16/07/2014
	–	187,526	12/09/2013	$1.18	28/07/2010	28/07/2014
Third Party	67,000	67,000	12/09/2013	$1.18	12/09/2013	12/09/2016
ALDHC Plan (1)	417,500	417,500	01/12/2013	$1.14	01/12/2013	01/12/2023
Directors (2)	250,000	250,000	01/08/2013	$1.30	01/08/2013	01/08/2023
2015 Options (3)	417,500	–	08/06/2015	$0.67	08/06/2015	08/06/2025
Total	**1,152,000**	**734,500**				

All share options are equity settled on exercise.

(1) Under ALDHC's 2006 Employee, Director and Consultant Stock Plan ("ALDHC Option Plan"), certain directors and employees of ALD, were granted options to acquire an aggregate of 738,750 shares in ALDHC with an exercise price of $1.14 per share. Of these grants, the Executive Chairman had been granted an option to purchase 250,000 shares. Following Admission, all options under the ALDHC Option Plan were to be cancelled or waived in return for the grant of options over New Ordinary Shares with the same economic value as existing options under the ALDHC Option Plan. The conversion to options over 417,500 New Ordinary Shares in respect of these options has been completed in 2013, the balance being attributable to leavers between 2010 and 2013 or options that have not been taken up. These Options have all vested in full.

(2) In recognition of three years of deferred compensation and additional services rendered, each member of the board, after consultation with the NOMAD, received an option to purchase 50,000 New Ordinary Shares pursuant to the Option Plan in 2013. The Director options have an exercise price of $1.30 per share or 67% above the highest share price for 2013. These Options have all vested in full.

7 Share options continued

Directors	2013	Date of Grant	Exercise price
Patrick DeSouza	50,000	01/08/2013	$1.30
Stephen Leeb	50,000	01/08/2013	$1.30
Robert Mitchell	50,000	01/08/2013	$1.30
Michael Reisman	50,000	01/08/2013	$1.30
David Silverstone	50,000	01/08/2013	$1.30
Total	250,000		

(3) On 5 June 2015, the Group granted 417,500 Share Options to the Executive Chairman and David Silverstone, both directors of the Company, and to certain Employees, all with an exercise price of 45p. 100,000 of these Share Options relate to the Executive Chairman's compensation and an additional 50,000 of these Share Options relate to the Executive Chairman's personnel guarantee of the loan with Liberty Bank in 2014. 40,000 of these Share Options relate to compensation payable to David Silverstone.

(4) On 12 June 2016, each member of the board received an option to purchase 50,000 New Ordinary Shares. The Director options have an exercise price of $1.26 per share which is 5% higher than the highest share price for 2015. These Options have a three year vesting requirement. On 12 June 2016, the Executive Chairman, a director of the Company, was also granted 50,000 Share Options with an exercise price of $0.92 related to the Executive Chairman's personnel guarantee of the loan with Liberty Bank in 2015.

8 Finance income

	Year ended 31 December 2015 $	Year ended 31 December 2014 $
Interest income	17,326	18,154

9 Finance expense

Interest payable

	Year ended 31 December 2015 $	Year ended 31 December 2014 $
Bank loans	135,102	141,837
	135,102	141,837

10 Taxation

Group	Year ended 31 December 2015 $	Year ended 31 December 2014 $
Current tax:		
Current tax on profits in the year	522,557	209,118
Prior year over provision	–	–
Total current tax	522,557	209,118
Deferred tax current year	(130,870)	–
Deferred tax prior year	–	–
Deferred tax credit (note 21)	(130,870)	–
Income tax expense	391,687	209,118

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

Profit before tax on ordinary activities	972,440	585,170
Tax calculated at domestic rate applicable profits in respective countries (2015: 34% versus 2014: 34.5%)	330,630	198,958
Tax effects of:		
Non-deductible expenses	54,235	26,697
State taxes net of federal benefit	82,534	50,244
Deferred tax not recognised	(75,712)	(66,781)
Taxation expense recognised in income statement	391,687	209,118

The Group is subject to income taxes in two jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. 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 current and deferred income tax assets and liabilities in the period in which such determination is made.

The effective rate for tax for 2015 is 48% (2014: 36 %).

11 Earnings per share

The profit per share has been calculated using the profit for the year and the weighted average number of ordinary shares outstanding during the year, as follows:

Basic

	Year ended 31 December 2015 $	Year ended 31 December 2014 $
Profit for the year attributable to shareholders of the Company ($)	580,753	376,052
Weighted average number of ordinary shares	10,605,321	10,567,650
Diluted weighted average number of ordinary shares	10,648,128	10,567,650
Profit per share (cents)	5.5	3.6
Diluted profit per share (cents)	5.5	3.6

With exception to the 2015 share options issued, there is no diluted impact from the share options on the basis that the exercise price is above the current market value.

