Water Intelligence plc

Group Annual Report and Financial Statements for the Year Ended 31 December 2022

Company number 03923150

Group Annual Report and Financial Statements

for the year ended 31 December 2022

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Company Information

Directors & Advisers

Directors	Patrick DeSouza	Executive Chairman
	Laura Hills	Non-Executive Director
	Bobby Knell	Non-Executive Director
	Michael Reisman	Non-Executive Director
	C. Daniel Ewell	Non-Executive Director (Appointed 8, April 2021)
Registered Office	27-28 Eastcastle Street London United Kingdom W1W 8DH	
Company number	Registered in England and Wales number 03923150	
Nominated adviser and broker	WH Ireland Limited 24 Martin Lane London EC4R 0DR	
Brokers	RBC Europe Limited 100 Bishopsgate London EC2M 1GT	
	Dowgate Capital Limited 15 Fetter Lane London EC4A 1BW	
Independent Auditor	Crowe UK LLP 55 Ludgate Hill London EC4M 7JW	
Registrar	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA	
Bankers	CITI Bank CGC Centre, Canary Wharf London E14 5LB	M&T Bank 265 Church Street New Haven CT 06510 USA

Overview

Over the next decade, the water and wastewater industries will be transformed globally as a result of stresses produced by climate change and growing populations. Both the US and EU are committed to spending tens of billions annually to address problems of aging water and wastewater infrastructure. In the US, the Infrastructure Investment and Jobs Act signed in November 2022 authorizes USD$55 billion in spending on water initiatives over the next five years. The OECD estimates that the EU over the next decade will need additional spending of approximately €290 billion to meet water and sanitation needs under Directives covering Drinking Water and Urban Waste Water Treatment.

Water Intelligence is well-positioned to accelerate its growth trajectory to meet such market demand. Over the last decade, the Group has grown quickly by attacking two critical infrastructure problems occurring across the range of residential, commercial and municipal pipes: water loss from leakage and wastewater overflow. Our compounded annual growth from 2017 to 2022 has been 32% in terms of revenue and 37% in terms of statutory profit before taxes. And we have been able to achieve this record despite various challenges brought on by Covid and now macroeconomic volatility in a post-Covid world.

The opportunity ahead for Water Intelligence is particularly exciting for two reasons: First, our Group attacks these water infrastructure problems in a differentiated way by using proprietary technologies to provide solutions that are minimally-invasive – akin to precision medicine but for pipes as opposed to arteries. Second, the competitive landscape is largely fragmented, particularly on the residential side where we are strong and have the leading national brand in the US through our subsidiary American Leak Detection.

Our 2022 performance reaffirms our strong foundation and our growth plan. During 2022 Water Intelligence grew each of its operating businesses: American Leak Detection (ALD) and Water Intelligence International (WII). Broadly, we use the concept of network sales ("Network Sales") to illuminate our market capture. Network Sales measures total gross sales from all corporate operations and franchisees. For the end-user/ customer, there is no distinction between our franchise-delivered and corporate-delivered services because both operate under the same ALD brand with the same training and uniformed service and provide the same menu of solutions. However, as an accounting matter, while corporate gross sales are recorded directly by Water Intelligence, franchise gross sales are only reflected indirectly on Water Intelligence IFRS accounts as franchisee royalty income, understating the Group's actual market presence. For 2022, Network Sales grew by 11% to $165 million (2021: $149 million).

2022 Financial Performance and KPIs.

Our IFRS Accounts follow. Water Intelligence revenue increased 31% to $71.3 million (2021: $54.5 million). We then evaluate such progress on our growth plan through key performance indicators (KPIs) more fully reported in our Strategic Report as part of these Accounts. Four KPIs, identified below, reflect our execution through franchise-operated and corporate-operated locations.

Our franchise System sales continue to grow despite the number of reacquisitions of franchise locations during 2021. KPI #1 - ALD royalty income – is a proxy for System-wide franchise sales. Franchise royalty decreased 1% to $6.7 million (2021: $6.8 million). Had those same locations remained as franchises instead of being converted to corporate stores, royalty income would have grown by 8%. KPI #2 - Franchise-related Activity - measures Group support of franchise growth through the sale of equipment and additional territory and the development of channel sales such as insurance. Franchise-related Activity grew 9% to $10.6 million (2021: $9.8 million).

Our corporate operations also grew both in the US and internationally even after one adjusts for franchise reacquisitions. KPI #3 - US Corporate sales - grew 48% to $47.3 million (2021: $31.9 million). As noted above, some of the US corporate store growth resulted from franchise reacquisitions converting royalty income into direct revenue and profits from corporate operations. But even if we exclude those acquired locations in 2021 and 2022 and just consider "same store" corporate sales, same store locations grew 26% to $35 million (2021: $27.8 million). Same store numbers, underscore a key driver of our reacquisition strategy: corporate reacquisition provides the location with additional working capital from the Group's more substantial balance sheet, further accelerating growth. KPI #4 - International Corporate sales - grew by 9% to $6.7 million (2021: $6.1 million). It should be noted that the Group is supporting international growth not only organically but also through acquisitions such as UK-based Wat-er-Save Limited in Q4 2021. Wat-er-Save enhances WII's ability in the UK to execute not only its current municipal work but also more residential and commercial work. It also prepares the way for an introduction into the UK market during 2024 of our ALD brand which is more focused on minimally-invasive residential solutions. WII, though smaller today than ALD in terms of sales, is leading the way in commercializing our waste water solutions technology which segment is expected to grow strongly.

The above component lines of Group sales growth have increased Group profits. To make a like for like comparison between 2022 and 2021 operating results, we must hold aside a one-time gain of $1.9 million during 2021. Holding that aside, earnings before interest, taxes and depreciation (EBITDA) grew 16% to $11.1 million (2021: $9.5 million). When EBITDA is also adjusted for non-cash expenses of share-based payments and non-core or one-time costs, EBITDA Adjusted increased by 20% to $12.4 million (2021: $10.3 million). Moreover, when profit before taxes (PBT) is adjusted for amortization, non-cash share-based payments and non-core costs, PBTA grew 12.3% to $7.8 million (2021: $6.9 million).

As noted above, our business plan reflects not only current market capture but also seeks to better position the Group for future market capture through targeted investment, especially given the forecasted growth in the addressable market for the Group's solutions over the next decade. First, we have invested over $3 million in automating operations via Salesforce and associated applications. This set of applications, when fully implemented, will ensure that both franchise and corporate locations are able to schedule and dispatch trucks more efficiently both to provide the needed solution and then to also sell more follow-up solutions for other homeowner needs, thus enabling Water Intelligence to scale operations more quickly and capture more sales.

Second, to increase capture of market demand, we need to invest in hiring and training more technicians on our proprietary technologies. Our trained technicians are our most important assets. Each new technician requires training of up to eighteen months before that technician can reliably and comfortably deploy our proprietary leak detection solutions by himself. During the training period, the compensation expense for "technicians in training" is largely a drag. Though an expense today, like any asset, a fully trained technician will return significant incremental revenue and profits each year over a career life cycle. For 2022, we increased our investment in training headcount by approximately $1 million.

Our strong balance sheet with available cash and a comfortable debt repayment schedule supports our reinvestment to sustain our growth trajectory and to increase market share. At year-end 2022, cash stood at $23 million. Bank debt was approximately $17 million. Deferred payments from franchise reacquisitions were approximately $12 million. Notably, total bank debt and deferred payments from reacquisitions (approximately $29 million) are spread through 2027 with a blended fixed interest rate of approximately 4.9%. The amount of bank debt and deferred payments coming due in 2023 is approximately $9.2 million and well-covered by 2023 EBITDA which is anticipated to be above the $11.1 million generated in 2022 and the $23 million in cash on the balance sheet at year-end 2022. Hence we have cash resources available for further corporate development.

Direction

We believe that market demand for our services and products will continue to be strong despite various macroeconomic scenarios ranging from stagflation to recession driven by higher interest rates. Simply put, water and wastewater infrastructure continue to age, producing leaks and blockages that cannot be ignored. We have the asset base to deliver on our vision of a "one stop shop" for minimally invasive solutions to aging water and waste water infrastructure: a critical mass of approximately $165 million in Network Sales; more than 150 operating locations from which to scale; national business channels in the

US, such as insurance, that leverage our sales footprint; and prior investments in new technology products for customers and business automation for enhanced scheduling and delivery that now can be realized in meeting increased market demand over the next decade. Onward with confidence.

Dr. Patrick DeSouza
Executive Chairman

20 June 2023

Business Review and Key Performance Indicators

The Chairman's Statement, on pages 3 to 5, provides an overview of the year and an outlook for Water Intelligence plc and its subsidiaries, together referred to as the "Group". The business indicators offered below are meant to capture for the Board not only the state of performance but also the evolution of our business model as a platform company with multiple sales channels. As a "One-stop Shop" for our growing base of customers, we offer a matrix of clean water and waste-water solutions for residential, commercial and municipal infrastructure problems. With such offerings, we can both cross-sell services from different business units or up-sell technology products from partners.

The Water Intelligence platform has two wholly-owned subsidiaries: American Leak Detection (ALD) and Water Intelligence International (WII). These business units generated approximately $165 million of gross sales to third-parties during 2022. The two subsidiaries are distinguished by the degree of franchise-operated and corporate-operated locations and their respective priorities with respect to residential, business-to-business and municipal customers.

ALD, our core business, is largely a franchise business with strategic corporate-operated locations. ALD is a leader in using technology to pinpoint and repair water leaks without destruction. Solutions target both residential and business-to-business customers, such as insurance companies, which value our "minimally invasive" value proposition. During 2022 ALD generated approximately $158 million of gross sales to end-users. That critical mass of gross sales is derived from direct sales via corporate-operated locations and indirect sales measured by royalty income from franchisees, which, in turn, is based on franchisee gross sales to end-users.

WII, our international based operation, focuses on municipal solutions to the world-wide problem of failing water infrastructure. During 2022 WII generated approximately $7 million of sales to customers. Like ALD, WII's solutions are also technology-based. WII is exclusively a corporate-run unit that leads the Group's international expansion. WII does have the capability to execute ALD service offerings and is currently doing so at our corporate-operated locations in Australia. WII also cross-sells complementary municipal offerings and residential wastewater solutions to ALD customers in the US.

The Group's business model and growth strategy is evaluated through key performance indicators (KPIs). The KPIs capture both corporate-operated and franchise-operated organic growth from ALD and WII solutions. They also capture acquisition-led growth, especially by selectively converting ALD franchises into corporate-operated locations. Such re-acquisitions of franchisee operations enable some amount of the approximately $100 million in highly profitable franchisee gross sales to end-users, currently recorded as royalty income, to be converted to the Group's direct Statement of Income. In evaluating such acquisition-led growth, it is also important to separate continuing operating costs from non-recurring costs or transaction costs. Finally, we have a KPI that provides guidance as to the availability of capital to execute our growth plan. Because of the monthly recurring royalty income from the franchise business, the Group is able to be efficient in its capital formation by mixing in non-dilutive bank debt. As a result, the Group manages to the right balance in capital formation between debt and equity by monitoring the level of bank borrowings.

Six key performance indicators (KPIs) are used by the Board to monitor the above described business model: (i) growth in ALD franchise royalty income, (ii) growth in ALD franchise-related activities that include both business to business sales and sales of parts and equipment, (iii) growth in ALD corporate-operated locations in the United States, (iv) growth in WII corporate activities located outside the United States, (v) non-core costs and (vi) net borrowings from banks which are subject to financial covenants. These six indicators are reported to the Board and used to assist the Board in the management of the business.

Evaluation of Strategic Plan Drawn From 6 KPIs:

i. Royalty income is a measure of the health of the ALD franchise System which represents the majority of gross sales under the ALD brand. The change in royalty income must be evaluated against the number of franchise reacquisitions in any given year which reduces the pool of available royalty income for the subsequent year.

ii. Franchise-related Activities are a measure of the services and products sold by Corporate to its franchises to fuel growth in the franchise System. ALD's Business-to-Business Channel leverages for customers our national execution presence under one brand and is led by insurance companies.

iii. ALD Corporate-operated locations add to critical mass of Group revenue and profits. Selective reacquisitions from our franchise System further unlock equity value for the Group in two ways. First, reacquisitions set up corporate regional hubs from which corporate may help grow both franchise and corporate units. Second, reacquisitions add growing revenue and profits directly onto the accounts of the Group.

iv. WII complements our ALD brand which is focused largely on residential and commercial customers, by contributing municipal sales to the Group's overall sales presence in the US and international geographies.

v. Non-core costs (transactions costs and non-recurring costs) should be taken into account in evaluating on-going operating performance.

vi. Credit facilities enable the Group to fuel expansion and preserve shareholder equity. Because of the quality of monthly recurring royalty income, the Group is attractive to banks enabling the Group to optimize capital formation.

(i) Franchise Royalty Income.

ALD is the Group's core business generating approximately $158 million of corporate and franchisee gross sales. During 2022 approximately $100 million of such gross sales may be attributed to the franchise System. The Group derives royalty income from such gross sales. There are currently 82 franchises operating in over 100 locations across 46 states of the US, with additional locations in Australia and Canada. Some franchisees operate multiple locations in their territory.

Part of the Group's growth strategy to unlock shareholder value by selectively reacquiring franchises and operating the business as a corporate location. By executing such conversions, the Group is trading-off a portion of the pool of available royalty income to directly aggregate and grow the underlying revenue and profits from those locations. Royalty income in 2022 decreased in absolute terms by 1% compared with 2021. It is important to note that this small decline is attributable to a significant number of reacquisitions during 2021 which had the effect of reducing the eligible pool of royalty income for 2022. Without such reacquisitions in 2021, royalty income would have grown 8% indicating that on a like-for-like basis the franchise System is still growing, driven especially by the growth of the insurance channel noted in KPI #2.

Performance from royalty income is as follows:

	Year ended 31 December 2022 $'000	**Year ended 31 December 2021 $'000**	**Change %**
Total USA	6,637	6,699	(1)%
International	110	105	5%
Total Group Royalty Income	6,747	6,803	(1)%
Profit before tax (see note 4)	1,957	1,809	8%

(ii) Franchise-related Activities.

US franchise-related activities capture what Corporate Administration ("Corporate") does to grow the franchise System. It is also one indication of the reinvestment of franchisees in the Group's growth plan.

Parts and equipment sold to franchisees by Corporate enables franchisees to further grow their respective operations. For 2022, not captured within this subcategory are amounts paid by franchisees for licenses to Salesforce and associated applications ($0.16 million) which is also part of their reinvestment in the Group's growth plan. If added to the parts and equipment sales subcategory, franchisee reinvestment in their operations grew 3% to $0.83 million.

Business-to-Business channels, such as insurance, capture the market demands of national customers. These customers place significant value on ALD's nationwide brand, service standardization and delivery footprint – an important aspect of competitive strategy when one considers that the market for service providers is fragmented. Jobs for franchisees are sourced by Corporate from insurance companies using a centralized processing system. Important to note is that national channel jobs executed by Corporate locations are not counted in the Group's Business-to-Business sales. Hence the 11% growth of Business-to-Business sales understates the contribution of insurance relationships for Network Sales.

Finally, Sales of Franchise Units represent the decision to develop a new territory through a franchisee as opposed to corporate operations. It should be noted that the Group's current priority is to add corporate-operated locations as opposed to franchisee-operated locations. Given the rising value of franchise territory given franchise reacquisitions, demand for additional territory is rising among franchisees. The Group reviews annually its priority on new corporate locations as opposed to franchise locations.

Revenue from franchise-related activities in 2022 grew by 9% compared to 2021 largely because of the growth of the Group's business-to-business channel. Profits before tax grew 20% in 2022 compared with 2021 largely driven by the high margin surrounding the sale of franchise territory. Performance from franchise-related activities are as follows:

	Year ended 31 December 2022 $'000	**Year ended 31 December 2021 $'000**	**Change %**
Parts and equipment sales	668	806	(17)%
Business-to-Business sales	9,893	8,941	11%
Sales of Franchise Units	63	23	175%
Total Revenue Franchise Activities	10,624	9,770	9%
Profit before tax (see note 4)	965	805	20%

(iii) US Corporate Operated Locations (ALD).