12 Goodwill

Group

	Goodwill acquisitions $	Owned and Operated stores $	Franchisor activities $	Totals $
Cost				
At 1 January 2014	1,493,729	239,500	636,711	2,369,940
Additions	–	–	–	–
At 31 December 2014	1,493,729	239,500	636,711	2,369,940
Additions	595,616	–	–	595,616
Reclassification (note 13)	72,200	–	–	72,200
At 31 December 2015	2,161,545	239,500	636,711	3,037,756
Impairment				
At 1 January 2014	1,493,729	75,000	–	1,568,729
Impairment in year	–	–	–	–
At 31 December 2014	1,493,729	75,000	–	1,568,729
Impairment in year	–	–	–	–
At 31 December 2015	1,493,729	75,000	–	1,568,729
Carrying amount				
At 31 December 2014	–	164,500	636,711	801,211
At 31 December 2015	667,816	164,500	636,711	1,469,027

An impairment review is undertaken annually or whenever changes in circumstances or events indicate that the carrying amount may not be recovered. For the purpose of impairment testing, goodwill is allocated to each of the three cash generating units expected to benefit from the synergies of the combination, the goodwill on acquisition, corporate owned and operated stores and franchisor activities. The cash generating units to which goodwill has been allocated are tested for impairment annually. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not recovered in a subsequent period.

12 Goodwill continued

Calculation of the corporate owned and operated stores and the franchisor activities is based upon the determinable cash generating unit for each. Where appropriate the recoverable amount requires the use of estimates, with regards to forecast cash flows and discount rates.

The assumptions used for the corporate owned and operated stores are based on the forecast cash flows for 2015 and that cash flows thereafter are assumed to increase by 2% per annum and a discount rate of 10% has been used to value the future cash flows. A terminal value has been estimated after 5 years of discounted cash flows. The terminal value also assumes a growth rate of 2% per annum and has been calculated at a discount rate of 25%. This has resulted in no impairment charge being required in 2015 (2014: $nil).

The assumptions used for the franchisor activities are based on the forecast cash flows for 2015 and that cash flows thereafter are assumed to increase by 2% per annum and a discount rate of 10% has been used to value the future cash flows. A terminal value has been estimated after 5 years of discounted cash flows. This has resulted in no impairment charge being required in 2015 or in prior years.

Had the estimated cost of capital used in determining the discount rate used in these calculations been 5% higher than management's estimates, the Group would still not have incurred any impairment for either the corporate owned and operated stores or the franchisor activities. Had the estimated revenues used in these calculations been 5% lower than management's estimates, the Group would still not have incurred any impairment for either the corporate owned and operated stores or the franchisor activities.

Goodwill additions relate to the acquisitions of T&M Tech, LLC and the acquisition of franchise territory covering Miami, Florida. In addition, the intangible asset relating to the acquisition of the franchise territory covering New York in 2014 note 13) has been reclassified, for consistency with additions in 2015, from other intangible assets, at its net carrying value, to goodwill as at 31 December 2015.

Where appropriate consideration of separately identifiable intangible assets have been considered in the evaluation of the fair value of assets acquired and the determination of the fair value of goodwill arising. For the acquisitions in 2015 and 2014 relating to the reacquisition of franchises, it is considered that the value being attributed to the purchase consideration relates to the synergies with surrounding franchises, obtaining wider geographical coverage directly within the Group, the focus to seize potential opportunity within their wider business strategy for revenue and earnings growth and the ability to expand new service offerings. Where appropriate consideration of separate intangibles such as covenants not to compete are evaluated. There is no separately identified intangible considered to arise from the customer list of the franchise reacquired given the terms of the franchise agreement and on that these customers continue to be customers of the Group's products and services before and after the reacquisition.

On May 1 2015 the Group purchased the entire shareholding of T&M Tech, LLC, a franchise entity with territory rights in South East Michigan for a purchase price of $500,000 which is payable over a period of time. The fair value of the consideration has been determined as $436,989. The purchase price less the initial cash payment of $100,000 leaves a deferred consideration payable amount of $400,000 for which the fair value has been evaluated as $336,989.

On 17 February 2015 the Group acquired the franchise territory covering Miami, Florida for a consideration of $140,000. The territory will be run as a corporate location with 2015 revenue and earnings consolidated directly into Water Intelligence. The location will be joined with the growing corporate operations that are adjacent in Fort Lauderdale to form a regional office.

13 Other intangible assets

These can be summarised as follows:

	T&M Tech LLC $	Franchise Territory Miami $	Totals $
Fair value of assets and liabilities acquired			
Accounts receivable	11,000	–	
Equipment	5,000	–	
Covenant not to compete	20,000	–	
Liabilities	(54,627)	–	
	(18,627)	–	
Fair value of purchase price	436,989	140,000	
Goodwill	455,616	140,000	595,616