Corporate-run locations, both greenfield and initiated after reacquisition of franchise locations, contribute revenue and profits to the Group. In addition, such operations also support the franchise System with strategy, marketing and execution support in further developing territories. Performance of US corporate-run locations after reacquisition is also an indication of the success of the Group's strategy to capture more market demand for our minimally invasive leak detection and repair solutions. The Group directly operates 41 locations, an increase of 3 locations (2021: 38).

As set forth below, ALD Corporate-operated revenue grew 48% to $47.3 million (2021: $31.9 million). Meanwhile profits before tax grew strongly by 37% to a $8.2 million (2021: $6.0 million). Such growth is a result of both organic growth and the contribution of revenue and profits from franchisees reacquired during the period. Much like the pro forma adjustment for royalty income in KPI #1 based on the number of franchisees reacquired in the prior year, so also we can separate out corporate locations owned prior to January 2021 so that a comparison may be made for "same store sales" as a measure of organic growth post franchise reacquisition. Corporate-operated "same store" revenue grew 26% to $34.9 million (2021: $27.8 million) and profit before tax grew 13% to $5.9 million (2021: $5.2 million).

Table (iii) also enables us to illustrate the trade-off between franchise royalty growth and corporate-operated growth by examining yield in terms of Group profit before tax. For 2022 US corporate locations profit before tax amounted to $8.2 million. If the Group was a "franchise-only" business and the same $47.3 million of sales to the same customers under the same ALD brand were executed by franchisees, the Group would only receive approximately $0.93 million of the profit before taxes. ($47.3 million of sales multiplied by 6.75% average royalty fee equals approximately $3.19 million of royalty income; and $3.19 million is then multiplied by 29% profit margin of royalty income - see KPI #1 – to yield $0.93 million of profit before tax to the Group). Even at a much higher margin of managing the franchise System, corporate profits on direct sales is higher; to be sure, depending on the location, such yield may require additional management costs.

Performance from corporate-operated locations is as follows:

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000	Change %
Revenue	47,297	31,861	48%
Locations owned prior to 1 January 2021	*34,979*	*27,815*	*26%*
Profit before tax (see note 4)	8,253	6,007	37%
Locations owned prior to 1 January 2021	*5,985*	*5,287*	*13%*

(iv) International Corporate Operated Locations (WII)

The Group continues to strengthen its multinational presence through its UK-based WII subsidiary. WII focuses largely on municipal solutions while maintaining core residential and commercial offerings. In the UK, WII executes municipal work for all major utilities and residential and commercial projects through its Wat-er-Save subsidiary. In this way, WII has multinational operating scope by managing corporate locations established in Australia and Ontario, Canada after ALD franchisee reacquisitions.

WII sales grew 9% during 2022 to $6.7 million. (2021: $6.1 million) and profits decreased by 73% to $0.09 million (2021: $0.32 million). Much of the decline in profits is attributable to extraordinary conditions in Australia during Q1 2022 identified below in non-core costs and initial investments in the UK Wat-er-Save Services Limited during 1H 2022 after its acquisition in Q4 2021.

Performance from Water Intelligence International is as follows:

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000	Change %
UK	3,437	2,384	44%
Australia	2,038	2,614	(22)%
Canada	1,191	1,111	7%
Total Revenue from International Corporate Activities	6,666	6,109	9%
Profit before tax (see note 4)	86	316	(73)%

(v) Non-Core Costs.

During 2022, the Group incurred non-core costs relating to transactions or non-recurring expenses. As discussed herein, understanding non-core costs, as distinct from continuing operating costs, helps the Board evaluate capital allocation choices made to accelerate operations organically and to scale through acquisition. In 2022, there were $840,000 of non-core costs (2021: $323,000).

Please see table below for details:

	Year ended 31 December 2022 $'000	**Year ended 31 December 2021 $'000**
ADP software upgrade	-	30
Technology upgrades	450	193
Transaction-related legal and other costs	243	100
Australian flood conditions	147	-
Total	**840**	**323**

(vi) Net Bank Borrowings.

Management of financial resources is important for making various decisions regarding the reinvestment rate for the growth of operations. As noted herein, the monthly recurring income from franchise royalty provides the Group with attractive attributes for using bank debt to complement equity sources of capital. The Group's objective for risk management purposes is to be prudent with respect to bank financial covenants. Net cash after Bank Borrowings is positive and amortisation of such debt extends through 2027.

Group	**Year ended 31 December 2022 $'000**	**Year ended 31 December 2021 $'000**
Lines of credit: acquisition and working capital	-	227
Bank borrowings	16,425	7,780
	16,425	8,007
Less: Cash		
Held in US Dollars	20,514	20,403
Held in £ Sterling	1,779	2,570
Held in CDN Dollars	359	270
Held in AU Dollars	362	559
	23,014	23,802
Total Net Bank Borrowings/(Cash)	(6,589)	(15,795)

Principal Risks and Uncertainties

The Group's objectives, policies and processes for measuring and managing risk are described in note 23. The principal risks and uncertainties to which the Group is exposed include:

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 monitors exposure to foreign exchange rate changes on a daily basis by a daily review of the Group's cash balances in the US, UK, Canada and Australia.

Interest Rate Risk

The Group's interest rate risk arises from its working capital and term loan borrowings.

Whilst borrowing issued at variable rates would expose the Group to cash flow risks, as at year-end, the Company is only subject to a variable rate on its working capital line of credit. As of the report date, all credit facilities in use are at fixed interest rates.

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.

Covid-19 Risk

2022 represented the third year of the global pandemic. Some regulations eased while others remained. The Group delivers water and wastewater solutions and is considered a supplier of "essential services" under governmental policies covering shelter-in-place. The Group continually evaluates health and safety protocols for our technicians. The Group has sufficient cash to execute its plan and balance work protocols for the health and safety of all our stakeholders, especially our technicians and our customers.

Other Risks

There is a risk that existing and new customer relationships and R&D will not lead to sales growth and increased profits. The Group is reliant on a small number of skilled managers. The Group is reliant on effective relationships with its franchisees, especially in the US. Finally, while not fully apparent during 2022, there are emerging risks given the sharp rise in interest rates during 2022 in the aftermath of inflationary pressures, The Group is monitoring risks associated with stagflation or recession during 2023.

Corporate Governance statement S172 of the UK's Companies Act

Each director must act in a way that, in good faith, would most likely promote the success of the Group for the benefit of its stakeholders. The Board of Directors consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters indicated in S172) in the decisions taken during the year ended 31 December 2022. Following is an overview of how the Board performed its duties during 2022.

Shareholders and Banking Relationships

The Executive Chairman, Chief Financial Officer, members of the Board and senior executives on the management team have regular contact with major shareholders and banking relationships. The Board receives regular updates on the views of shareholders which are taken into account when the Board makes its decisions. During February 2021 and March 2022, the Group expanded its credit facilities. During July and November 2021, the Company raised capital largely from its current shareholders. The Group received feedback during each process.

Employees
The Board recognizes the importance of skilled human capital for a technology and services-led business. The Board works through its human resources director to provide on-going training and benefits. It also provides advancement opportunities in its various corporate-operated locations. As noted herein, the Group has taken a variety of steps to address the COVID-19 pandemic in terms of its employees and stakeholders.

Franchisees
The Group holds an annual convention for its franchisees which includes education and training sessions. During 2021, as a result of the pandemic, the Group did not hold its Convention but rather relied on video conference meetings. During October 2022, the Group held its annual convention in Nashville, Tennessee. Franchisees have an Advisory Committee that provides input to the Board with quarterly meetings. Moreover, one of our Board members, Bobby Knell, successfully developed the Dallas franchise and retired as one of our leading franchisees. He provides an additional channel for input from the franchise System. Throughout the year, the Group continues to share best practices guidance with franchisees in responding to various business topics including Covid-19 circumstances and now a Salesforce.com implementation.

Customers
ALD has a reputation for high quality service delivery across the United States for over forty years. Given the importance of our reputation with customers, especially insurance companies, the Board pays significant levels of attention to the quality of our service delivery. Management gathers data that it shares with the Board on customer satisfaction.

Community and Environment
The Group’s brand stands for the conservation of water and the importance of providing solutions to potable and non-potable water leaks. Through our advertising and marketing the Group seeks to communicate to the public both the importance of sustainability, particularly with respect to water loss through leakage, and the importance for public health of remediating sewer blockages as consumers dispose of sanitary wipes in toilets during Covid-19. The Group took an active role not only in providing leak detection services to local government in Flint, Michigan – a community known for its lead in the water crisis – but also in working to educate community members on the importance of on-going water monitoring. The Board has sought to be active with respect to education and water. During 2019 and 2020, members of the Board have worked with Columbia University to contribute to its “Year of Water” education campaign.

By order of the Board

Patrick DeSouza
Executive Chairman

20 June 2023

The Directors present their report on the affairs of Water Intelligence plc and its subsidiaries, referred to as the Group, together with the audited Financial Statements and Independent Auditors' report for the year ended 31 December 2022.

Principal Activities

The Group is a leading provider of minimally invasive leak detection and remediation services for potable and non-potable water. The Group's strategy is to be a "One-stop Shop" for services and product solutions 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 29 to 35.

2022 was marked by sustained and balanced multinational growth for both ALD and WII. Total revenue for Water Intelligence grew 31% to $71.3 million (2021: $54.5 million). ALD revenue grew 34% to $64.6 million (2021: $48.3 million). WII revenue grew 9% to $6.8 million (2021: $6.2 million). The splits between ALD and WI revenue remained consistent during 2022 when compared with 2021 with approximately 91% of total revenue attributable to ALD and 9% of total revenue attributable to WII.

Profit-based comparisons between 2022 and 2021 need to take into account a one-time profit before tax gain of $1.9 million in 2021. Holding that one-time gain aside, statutory earnings before interest, taxes and depreciation (EBITDA) grew 16% to $11.1 million (2021: $9.5 million). When EBITDA is adjusted for non-cash expenses of share-based payments and non-core or non-recurring costs, EBITDA Adjusted increased by 20% to $12.4 million (2021: $10.3 million). Statutory profit before taxes (PBT) decreased by 3% to $5.5 million (2021: $5.7 million). When profit before taxes is adjusted for amortization, non-cash share-based payments and non-core costs, PBTA grew 12.3% to $7.8 million (2021: $6.9 million).

Going Concern

The Directors have prepared a business plan and cash flow forecast for the period to December 2024. 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 Group generates increasing levels of cash driven by its profitable and growing US-based business, ALD. The Directors also note that the Group has diversified its operations with growth in WII. Moreover, after oversubscribed capital raises in July and November 2021 and expansion of its credit facilities in February 2021 and March 2022, the Directors believe that funding will be available on a case-by-case basis for additional initiatives.

Cash at 31 December 2022 was $23 million (2021: $23.8 million). At 31 December 2022, total debt (borrowings and deferred consideration from franchise acquisitions) was $29 million with amortisation of such amount spread through 2027. Meanwhile, operating cash flows (EBITDA) in 2022 increased by 16% to $11.1 million (2021: $9.5 million). Cash on the balance sheet plus an ability to generate significant cash relative to the amount of debt that comes due in any one year between 2023 and 2027 are important variables for Director considerations. Moreover, the Directors consider various scenarios that may influence cash availability such as inflationary pressures, the threat of recession from rising interest rates and the use of cash for investments, such as Salesforce.com and related software applications, geared to create operational efficiencies that enhance future organic cash generation.

The Directors conclude that the Group will have adequate cash resources both to pursue its growth plan and to accelerate execution if it so chooses. 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 & Development; Commercialization

The Group's focus is currently on reinvestment for commercialization of technology and technology-based products not pure R&D. Expenditure on pure research, all of which is undertaken by third parties not related to the Group, was $0 (2021: $0). The Group remains committed to anticipate market demands and has spent money on product development during the year which has been capitalised.

Dividends

The Directors do not recommend the payment of a dividend (2021: $nil).

Share Price

On 31 December 2022, the closing market price of Water Intelligence plc ordinary shares was 660.0 pence. The highest and lowest prices of these shares during the year to 31 December 2022 were 1140.0 pence and 560.0 pence respectively.

Capital Structure

Details of the authorised and issued share capital are shown in Note 21. 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 throughout the Chairman's Statement on pages 3-5.

Financial Risk Management

Financial risk management is outlined in the principal risks and uncertainties section of the Strategic Report on page 11.

Subsequent Events

On 7 February 2023, the Group announced the reacquisition of its Nashville, Tennessee franchise territory within the Group's ALD franchise business. The acquisition is pursuant to the Group's growth strategy of creating regional hubs and adds further corporate scale to operations in the Midwest, United States. The cash consideration for the acquisition is $3.25 million based on a 2022 Adjusted Income Statement of $2.4 million in revenue and $550,000 in profit before tax and includes the transfer of all operating assets to the Group.

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

Non-Executive Directors
Laura Hills
Bobby Knell
Michael Reisman
C. Daniel Ewell

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

Directors' emoluments

2022

	Salary, Fees & Bonus	Benefits	Redundancy	Total
	$	$	$	$
Executive Directors				
P DeSouza	591,473	-	-	591,473
Non-Executive Directors				
L Hills	49,231	-	-	49,231
D Ewell	-	-	-	-
B Knell	-	-	-	-
M Reisman	-	-	-	-
	640,704	**-**	**-**	**640,704**

* In lieu of cash compensation, all of the directors were awarded stock options with an exercise price of $8.18 as announced on 7, February 2023. (See Note 7) The value of the options is as follows: P DeSouza $80k, L Hills $40k, D Ewell $40k, B Knell $80k, M Reisman $40k, for a total of $280k. Options granted plus cash compensation above totals $920,704 which is to be compared to $889,385 in 2021

2021

	Salary, Fees & Bonus	Benefits	Redundancy	Total
	$	$	$	$
Executive Directors				
P DeSouza	639,381	15,004	-	654,385
L Hills	125,000	-	-	125,000
Non-Executive Directors				
D Ewell	30,000	-	-	30,000
B Knell	40,000	-	-	40,000
M Reisman	40,000	-	-	40,000
	874,381	**15,004**	**-**	**889,385**

Directors' interests

The Directors who held office at 31 December 2022 and subsequent to year end had the following direct interest in the voting rights of the Company at 31 December 2022 and at the date of this report, excluding the shares held by Plain Sight Systems, Inc.

	Number of shares at 31 December 2022	% held at 31 December 2022	Number of shares at 20 June 2023	% held at 20 June 2023
Patrick DeSouza*/**	4,867,110	27.83	4,867,110	27.83
Michael Reisman*	184,126	1.05	184,126	1.05
Laura Hills	122,723	0.70	122,723	0.70
Bobby Knell	27,000	0.15	27,000	0.15
Dan Ewell	33,670	0.18	33,670	0.18

*Included in the total above, Patrick DeSouza has (i) 180,000 Partly Paid Shares (2016), (ii) 750,000 (March 2018) (iii) 850,000 (May 2019) and (iv) 300,000 Partly Paid Shares (October 2020). These will not be admitted to trading or carry any economic rights until fully paid.

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

**Patrick DeSouza's interests include 1,965,000 shares held by The Patrick J. DeSouza 2020 Irrevocable Trust U/A Dtd 11/23/2020 and 605,936 shares held in The Patrick J. DeSouza GRAT #1 U/T/A Dtd 11/23/2020

Share option schemes

To provide incentive for the management and key employees of the Group, the Directors award stock options. 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.	2,430,410	13.90
Canaccord Genuity Group Inc.	2,134,432	12.21
Berenberg Asset Management	1,259,992	7.21
George D. Yancopoulos	880,920	5.04
Amati AIM VCT	814,660	4.66
Herald Investment Trust	642,526	3.67

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. An 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 UK 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.

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
20 June 2023

Corporate Governance Statement

As a Board, we believe that practicing good Corporate Governance is essential for building a successful and sustainable business in the long-term interests of all stakeholders. Water Intelligence's shares are listed on AIM, a market operated by the London Stock Exchange.