	Product development $	Covenants not to compete $	Customer Lists $	Trademarks $	Patents $	Territory servicing rights $	Total $
Cost							
At 1 January 2014	164,880	270,000	217,500	5,293,817	23,692	–	5,969,889
Additions		–	–	–	–	88,000	88,000
Exchange differences	–	–	–	–	–	–	–
At 31 December 2014	164,880	270,000	217,500	5,293,817	23,692	88,000	6,057,889
Additions	–	20,000	–	–	–	–	20,000
Exchange differences	–	–	–	–	–	–	–
Reclassification (note 12)	–	–	–	–	–	(88,000)	(88,000)
At 31 December 2015	164,880	290,000	217,500	5,293,817	23,692	–	5,989,889
Accumulated amortisation							
At 1 January 2014	90,684	270,000	217,500	2,109,912	23,692	–	2,711,788
Amortisation expense	73,180	–	–	261,690	–	7,000	341,870
Exchange difference	1,016	–	–	–	–	–	1,016
At 31 December 2014	164,880	270,000	217,500	2,371,602	23,692	7,000	3,054,674
Amortisation expense	–	–	–	261,692	–	8,800	270,492
Exchange differences	–	–	–	–	–	–	–
Reclassification (note 12)	–	–	–	–	–	(15,800)	(15,800)
At 31 December 2015	164,880	270,000	–	2,633,294	–	–	3,309,366
Carrying amount							
At 31 December 2014	–	–	–	2,922,215	–	81,000	3,003,215
At 31 December 2015	–	20,000	–	2,660,523	–	–	2,680,523

All intangible assets have been acquired by the Group.

The addition to other intangible assets, Territory Servicing rights, arises from the reacquisition of the New York Franchise on 24 February 2014. This amount has been reassessed in 2015 and as such, reclassified, at is net carrying value, as at 31 December 2015 as goodwill (note 12) for consistency in treatment with further such acquisitions that have arisen during 2015. No adjustment has been made to amortisation up to this date on the basis of the amount being immaterial.

14 Property, plant and equipment

The calculation of amortisation on intangible assets requires the use of estimates and judgement, related to the expected useful lives of the assets.

An impairment review is undertaken annually or whenever changes in circumstances or events indicate that the carrying amount may not be recovered.

	Equipment & displays $	Motor vehicles $	Leasehold improve-ments $	Total $
Cost				
At 1 January 2014	480,283	187,089	123,418	790,790
Additions	36,655	19,934	–	56,589
Exchange differences	2,168	–	–	2,168
Disposals	(74,822)	(49,242)	–	(124,064)
At 31 December 2014	444,284	157,781	123,418	725,483
Acquired on acquisition of subsidiary	150,571	122,771	–	273,342
Additions	62,673	3,640	–	66,313
Exchange differences	(103)	–	–	(103)
Disposals	–	(35,657)	–	(35,657)
At 31 December 2015	657,425	248,535	123,418	1,029,378
Accumulated depreciation				
At 1 January 2014	468,970	187,089	123,418	779,477
Eliminated on disposals	(74,822)	(49,242)	–	(124,064)
Depreciation expense	8,839	3,322	–	12,161
Exchange differences	(39)	–	–	39
At 31 December 2014	402,948	141,169	123,418	667,535
Acquired on acquisition of subsidiary	150,571	117,840	–	268,411
Eliminated on disposals	–	(35,657)	–	(35,657)
Depreciation expense	17,607	4,048	–	21,655
Exchange differences	(14)	–	–	(14)
At 31 December 2015	571,112	227,400	123,418	921,930
Carrying amount				
At 31 December 2014	41,336	16,612	–	57,948
At 31 December 2015	86,313	21,135	–	107,448

The calculation of depreciation on property, plant and equipment requires the use of estimates and judgement, related to the expected useful lives of the assets. The depreciation expense in the year to 31 December 2015 is not material to the accounts, and therefore any change in estimate related to expected useful lives would not have a material effect on the Financial Statements.

The value of the assets charged as security for the bank debt is $105,802 (2014: $57,948).

15 Investment in subsidiary undertakings

Company	Subsidiary Undertakings $
Cost	
At 31 December 2014	14,933,435
Exchange difference	(399,928)
At 31 December 2015	14,533,507
Impairment	
At 31 December 2014	6,400,906
Exchange difference	–
At 31 December 2015	6,400,906
Carrying amount	
At 31 December 2014	8,532,529
At 31 December 2015	8,132,601

The Directors annually assess the carrying value of the investment in the subsidiary and in their opinion no impairment provision is currently necessary. See notes 12 and 13 for the assumptions and sensitivities in assessing the carrying value of the investment.

The net carrying amounts noted above relate to the US incorporated subsidiaries.

The subsidiary undertakings during the year were as follows:

	County of incorporation	Interest held %
Qonnectis Group Limited (holding company of ALD International Limited)*	England and Wales	100%
ALD International Limited (leak detection products and services)	England and Wales	100%
American Leak Detection Holding Corp. (holding company of ALD Inc.)*	US	100%
American Leak Detection, Inc. (leak detection product and services)	US	100%

* Subsidiaries owned directly by the Parent Company.

16 Inventories

	Group 31 December 2015 $	Group 31 December 2014 $
Group inventories	275,204	205,477

During the year ended 31 December 2015 an expense of $793,369 (2014: $573,509) was recognised in the Consolidated Statement of Comprehensive Income. There has been no write down of inventories during the year.

17 Trade and other receivables

	Group		Company	
	31 December 2015 $	31 December 2014 $	31 December 2015 $	31 December 2014 $
Trade notes receivable	37,576	29,076	–	–
	37,576	29,076	–	–

All non-current receivables are due within five years from the end of the reporting period.