With effect from September 2018, Water Intelligence has adopted the QCA Corporate Governance Code. The Company has adopted a share dealing code for the Board and employees of the Company which is in conformity with the requirements of Rule 21 of the AIM Rules for Companies. The Company takes steps to ensure compliance by the Board and applicable employees with the terms of such code.
The following pages outline the structures, processes and procedures by which the Board ensures that high standards of corporate governance are maintained throughout the Group.

Further details can be found on our website at www.waterintelligence.co.uk/corporate-Board-and-governance.

Takeovers and Mergers

The Company is subject to The City Code on Takeovers and Mergers.

Board

The Board, chaired by Patrick DeSouza, comprises one executive and four non-executive directors and it oversees and implements the Company's corporate governance program. As Chairman, Dr. DeSouza is responsible for the Company's approach to corporate governance and the application of the principles of the QCA Code. Michael Reisman and Dan Ewell are the Company's independent directors. The Board is supported by two committees: audit and remuneration. The Board does not consider that it is of a size at present to require a separate nominations committee, and all members of the Board are involved in the appointment of new directors.

Each Board member commits sufficient time to fulfil their duties and obligations to the Board and the Company. They are required to attend at least 4 Board meetings annually and join regular Board calls that take place between formal meetings and offer availability for consultation when needed.

Board papers are sent out to all directors in advance of each Board meeting including management accounts and accompanying reports from those responsible.

Meetings held during the period between 1 January 2022 and 31 December 2022 and the attendance of directors is summarized below:

	Board meetings Possible (attended)	**Audit committee Possible (attended)**	**Remuneration committee Possible (attended)**
Patrick DeSouza	6/6		
Bobby Knell	5/6		2/2
Michael Reisman	5/6	2/2	2/2
Dan Ewell	5/6	2/2	
Laura Hills	6/6		

Board Committees

The Board has established an Audit Committee and a Remuneration Committee with delegated duties and responsibilities.

(a) Audit Committee
Dan Ewell, Non-Executive Director, is Chairman of the Audit Committee. The other member of the Committee is Michael Reisman. The Audit Committee is responsible for ensuring that the financial performance, position and prospects for the Company are properly monitored, controlled and reported on and for meeting the auditors and reviewing their reports relating to accounts and internal controls.

(b) Remuneration Committee
Michael Reisman, Non-Executive Director, is Chairman of the Remuneration Committee. The other member of the Committee is Bobby Knell. The Remuneration Committee is responsible for reviewing performance

of Executive Directors and determining the remuneration and basis of service agreement with due regard for the Combined Code. The Remuneration Committee also determines the payment of any bonuses to Executive Directors and the grant of options.

The Company has adopted and operates a share dealing code for directors and senior employees on the same terms as the Model Code appended to the Listing Rules of the UKLA.

Board Experience

All five members of the Board bring complementary skill sets to the Board. One director is female and four are male. The Board believes that its blend of relevant experience, skills and personal qualities and capabilities is sufficient to enable it to successfully execute its strategy. In addition, the Board receives regular updates from, amongst others, its nominated adviser, legal counsel and company secretary in relation to key rule changes and corporate governance requirements, as well as regular liaison with audit firms both in the UK and the US in respect of key disclosure and accounting requirements for the Group, especially as accounting standards evolve. In addition, each new director appointment is required to receive AIM rule training from the Company's nominated adviser at the time of their appointment.

Patrick J. DeSouza, Executive Chairman

Term of office: Appointed as Executive Chairman in July 2010.

Background and suitability for the role: Dr. DeSouza has been Chairman of American Leak Detection since 2006 and Executive Chairman since its reverse merger to create Water Intelligence plc in 2010. He has 25 years of operating and advisory leadership experience with both public and private companies in the defence, software/Internet and asset management industries. Over the course of his career, Dr. DeSouza has had significant experience in corporate finance and cross-border mergers and acquisition transactions. He has practised corporate and securities law as a member of the New York and California bars. Dr. DeSouza has also worked at the White House as Director for Inter-American Affairs on the National Security Council. He is the author of Economic Strategy and National Security (2000). He is a graduate of Columbia College, the Yale Law School and Stanford Graduate School.

Laura Hills, Non-Executive Director

Term of office: Appointed 7 June 2021 as Executive Director but returned to non-executive director which she originally was appointed since 6 February 2018.

Background and suitability for the role: Laura has more than 30 years' experience as a legal professional, having spent 10 years working for Overseas Private Investment Corporation (OPIC), where she served as Associate General for the agency's finance program, supervising a team of lawyers on all finance transactions ranging from micro-lending and small business to multi-creditor infrastructure project financing in emerging market countries. In 2002, Ms. Hills founded Hills, Stern & Morley LLP, an emerging markets legal firm based in Washington D.C. Laura sits on the Board of the Gerald Ford Presidential Foundation. Laura brings considerable expertise in negotiating on infrastructure and renewables related transactions globally. Moreover, Ms. Hills experience with non-profits assists the Board in fulfilling its responsibility to advance the mission of Water Intelligence to support underserved communities globally. Laura holds undergraduate, graduate and law degrees from Stanford University.

Bobby Knell, Non-Executive Director

Term of office: Appointed 7 June 2021, having previously been an executive director, non-executive director since 17 January 2019.

Background and suitability for the role: The ALD franchise business is central to the operations and value proposition of Water Intelligence. Bobby has served as a managing director at Water Intelligence responsible for franchise relations for the last four years. Prior to this role, Bobby founded and grew the Dallas franchise of American Leak Detection into a multi-million dollar operation, an operation now run by his son. His appointment furthers the alignment of strategy and interests between corporate operations and the core American Leak Detection franchise business.

Michael Reisman, Independent Non-executive Director

Term of office: Appointed as a non-executive director on 30 July 2010.

Background and suitability for the role: Professor Reisman currently serves as Myres S. McDougal Professor of International Law at the Yale Law School, where he has been on the faculty since 1965 and has previously been a visiting professor in Tokyo, Berlin, Basel, Paris, Geneva and Hong Kong Professor Reisman is the President of the Arbitration Tribunal of the Bank for International Settlements and a member of the Advisory Committee on International Law of the Department of State. He has served as arbitrator and counsel in many international cases. He was also President of the Inter-American Commission on Human Rights of the Organization of American States. Because of his international legal experience and the growing multinational character of the Company, Professor Reisman leads matters of governance, corporate responsibility and remuneration. He is a graduate of Yale Law School.

C. Daniel Ewell, Independent Non-executive Director

Term of office: Appointed as a non-executive director on 8 April 2021

Background and suitability for the role: Dan Ewell is currently a Senior Advisor at Morgan Stanley, where he has worked as an investment banker for over 33 years. Prior to assuming his current role, Mr. Ewell served as Vice Chairman and Head of Western Region Investment Banking for Morgan Stanley. Dan has extensive experience in advising companies and helping them grow through capital raising and strategic transactions. His experience spans a range of sectors including consumer/retails, industrial, healthcare and media/technology, and included companies with franchised business models. As the Group continues to scale its operations internationally, it has a need to broaden its institutional and strategic activity in capital markets. Mr. Ewell brings considerable expertise in this area. He is a graduate of University of California, Berkeley, Yale Law School and Yale School of Management.

The Group has a non-Board Chief Financial Officer, Pat Lamarco Jr., who attends all Board meetings and reports regularly to the Board and assists in the preparation of Board materials and in reviewing the budget and ongoing performance.

The Company Secretary is responsible for ensuring that Board procedures are followed and that all applicable rules and regulations are complied with. Adrian Hargrave currently performs the role of Company Secretary, providing an advisory role to the Board. The Company Secretary is supported and guided in this role by the Company's legal advisors.

The Directors have access to the Company's CFO, NOMAD, Company Secretary, lawyers and auditors as and when required and are able to obtain advice from other external bodies when necessary.

Board Performance and Effectiveness

The performance and effectiveness of the Board, its committees and individual Directors is reviewed by the Chairman and the Board an ongoing basis. Training is available should a Director request it, or if the Chairman feels it is necessary. The performance of the Board is measured by the Chairman and Michael Reisman, one of the non-executive directors, with reference to the Company's achievement of its strategic goals.