	Group		Company	
	31 December 2015 $	31 December 2014 $	31 December 2015 $	31 December 2014 $
Trade receivables	357,557	96,730	–	–
Prepayments	256,143	460,421	74,096	5,201
Due from Group undertakings	–	–	496,988	428,764
Accrued royalties receivable	432,033	113,258	–	–
Trade notes receivable	82,240	34,877	–	–
Other receivables	111,524	10,671		1,203
Due from related party	111,307	114,315	–	–
Current portion	1,350,804	830,272	571,084	435,168

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost. The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

The average credit period taken on sales is 25 days (2014: 29 days).

As at the 31 December 2015, trade receivables of $41,171 (2014: $14,300) were past due but not impaired. These relate to a number of customers for whom there is no history of default. The ageing analysis of these trade receivables is as follows:

Ageing of past due but not impaired receivables

	Year ended 31 December 2015 $	Year ended 31 December 2014 $
60-90 days	3,661	9,357
90+ days	37,510	4,943
	41,171	14,300
Average age (days)	92	92

Due to the current net liability position of ALD International Limited, an impairment provision of $391,588 (2014: $391,588) was made in FY15 against part of the receivable due from ALD International Limited to Water Intelligence Plc (company). This provision has no impact on the consolidated results for the year.

17 Trade and other receivables continued

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	Year ended 31 December 2015 $	Year ended 31 December 2014 $
US Dollar	1,240,142	816,841
UK Pound	110,662	13,431
	1,350,804	830,272

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

18 Cash and cash equivalents

	Group		Company	
	31 December 2015 $	31 December 2014 $	31 December 2015 $	31 December 2014 $
Cash at bank and in hand	1,031,454	1,756,014	18,937	17,329

The Company has a debenture including a fixed charge over all the present freehold and leasehold property, a first fixed charge over book and other debts, chattels, goodwill, and uncalled capital, both present and future and a first floating charge over all assets and undertakings both present and future.

19 Trade and other payables

	Group		Company	
	31 December 2015 $	31 December 2014 $	31 December 2015 $	31 December 2014 $
Trade payables	227,033	176,342	9,796	30,114
Accruals and other payables	436,583	491,655	55,885	46,210
Due to Group undertakings	–	–	880,966	1,142,155
	663,616	667,997	946,647	1,218,479

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs and are payable within 3 months. The average credit period taken for trade purchases is 16 days (2014: 25 days).

The Directors consider that the carrying amount of trade payables approximates to their fair value.

20 Provision for Onerous Contracts

	$
Balance at 31 December 2014	11,847
Provisions utilised	(11,847)
Balance at 31 December 2015	–
Current	–
Between two and five years	–
Balance at 31 December 2015	–

The provision for onerous contracts related to the provision for ongoing services under 5 year contracts where the costs of providing those services outweighs the revenue generated. The last of the contracts expired in March 2015.

21 Deferred Tax

The analysis of deferred tax assets is as follows:

Group	**2015 $**	**2014 $**
Deferred tax (liability)/assets	(64,449)	(195,319)

The movement in deferred tax assets is as follows:

2015

	Opening balance $	**Recognised in the income statement $**	**Closing balance $**
Temporary differences:			
Net operating profit (loss) (non-current)	–	–	–
Short term timing differences	(195,319)	130,870	(64,449)
	(195,319)	130,870	(64,449)

2014

	Opening balance $	**Recognised in the income statement $**	**Closing balance $**
Temporary differences:			
Net operating profit (loss) (non-current)	–	–	–
Short term timing differences	(195,319)	130,870	(64,449)
	(195,319)	130,870	(64,449)

Deferred income tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets relating to carried forward tax losses, mainly relating to legacy activities of the UK entities, of $9,022,000 (2014: $8,985,000) arising in the UK as there is insufficient evidence that the asset will be recovered. The deferred income tax asset relating to these losses is $1,804,385 (2014: $1,797,000).

22 Share capital

The issued share capital in the year was as follows:

Group & Company

	Ordinary Shares Number	Deferred Shares Number
At 31 December 2015	10,617,650	808,450,760
At 31 December 2014	10,567,650	808,450,760

During the year the additional 50,000 shares admitted to AIM on 30 March 2015 relate to the reacquisition of the New York franchise on 24 February 2014. These were recorded as shares to be issued at 31 December 2014.

Group & Company

	Share Capital $	Share Premium $	Capital Redemption $
At 31 December 2015	12,733,307	4,723,094	6,517,644
At 31 December 2014	12,732,564	4,800,613	6,517,644

The Deferred Shares carry the right to repayment of 1p each on a winding up or repayment of capital of the Company after repayment of £100,000 on each of the Ordinary Shares in issue in the capital of the Company. The payment of the amount due (if any) on any other classes of share capital of the Company are paid in order of first paying the holders of the Deferred Shares.

The Deferred Shares carry no other right to participate in the capital or income of the Company and carry no right to vote.

The Company can at any time cancel, by way of application to Court, the Deferred Shares with or without consideration upon such terms as the Directors think fit.

The par values of Ordinary Shares and Deferred Shares, denominated in Sterling, are 1p and 1p respectively.

23 Obligations under operating leases

The future aggregate minimum lease payments under non-cancellable operating leases are set out below.

2015

	Land & Buildings $	Other $	Total $
No later than one year	–	66,000	66,000
Later than one year, and not later than five years	–	67,992	67,992
Total	–	133,992	133,992

2014

	Land & Buildings $	Other $	Total $
No later than one year	–	48,990	48,990
Later than one year, and not later than five years	–	154,548	154,548
Total	–	203,538	203,538

The operating lease commitments above apply to the Group; the Company has no operating leases. All leases relate to vehicles.

24 Financial instruments

The Group has exposure to the following key risks related to financial instruments:

i. Market risk

ii. Foreign currency risk

iii. Interest rate risk

iv. Credit risk

v. Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated Financial Statements.

The Directors determine, as required, the degree to which it is appropriate to use financial instruments or other hedging contracts or techniques to mitigate risk. The main risk affecting such instruments is foreign currency risk which is discussed below. Throughout the year ending 31 December 2015 no trading in financial instruments was undertaken (2014: none) and the Group did not have any derivative or hedging instruments.

The Group uses financial instruments including cash, loans and finance leases, as well as trade receivables and payables that arise directly from operations.

Due to the simple nature of these financial instruments, there is no material difference between book and fair values, discounting would not give a material difference to the results of the Group and the Directors believe that there are no material sensitivities that require additional disclosure.

Fair value of financial assets and financial liabilities
The estimated difference between the carrying amount and the fair values of the Group's financial assets and financial liabilities is not considered material.

Credit risk
The Group's principal financial assets are bank balances, cash, trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables. Receivables are regularly monitored and assessed for recoverability. The Group has no significant concentration of credit risk as exposure is spread over a number of customers.

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The exposure to credit risk at the year end was in respect of the past due receivables that have not been impaired are disclosed in note 17.

24 Financial instruments continued

Categories of financial instruments

	Group		Company	
	31 December 2015 $	31 December 2014 $	31 December 2015 $	31 December 2014 $
Loans and receivables				
Cash and cash equivalents	1,031,454	1,756,014	18,937	17,329
Trade and other receivables – current	1,350,804	830,272	526,084	435,168
Trade and other receivables – non-current	37,576	29,076	–	–
Financial Liabilities measured at amortised cost				
Trade and other payables	663,616	679,844	946,647	1,218,479
Borrowings – current	591,450	502,029	–	–
Borrowings – non-current	1,459,027	2,048,472	–	–
Deferred consideration – current	59,781	–	–	–
Deferred consideration – non-current	277,208	–	–	–

Borrowings

Bank Loan

On 17 June 2014, the Group refinanced of its term loan agreement with Liberty Bank of Connecticut. The borrowing was increased to $2,750,000 implying approximately $1,000,000 of new cash. The term of the loan was reset for 5 years to 2019. Interest on the loan is fixed for the first three years at 5.75%. Amortisation is approximately $53,000 monthly. The Group has also renewed its Revolver with Liberty Bank. The line is equal to $250,000 and carries with it an interest rate equal to the Wall Street Journal Prime, plus 2.75%. The Group is not drawing on the line of credit at this time. The Bank Loan is secured by substantially all of the assets of ALDHC and its principal operating subsidiary ALD and guaranteed by PSS plus one significant shareholder, being the Executive Chairman.

	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2014
	Current		Non-current	
Financial Instruments	$	$	$	$
Term loan	591,450	502,029	1,459,027	2,048,472
Total	591,450	502,029	1,459,027	2,048,472

The Company had no borrowings during the year (2014: $nil).

Capital risk management

In managing its capital, the Group's primary objective is to maintain a sufficient funding base to enable working capital, research and development commitments and strategic investment needs to be met and therefore to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders. In making decisions to adjust its capital structure to achieve these aims, through new share issues, the Group considers not only its short term position but also its long term operational and strategic objectives.

The capital structure of the Group currently consists of cash and cash equivalents, medium term borrowings and equity comprising issued capital, reserves and retained earnings. The Group is not subject to any externally imposed capital requirements.

Significant accounting policies

Details of the significant accounting policies including the criteria for recognition, the basis of measurement and the bases for recognition of income and expense for each class of financial asset, financial liability and equity instrument are disclosed in Note 3.

24 Financial instruments continued

Foreign currency risk management
The Group undertakes transactions denominated in foreign currencies (other than the functional currency of the Company and its UK operations, being £ Sterling), with exposure to exchange rate fluctuations. These transactions relate predominately to royalties receivable in the US denominated in currencies other than US$ being Canadian Dollars, Australian Dollars and Euro; royalties from such sources in 2015 were $309,215 (2014: $282,147). No foreign exchange contracts were in place at 31 December 2015 (2014: Nil).

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities were:

	Group		Company	
	31 December 2015 $	31 December 2014 $	31 December 2015 $	31 December 2014 $
Assets				
Sterling	110,647	47,482	571,084	435,168
Liabilities				
Sterling	87,071	119,645	946,647	1,218,479

As shown above, at 31 December 2015 the Group had Sterling denominated monetary net assets of $23,576 (2014: $72,163 net liabilities). If Sterling weakens by 10% against the US dollar, this would decrease assets by $2,142 (2014: $7,216) with a corresponding impact on reported losses.