Risk Management

The Directors recognise their responsibility for the Group's system of internal control and have established systems to ensure that an appropriate and reasonable level of oversight and control is provided. The Group's systems of internal control are designed to help the Group meet its business objectives by appropriately managing, rather than eliminating, the risks to those objectives. The controls can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Executive Chairman with the assistance of the Company Secretary and the Chief Financial Officer manages a risk register for the Group that identifies key risks in the areas of corporate strategy, financial, clients, staff, environmental and the investment community. The Board is provided with a copy of the register. The register is reviewed periodically and is updated as and when necessary.

Within the scope of the annual audit, specific financial risks are also evaluated in detail, including in relation to foreign currency, interest rates, debt covenants, taxation and liquidity.

The annual budget is reviewed and approved by the Board. Financial results, with comparisons to budget and latest forecasts are reported on a monthly basis to the Board together with a report on operational achievements, objectives and issues encountered. Significant variances from plan are discussed at Board meetings and actions set in place to address them.

Approval levels for authorisation of expenditure are at set levels throughout the management structure with any expenditure in excess of pre-defined levels requiring approval from the Executive Chairman and the Chief Financial Officer.

Measures continue to be taken to review and embed internal controls and risk management procedures into the business processes of the organisation and to deal with areas of improvement which come to the management's and the Board's attention. We expect the internal controls for the business to change as the business expands both geographically and in terms of product development.

The Company's auditors are encouraged to raise comments on internal control in their management letter following their audit, and the points raised and actions arising are monitored through to completion by the Audit Committee.

Corporate Culture

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. There is a professional Human Resources Director. Laura Hills is responsible for oversight at the Board level. Ms. Hills ensures that the Group's policies are upheld and providing the necessary resources. All members of the Board have significant experience in matters of public policy.

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 an employee handbook that is provided to all employees upon starting their employment within the Group.

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.

In addition, all directors and senior employees are required to abide by the Group's share dealing code, which was updated in 2016 to reflect changes made to legislation following the introduction of the Market Abuse Regulation.

Audit Committee Annual Review

The role of the Audit Committee is to monitor the quality of internal controls and check that the financial performance of the Group is properly assessed and reported on. It receives and reviews reports from the Chief Financial Officer, other members of management and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The members of the Audit Committee are Dan Ewell (Chairman) and Michael Reisman.

The Executive Chairman and Chief Financial Officer are invited to attend parts of meetings, with other senior financial managers required to attend when necessary. The external auditors attend meetings to discuss the planning and conclusions of their work and meet with the members of the Committee. The Committee is able to call for information from management and consults with the external auditors directly as required.

The objectivity and independence of the external auditors is safeguarded by reviewing the auditors' formal declarations, monitoring relationships between key audit staff and the Company and tracking the level of non-audit fees payable to the auditors.

The Committee met twice during the year, to review the 2021 annual accounts and the interim accounts to 30 June 2022. The Committee reviewed with the independent auditor its judgements as to the acceptability of the Company's accounting principles.

Remuneration Committee Annual Review

The Remuneration Committee convenes not less than once a year and during the year it met on two occasions. The Committee comprises Michael Reisman and Bobby Knell, with Michael Reisman as Chairman. The Remuneration Committee is responsible for reviewing the performance of Executive Directors and determining the remuneration and basis of service agreement. The Remuneration Committee also determines the payment of any bonuses to Executive Directors and the grant of options. Where appropriate the Committee consults the Executive Chairman regarding its proposals. No Director plays a part in any discussion regarding his or her own remuneration.

Relations with Shareholders

The Company is available to hold meetings with its shareholders to discuss objectives and to keep them updated on the Company's strategy, Board membership and management.

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 UK adopted International Accounting Standards.

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 judgments 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 Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained there.

Independent Auditors' report to the members of Water Intelligence plc

Opinion

We have audited the financial statements of Water Intelligence plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2022, which comprise:

- the Group statement of comprehensive income for the year ended 31 December 2022;
- the Group and parent company statements of financial position as at 31 December 2022;
- the Group and parent company statements of changes in equity for the year then ended;
- the Group and parent company statements of cash flows for the year then ended; and
- the notes to the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group and parent company financial statements is applicable law and UK-adopted international accounting standards.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's profit for the period then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- review and challenge of management's going concern assessment and assumptions used covering a minimum of 12 months from the date of approval of these financial statements;
- tested mathematical accuracy of the model used by management in their assessment;
- discussed with management and evaluated their assessment of the group and the company's liquidity requirement;
- assessed the reasonableness of management's budget/forecasts, including comparison to actual results achieved in the year; and
- Assessing the completeness and accuracy of the matters described in the going concern disclosures within the significant accounting policies as set out in Note 3.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be $330,000 (2021: $398,000), based on approximately 6% of Group profit before tax (2021: 7% of Group profit before tax after excluding the one-off gain of $1,869,800 recognised in respect of the PPP loan forgiveness).

Materiality for the Parent Company financial statements was based on an asset-based figure which was restricted to $100,000 (2021: $40,400) for the parent.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. This is set at $231,000 (2021: $298,000) for the group and $70,000 (2021 $30,300) for the parent.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of $16,500 (2021: $19,900). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

The Group, parent company and UK subsidiaries are accounted for from a location in the UK, whilst its material US subsidiaries and Australian subsidiary are accounted for from the US. Our audit was conducted from the main operating location in the UK and component auditors were used to perform the audit work in the US. We have planned, controlled, and reviewed the group audit under our direction. We have remotely reviewed the US work to carry out our review of component auditor working papers and have met with group management virtually.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	*How the scope of our audit addressed the key audit matter*
Revenue recognition Revenue is recognised in accordance with the accounting policy set out in the financial statements in Note 3. The Group has several different revenue streams, some of which contain judgements, particularly in recognising when the performance obligations have been satisfied. This is determined with reference to the underlying contract with the purchaser and the nature of the service provided.	Our audit procedures included: • Validating that revenue is recognised in accordance with the accounting policies; • Evaluating that the accounting policies are appropriate and in accordance with International Financial Reporting Standard 15 'Revenue from Contract with Customers' and performed audit procedures to provide evidence that revenue was accounted for in accordance with the policy; • Testing a sample of revenue transaction across the operating companies of the Group across each revenue stream by agreeing amounts to supporting documentation, cash receipts and ensuring the satisfaction of the relevant performance obligation; and • Assessing the appropriateness of the related disclosures in the financial statements.
Impairment on goodwill and indefinite life intangible assets The carrying value of goodwill and indefinite life intangible assets relates to goodwill on franchisor activities, goodwill on acquisitions and owned stores goodwill for which an annual impairment review is required to be performed. Recoverability of these involves judgement regarding the future performance of the cash generating units to which these assets are allocated, consequently, we consider their recoverability to have a higher risk of material misstatement This is set out in the financial statements in Note 3 and 13.	• We reviewed management's assessment of the carrying value of the group's intangible assets. In considering this assessment, we evaluated: • The discounted cash-flow forecasts for the group and the relevant cash generating units. This assessment included consideration of the key assumptions, which principally included discount rate and growth rates as discussed in Note 13; • We have checked the arithmetic accuracy of the forecast; • Held discussion with management over plans and intentions for the group; • Applied stress tests to the model for reasonable possible changes in the assumptions; and • Performed a shadow calculation of the discount rate by our internal valuation specialist.

Other information

The directors are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion based on the work undertaken in the course of our audit

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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.

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the directors are responsible for assessing the group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below however the primary responsibility for the prevention and detection of fraud lies with management and those charged with governance of the Parent Company.

Based on our understanding of the Group and the Company and industry, discussions with management and directors we identified financial reporting standards and Companies Act 2006 as having a direct effect on the amounts and disclosures in the financial statements.

- As part of our audit planning process, we assessed the different areas of the financial statements, including disclosures, for the risk of material misstatement. This included considering the risk of fraud where direct enquiries were made of management and those charged with governance concerning both whether they had any knowledge of actual or suspected fraud and their assessment of the susceptibility of fraud. We considered the risk was greater in areas that involve significant management estimate or judgement. Based on this assessment we designed audit procedures to focus on the key areas of estimate or judgement, this included specific testing of journal transactions, both at the year end and throughout the year.
- We used data analytic techniques to assist in identifying any unusual transactions or unexpected relationships.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The potential effects of inherent limitations are particularly significant in the case of misstatement resulting from fraud because fraud may involve sophisticated and carefully organised schemes designed to conceal it, including deliberate failure to record transactions, collusion or intentional misrepresentations being made to us.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 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 company's members as a body, for our audit work, for this report, or for the opinions we have formed.

THIS REPORT HAS NOT YET BEEN SIGNED

John Charlton

(Senior Statutory Auditor)

for and on behalf of

Crowe U.K. LLP

Statutory Auditor

London

Date: 20 June 2023

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2022

	Notes	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Revenue	4	71,333,461	54,543,408
Cost of sales		(9,659,600)	(8,964,486)
Gross profit		61,673,861	45,578,922
Administrative expenses			
– Other Income		130,405	69,484
– Share-based payments	7	(462,097)	(442,708)
– Amortisation of intangibles	13	(968,086)	(470,226)
– Other administrative costs		(53,528,825)	(38,131,195)
Total administrative expenses		(54,828,603)	(38,974,645)
Operating profit		6,845,258	6,604,277
PPP loan forgiveness	23	-	1,869,800
Finance income	8	229,550	51,092
Finance expense	9	(1,570,592)	(969,130)
Profit before tax		5,504,216	7,556,039
Taxation expense	10	(1,837,737)	(1,641,350)
Profit for the year		3,666,479	5,914,689
Attributable to:			
Equity holders of the parent		3,566,540	5,764,952
Non-controlling interests		99,939	149,737
		3,666,479	5,914,689
Other Comprehensive Income			
Subsequently reclassified to the P&L			
Exchange differences arising on translation of foreign operations		(409,371)	(221,281)
Cash flow hedge movement		448,177	-
Not subsequently reclassified to the P&L			
Fair value adjustment on listed equity investment (net of deferred tax)		(690,885)	(300,049)
Total comprehensive profit for the year		3,014,400	5,393,359
Attributable to:			
Equity holders of the parent		2,914,461	5,243,622
Non-controlling interests		99,939	149,737
		3,014,400	5,393,359

Profit per share attributable to equity holders of Parent		**Cents**	**Cents**
Basic	11	20.5	36.1
Diluted	11	19.2	33.3
Basic adjusted for PPP loan forgiveness	11	20.5	24.4
Diluted adjusted for PPP loan forgiveness	11	19.2	22.5

The results reflected above relate to continuing activities.
The accompanying notes on pages 36 to 70 are an integral part of these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2022

	Notes	2022 $	2021 $
ASSETS			
Non-current assets			
Goodwill and indefinite life intangible assets	13	44,966,672	37,268,469
Listed equity investment	24	474,613	1,185,039
Other intangible assets	13	6,019,360	3,818,037
Interest rate swap	23	448,177	-
Property, plant and equipment	14	9,224,955	7,807,227
Trade and other receivables	17	287,572	429,219
		61,421,349	50,507,991
Current assets			
Inventories	16	759,070	677,218
Trade and other receivables	17	11,393,584	8,379,894
Cash and cash equivalents	18	23,014,454	23,802,352
		35,167,108	32,859,464
TOTAL ASSETS		96,588,457	83,367,455
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent			
Share capital	21	143,192	142,260
Share premium	21	35,417,072	35,252,633
Shares held in treasury	21	(1,139,404)	(468,427)
Merger reserve		1,001,150	1,001,150
Share based payment reserve		1,555,090	1,092,993
Foreign exchange reserve		(1,504,863)	(1.095.492)
Reverse acquisition reserve	21	(27,758,088)	(27,758,088)
Equity investment reserve		(644,213)	46,672
Cash flow hedge reserve		448,177	-
Retained earnings		47,097,133	43,552,575
		54,615,246	51,766,276
Equity attributable to Non-Controlling interest			
Non-controlling Interest		598,636	612,528
Non-current liabilities			
Borrowings	23	15,334,813	8,176,893
Deferred consideration	12	7,164,421	8,220,613
Deferred tax liability	20	1,915,581	1,576,872
		24,414,815	17,974,378
Current liabilities			
Trade and other payables	19	6,331,107	4,194,031
Borrowings	23	5,519,560	3,325,579
Deferred consideration	12	5,109,093	5,494,663
		16,959,760	13,014,273
TOTAL EQUITY AND LIABILITIES		96,588,457	83,367,455

The financial statements of Water Intelligence plc, company number 03923150, were approved by the Board of Directors and authorised for issue on 20 June 2023. They were signed on its behalf by:

Patrick De Souza

Executive Chairman

The accompanying notes on pages 36 to 70 are an integral part of these financial statements

Company Statement of Financial Position

as at 31 December 2022

	Notes	2022 $	2021 $
ASSETS			
Non-current assets			
Investment in subsidiaries	15	6,626,279	7,411,852
Trade and other receivables	17	22,605,908	23,270,653
Listed equity investment	24	474,613	1,185,039
		29,706,800	31,867,544
Current assets			
Trade and other receivables	17	4,349,554	4,781,282
Cash and cash equivalents	18	1,384,624	1,865,798
		5,734,178	6,647,080
TOTAL ASSETS		35,440,978	38,514,624
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent			
Share capital	21	143,192	142,260
Share premium	21	35,417,072	35,252,633
Shares held in treasury	21	(1,139,403)	(468,427)
Merger reserve		1,001,150	1,001,150
Share based payment reserve		1,555,090	1,092,993
Foreign exchange reserve		(3,269,732)	(1,834,431)
Equity investment reserve		(644,213)	46,672
Retained earnings		2,406,266	3,154,925
		35,469,422	38,387,775
Non-current liabilities			
Deferred tax liability		(174,699)	(5,777)
		(174,699)	(5,777)
Current liabilities			
Trade and other payables	19	146,255	132,626
		146,255	132,626
TOTAL EQUITY AND LIABILITIES		35,440,978	38,514,624

The loss for the financial year in the financial statements of the parent Company was $748,659 (2021: loss $808,865), which related entirely to Plc costs.

The financial statements of Water Intelligence plc, company number 03923150, were approved by the Board of Directors and authorised for issue on 20 June 2023. They were signed on its behalf by:

Patrick De Souza
Executive Chairman

The accompanying notes on pages 36 to 70 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2022

	Share Capital $	Share Premium $	Shares held in Treasury $	Merger Reserve $	Share based payment reserve $	Foreign exchange reserve $	Reverse Acquisition Reserve $	Equity Investment Reserve $	Cash Flow Hedge Reserve $	Retained Earnings $	Total $	Non-controlling interest $	Total Equity $
As at 1 January 2021	**116,212**	**12,091,069**	**(340,327)**	**1,001,150**	**650,285**	**(874,211)**	**(27,758,088)**	**346,721**	**-**	**37,787,623**	**23,020,434**	**346,124**	**23,366,558**
Issue of Ordinary Shares	21,291	22,185,641	-	-	-	-	-	-	-	-	22,206,932	-	22,206,932
Options exercised	4,757	754,905	-	-	-	-	-	-	-	-	759,662	-	759,662
Share-based payment expense	-	-	-	-	442,708	-	-	-	-	-	442,708	-	442,708
Share buyback	-	-	(466,551)	-	-	-	-	-	-	-	(466,551)	-	(466,551)
Sale of treasury share	-	221,018	338,451	-	-	-	-	-	-	-	559,469	-	559,469
Capital Contribution NCI	-	-	-	-	-	-	-	-	-	-	-	116,667	116,667
Profit for the year	-	-	-	-	-	-	-	-	-	5,764,952	5,764,952	149,737	5,914,689
Other comprehensive income	-		-			(221,281)	-	(300,049)	-	-	(521,330)	-	(521,330)
As at 31 December 2021	**142,260**	**35,252,633**	**(468,427)**	**1,001,150**	**1,092,993**	**(1,095,492)**	**(27,758,088)**	**46,672**	**-**	**43,552,575**	**51,766,276**	**612,528**	**52,378,804**
As at 1 January 2022	**142,260**	**35,252,633**	**(468,427)**	**1,001,150**	**1,092,993**	**(1,095,492)**	**(27,758,088)**	**46,672**	**-**	**43,552,575**	**51,766,276**	**612,528**	**52,378,804**
Options exercised	932	164,439	(584,151)	-	-	-	-	-	-	-	(418,780)	-	(418,780)
Share-based payment expense	-	-	-	-	462,097	-	-	-	-	-	462,097	-	462,097
Share buyback	-	-	(86,826)	-	-	-	-	-	-	-	(86,826)	-	(86,826)
Purchase non-controlling interest	-	-	-	-	-	-	-	-	-	(21,983)	(21,983)	(76,017)	(98,000)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(37,812)	(37,812)
Profit for the year	-		-			-	-	-	-	3,566,541	3,566,541	99,937	3,666,478
Other comprehensive income	-		-			(409,371)	-	(690,885)	448,177	-	(652,079)	-	(652,079)
As at 31 December 2022	**143,192**	**35,417,072**	**(1,139,404)**	**1,001,150**	**1,555,090**	**(1,504,863)**	**(27,758,088)**	**(644,213)**	**448,177**	**47,097,133**	**54,615,246**	**598,636**	**55,213,882**