Interest rate risk management
The Group is potentially exposed to interest rate risk because the Group borrows and deposits funds at both fixed and floating interest rates. However, at the year end, the borrowings are only subject to fixed rates.

Interest rate sensitivity analysis
On 17 June 2014, the bank loan was refinanced with Liberty Bank. Borrowings were increased to $2,750,000. The loan is repayable in full on or before 10 June 2019 with monthly repayments of principal and interest at 5.75% for the first three years and thereafter 2% above "Wall Street Journal Prime" adjusted annually. All of the borrowings at 31 December 2015 were $2,050,000.

The losses recorded by both the Group and the Company for the year ended 31 December 2015 would not materially change if market interest rates had been 1% higher/lower throughout 2015 and all other variables were held constant.

Credit risk management
Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. The Group seeks to limit credit risk on liquid funds through trading only with counterparties that are banks with high credit ratings assigned by international credit rating agencies.

Disclosures related to credit risk associated with trade receivables is presented in Note 17.

Liquidity risk management
Ultimate responsibility for liquidity management rests with management. The Group's practice is to regularly review cash needs and to place excess funds on fixed term deposits for periods not exceeding one month. The Group manages liquidity risk by maintaining adequate banking facilities and by continuously monitoring forecast and actual cash flows.

The Directors have prepared a business plan and cash flow forecast for the period to 30 June 2017. The forecast contains certain assumptions about the level of future sales and the level of margins achievable. These assumptions are the Directors' best estimate of the future development of the business. The Directors acknowledge that the Group in the near-term trading is reliant on cash generation from its predominantly US-based royalty income.

24 Financial instruments continued

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest due repayment dates. The table shows principal cash flows.

Group	0-6 months $	6-12 months $	>12 months $	Total $
2015				
Fixed interest rate instruments principal	295,725	295,725	1,459,027	2,050,477
Other financial liabilities	723,397	–	277,208	1,000,605
2014				
Fixed interest rate instruments principal	251,014	251,015	2,048,472	2,550,501
Other financial liabilities	679,844	–	–	679,844

The Company has no non-derivative financial liabilities.

Derivatives

The Group and Company have no derivative financial instruments.

Fair values

The Directors consider that the carrying amounts of financial assets and financial liabilities approximate their fair values.

25 Notes to the statement of cash flows

Cash flows from operating activities	Year ended 31 December 2015 $	Year ended 31 December 2014 $
Group		
Operating Profit	1,090,216	708,853
Adjustments for:		
Depreciation of plant and equipment	21,744	12,161
Amortisation of intangible assets	270,492	341,870
Share based payments	35,232	–
Operating cash flows before movements in working capital	1,417, 684	1,062,884
(Increase) in inventories	(69,727)	(60,184)
(Increase) in trade and other receivables	(518,033)	(90,269)
(Decrease) in trade and other payables	(107,883)	(81,796)
Cash generated by operations	722,041	830,635
Income taxes	(522,557)	(209,118)
Net cash generated from operating activities	199,484	621,517

25 Notes to the statement of cash flows continued

Cash flows from operating activities	Year ended 31 December 2015 $	Year ended 31 December 2014 $
Company		
Profit/(Loss) for the year	451,255	(374,990)
Adjustments for:		
Share based payment expense	35,232	–
Operating cash flows before movements in working capital	486,487	(374,990)
(Increase) in trade and other receivables	(262,822)	(16,799)
(Decrease)/Increase in trade and other payables	(222,057)	220,235
Cash generated in/(used by) operations	1,608	(171,554)
Income taxes	–	–
Net cash generated from (used in) operating activities	1,608	(171,554)

26 Contingent liabilities

The Directors are not aware of any material contingent liabilities.

27 Related party transactions

Plain Sight Systems ("PSS") was a former owner of ALDHC and ALD until the reverse merger in 2010 that created Water Intelligence. PSS is now an affiliate of Water Intelligence and hence is a related party. PSS provides a technology license to Water Intelligence and ALD on terms favourable to Water Intelligence and ALD. The license is royalty-free for the first $5 million of sales for products developed with PSS technology.

PSS guarantees the bank debt of Water Intelligence as described below. On the other hand, PSS owes an amount to ALD specified below. During the normal course of operations, there are inter-company transactions among PSS, Water Intelligence plc, ALDHC and ALD. The financial results of these related party transactions are reviewed by an independent director of Water Intelligence plc, the parent of ALDHC and ALD so that they are on arms-length terms.

On 17 June 2014, the Group refinanced its term loan agreement with Liberty Bank of Connecticut. The term of the loan was reset for 5 years to 2019. The principal amount outstanding at 31 December 2015 is $2,050,477. As of 31 December 2015 interest on the loan was 5.75% annually, with monthly instalments of principal and interest amounting to $52,959 per month.

Liberty Bank has required that the refinanced term loan and commercial line of credit be guaranteed by PSS and the Executive Chairman. For the PSS guarantee, ALD pays 0.75% per annum based on the outstanding balance of the loan calculated at the end of each month. For the guarantee of the Executive Chairman, the board has agreed to award the Executive Chairman options for ordinary shares.

For 2015, the Board awarded the Executive Chairman an option to acquire 50,000 ordinary shares at an exercise price of $0.92. The expense charge for the Executive Chairman's guarantee is 0.49%, which will be expensed in 2016 as the options were granted subsequent to year end, bringing the total charge for guarantees to 1.24% for 2015. The charge for the guarantees will be eliminated should the guarantees no longer be required by Liberty Bank.

27 Related party transactions continued

In order to obtain PSS's consent to extend the duration of its current guarantee, the boards of both PSS and Water Intelligence, reviewed by its respective independent directors, have agreed to extend the time period for repayment of amounts currently owed by PSS to ALD to match the term of the new loan. Interest owed on the PSS receivable will match the interest rate charged by the bank. The monthly charge for the PSS guarantee would be offset against amounts owed by PSS. Interest income related to the PSS receivable amounted to $6,239 and $7,060 for the years 31 December 2015 and 2014, respectively. The guarantee fee expense for the PSS guarantee amounted to $16,922 and $16,500 for the years ended 31 December 2015 and 31 December 2014 respectively.

During the normal course of operations there are inter-company transactions among PSS, Water Intelligence plc, ALD and ALDHC. In previous years, PSS charged administrative fees to the Company to cover activities taken on behalf of company business. The related receivable/prepaid balance remaining was $111,307 and $114,315 at 31 December 2015 and 2014, respectively.

During the year, the Group advanced $45,000 to Leeb Publishing in relation to the potential acquisition of paid internet subscribers and social media content focused on scarce natural resources, especially water, to be used for Water Intelligence marketing. If the acquisition is not completed, the advance will be returned to the Group. Leeb Publishing is a related party of the Group, as Stephen Leeb is a director in common.

During the year the Company had the following transactions with its subsidiary companies:

ALD International Limited

	$
Balance at 31 December 2014	428,764
Net loans to subsidiary	48,853
VAT transferred under group registration	43,406
Other expenses recharged and exchange differences	(24,035)
Balance at 31 December 2015	496,988

ALD Inc.

	$
Balance at 31 December 2014	(216,115)
Loans to WI	(400,000)
Deferred tax adjustment	873,271
Transfer of investment in Leeb Publishing	(45,000)
Other expenses recharged and exchange differences	(262,475)
Balance at 31 December 2015	(50,319)

ALDHC

	$
Loans to WI	(1,000,000)

28 Subsequent events

Following a general meeting held on 29 March 2016 where shareholders voted to approve the matter, a share capital reorganisation was undertaken on 30 March 2016 pursuant to which every 230 ordinary shares of 1p each were consolidated into 1 ordinary share of £2.30 nominal value and then subdivided back into ordinary shares of 1p each. Undertaking this exercise enabled the Company to significantly decrease the number of persons on its shareholder register and reduce the associated costs and administrative burden of maintaining a large shareholder base with no material interest in the Company. The total number of shares in issue following completion of the share capital reorganisation was 10,617,720 ordinary shares of 1p each.

On 20 April 2016, following approval by shareholders at the general meeting held on 29 March 2016 and the High Court of Justice of England and Wales, the Company undertook a capital reduction exercise pursuant to which:

- the share premium account of the Company was cancelled;
- the capital redemption account of the Company was cancelled;
- the issued share capital of the Company was reduced by cancelling all the issued deferred shares; and
- the amount of US$7,500,000 standing to the credit of the merger reserve was capitalised and applied in paying up bonus shares which were then cancelled.

Accordingly, for the purposes of the Company's balance sheet, on 20 April 2016, the share premium account and capital redemption account were reduced to zero, the merger reserve was reduced by US$7,500,000 and the share capital of the Company was reduced by £8,084,507.60 (US$12,679,741).

In total, this exercise generated US$31,497,995 to be credited against the negative distributable reserves of the Company (2014: US$24,671,150) thereby creating positive distributable reserves. Having positive distributable reserves means that the Company will be able to pay dividends and buy back shares in future should it be deemed desirable to do so.

Current trading is referred to in the Chairman's Statement.

29 Control

The Company is under the control of its shareholders and not any one party. The shareholdings of the directors and entities in which they are related are as outlined within the Director's Report.

Water Intelligence plc

(the "Company")

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING ("AGM") of the Company will be held at:

201 Temple Chambers, 3-7 Temple Avenue, London EC4Y 0DT at 11 a.m. on 7 July 2016.

The AGM will be held in order to consider and if thought fit, pass resolutions 1 to 5 below as ordinary resolutions and resolutions 6 and 7 below as special resolutions.

Ordinary Resolutions

1. THAT the Company's annual accounts for the financial year ended 31 December 2015, together with the last directors' report and the auditor's report on those accounts and the directors' report, be received and adopted.

2. To reappoint Crowe Clark Whitehill LLP as the Company's auditors to hold office from the conclusion of this meeting until the conclusion of the next meeting at which accounts are laid before the Company.

3. To authorise the directors to agree the remuneration of the auditors.

4. To re-appoint, as a director, Robert Mitchell who retires by rotation in accordance with the Articles of Association.

5. THAT, in substitution for any existing and unexercised authorities, the Directors be and they are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the "**Act**") to exercise all the powers of the Company to allot equity securities (as defined in section 560(1) of the Act) provided that this authority shall be limited to the allotment of equity securities to any person or persons up to an aggregate nominal amount of £20,000.

   The authorities conferred by this resolution shall expire at the conclusion of the next annual general meeting of the Company (unless previously renewed, varied or revoked by the Company in a general meeting), provided that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares be granted after such expiry and the Directors may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such offer or agreement notwithstanding that the authority conferred hereby has expired.

Special Resolutions

6. THAT, subject to and conditional upon the passing of Resolution 5, in substitution for any existing and unexercised authorities, the Directors be and they are hereby empowered pursuant to section 570 of the Act to allot equity securities wholly for cash, within the meaning of section 560(1) of the Act, pursuant to the general authority conferred by Resolution 5 above as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

   (a) the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of the holders of Ordinary Shares in the Company on the register of members at such record dates as the Directors may determine and other persons entitled to participate therein where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares in the Company held or deemed to be held by them on any such record dates (which shall include the allotment of equity securities to any underwriter in respect of such issue or offer), subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatever; and

   (b) the allotment of equity securities (otherwise than in sub-paragraph (a) above) to any person or persons up to an aggregate nominal amount of £15,000, provided that the authorities conferred by this resolution shall expire at the conclusion of the next annual general meeting of the Company (unless previously renewed, varied or revoked by the Company), save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding that the power conferred hereby has expired and that all previous authorities under section 570 of the Act be and they are hereby revoked (and in this resolution the expression "equity securities" and references to the "allotment of equity securities" shall bear the same respective meanings as in section 560 of the Act).

7. THAT, the Company be generally and unconditionally authorised to make market purchases (as defined in the Act) of ordinary shares on such terms and in such manner as the directors may from time to time determine, provided that:

   (a) the maximum number of ordinary shares authorised to be purchased shall be 2,000,000;

   (b) the minimum price which may be paid for an ordinary share is 1p;

   (c) the maximum price which may be paid for an ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share (as derived from the Daily Official List) for the five business days immediately preceding the date on which the ordinary share is contracted to be purchased;

   (d) the minimum and maximum prices per ordinary share referred to in sub-paragraphs (b) and (c) of this resolution are in each case exclusive of any expenses payable by the Company;

   (e) the authority conferred by this resolution shall expire at the conclusion of the next annual general meeting of the Company unless such authority is varied, revoked or renewed prior to such time by the Company in general meeting by special resolution; and

   (f) the Company may make a contract to purchase ordinary shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be completed wholly or partly after the expiration of such authority.

BY ORDER OF THE BOARD

Patrick DeSouza, Executive Chairman
For and on behalf of Water Intelligence plc

Dated: 12 June 2016

Registered Office:
201 Temple Chambers
3-7 Temple Avenue
London
EC4Y 0DT

Notice of Annual General Meeting

continued

Notes:

1. Shareholders entitled to attend and vote at the AGM ("Shareholders") may appoint a proxy or proxies to attend and speak and, on a poll, vote on their behalf. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form enclosed. A proxy need not be a member of the Company. A Shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that Shareholder. Investors who hold their shares through a nominee may wish to attend the AGM as a proxy, or to arrange for someone else to do so for them, in which case they should discuss this with their nominee or stockbroker. Shareholders are invited to complete and return the enclosed proxy form. To appoint more than one proxy you may photocopy the proxy form. Completion of the proxy form will not prevent a Shareholder from attending and voting at the AGM if subsequently he/she finds they are able to do so. To be valid, completed proxy forms must be received at the offices of the Company's registrars, Neville Registrars, Neville House, 18 Laurel Lane, Halesowen B63 3DA, United Kingdom by not later than 11 a.m. on 5 July 2016 (being 48 hours prior to the time fixed for the AGM, excluding weekends and public holidays) or, in the case of an adjournment, as at 48 hours prior to the time of the adjourned AGM (weekends and public holidays excluded).

2. CREST members who wish to appoint a Proxy or Proxies through the CREST electronic Proxy appointment service may do so for the Annual General Meeting and any adjournment thereof by using the procedures described in the CREST manual. CREST personal members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a Proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST manual. All messages relating to the appointment of a Proxy or an instruction to a previously appointed Proxy must be transmitted so as to be received by Neville Registrars Limited *(ID: 7RA11)* no later than 11 a.m. on 5 July 2016 (being 48 hours prior to the time fixed for the AGM, excluding weekends and public holidays) or, in the case of an adjournment, as at 48 hours prior to the time of the adjourned AGM (weekends and public holidays excluded). Normal system timings and limitations will apply in relation to the input of CREST Proxy Instructions. It is therefore the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable their CREST sponsor(s) or voting service provider(s) are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 as amended.

3. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

4. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those holders of ordinary shares in the capital of the Company registered in the register of members of the Company at 6 p.m. on 5 July 2016 or, in the case of an adjournment, as at 48 hours prior to the time of the adjourned AGM (weekends and public holidays excluded).

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