The accompanying notes on pages 36 to 70 are an integral part of these financial statements

Company Statement of Changes in Equity

for the year ended 31 December 2022

	Share Capital $	Share Premium $	Shares held in Treasury $	Merger Reserve $	Share based payment reserve $	Foreign exchange reserve $	Equity Investment Reserve $	Retained (Losses)/ Earnings $	Total Equity $
As at 1 January 2021	**116,212**	**12,091,069**	**(340,327)**	**1,001,150**	**650,285**	**(1,586,207)**	**346,721**	**3,963,790**	**16,242,693**
Issue of Ordinary Shares	21,291	22,185,641	-	-	-	-	-	-	22,206,932
Options exercised	4,757	754,905	-	-	-	-	-	-	759,662
Share-based payment expense	-	-	-	-	442,708	-	-	-	442,708
Share buyback	-	-	(466,551)	-	-	-	-	-	(466,551)
Sale of treasury shares	-	221,018	338,451	-	-	-	-	-	559,469
Loss for the year	-	-	-	-	-	-	-	(808,865)	(808,865)
Other comprehensive loss	-	-	-	-	-	(248,224)	(300,049)	-	(548,273)
As at 31 December 2021	**142,260**	**35,252,633**	**(468,427)**	**1,001,150**	**1,092,993**	**(1,834,431)**	**46,672**	**3,154,925**	**38,387,775**
As at 1 January 2022	**142,260**	**35,252,633**	**(468,427)**	**1,001,150**	**1,092,993**	**(1,834,431)**	**46,672**	**3,154,925**	**38,387,775**
Options exercised	932	164,439	(584,150)	-	-	-	-	-	(418,779)
Share-based payment expense	-	-	-	-	462,097	-	-	-	462,097
Share buyback	-	-	(86,826)	-	-	-	-	-	(86,826)
Loss for the year	-	-	-	-	-	-	-	(748,659)	(748,659)
Other comprehensive income	-	-	-	-	-	(1,435,301)	(690,885)	-	(2,126,186)
As at 31 December 2022	**143,192**	**35,417,072**	**(1,139,403)**	**1,001,150**	**1,555,090**	**(3,269,732)**	**(644,213)**	**2,406,266**	**35,469,422**

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

Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Shares held in treasury	Amounts received for buyback of shares
Merger reserve	Non-distributable reserve arising on reverse acquisition.
Share based payment reserve	Amounts recognised for the fair value of share options granted in accordance with IFRS 2.
Foreign exchange reserve	Foreign exchange differences on re-translation.
Equity investment reserve	Fair value adjustments on the listed equity investment (net of deferred tax).
Retained profits/(losses)	Cumulative net profits/(losses) recognised in the Financial Statements.

The accompanying notes on pages 36 to 70 are an integral part of these financial statements

Consolidated Statement of Cash Flows

for the year ended 31 December 2022

	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Cash flows from operating activities		
Profit before tax	5,504,216	7,556,039
Adjustments for non-cash/non-operating items:		
Depreciation of plant and equipment	3,236,683	2,475,069
Amortisation of intangible assets	968,086	470,226
Share based payments	462,097	442,708
PPP loan forgiveness	-	(1,869,800)
Finance costs	1,570,591	969,130
Finance income	(229,550)	(51,092)
Operating cash flows before movements in working capital	11,512,123	9,992,280
Increase in inventories	(81,852)	(232,427)
Increase in trade and other receivables	(2,820,793)	(1,924,070)
(Decrease) / Increase in trade and other payables	1,932,825	(684,619)
Cash generated by operations	10,542,303	7,151,164
Income taxes paid	(1,670,816)	(1,021,648)
Net cash generated from operating activities	8,871,487	6,129,516
Cash flows from investing activities		
Purchase of plant and equipment	(1,202,705)	(517,707)
Purchase of intangible assets	(2,424,395)	(2,078,559)
Acquisition of subsidiaries	(3,850,000)	(979,782)
Reacquisition of franchises	(1,600,000)	(5,239,558)
Purchase of listed equity investment	(153,700)	-
Purchase of non-controlling interest	(98,000)	-
Finance income	229,550	51,092
Net cash used in investing activities	(9,099,250)	(8,764,514)
Cash flows from financing activities		
Issue of ordinary share capital	-	21,291
Premium on issue of ordinary share capital	-	22,185,641
Share buyback	(86,826)	(466,551)
Sale of treasury shares	-	559,469
Options exercised	(418,780)	714,950
Dividend paid to non-controlling interest	(37,812)	-
Finance costs	(1,202,378)	(969,130)
Proceeds from borrowings	12,356,696	3,200,000
Repayment of borrowings	(3,815,204)	(1,827,765)
Repayment of notes	(5,759,978)	(2,350,676)
Repayment of lease liabilities	(1,595,853)	(1,448,594)
Net cash (used)/generated from financing activities	(560,135)	19,618,635
Net (decrease) increase in cash and cash equivalents	(787,898)	16,983,637
Cash and cash equivalents at the beginning of year	23,802,352	6,818,715
Cash and cash equivalents at end of year	23,014,454	23,802,352

The accompanying notes on pages 36 to 70 are an integral part of these financial statements

Company Statement of Cash Flows

for the year ended 31 December 2022

	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Cash flows from operating activities		
Loss before tax	(748,659)	(808,865)
Adjustments for non-cash/non-operating items:		
Share based payment expense	462,097	442,708
Operating cash flows before movements in working capital	(286,562)	(366,157)
Decrease/(Increase in trade and other receivables)	1,096,473	(20,934,141)
(Decrease)/Increase in trade and other payables	(631,779)	(215,442)
Cash used by operations	178,132	(21,515,740)
Income taxes paid	-	-
Net cash used by operating activities	178,132	(21,515,740)
Cash flows from investing activities		
Purchase of listed equity investment	(153,700)	-
Net cash used in investing activities	(153,700)	-
Cash flows from financing activities		
Issue of ordinary share capital	-	21,291
Premium on issue of ordinary share capital	-	22,185,641
Share buyback	(86,826)	(466,551)
Sale of treasury shares	-	559,469
Options exercised	(418,780)	714,950
Net cash generated from financing activities	(505,606)	23,014,800
(Decrease)/Increase in cash and cash equivalents	(481,174)	1,499,060
Cash and cash equivalents at the beginning of period	1,865,798	366,738
Cash and cash equivalents at end of period	1,384,624	1,865,798

The accompanying notes on pages 36 to 70 are an integral part of these financial statements

Notes to the Financial Statements

1 General information

The Group is a leading provider of minimally invasive, leak detection and remediation services for potable and non-potable water. The Group's strategy is to be a "One-stop Shop" of water leak and repair solutions (services and products) for residential, commercial and municipal customers.

The Company is a public limited company limited by shares. Domiciled in the United Kingdom and incorporated under registered number 03923150 in England and Wales. The Company's registered office is 27-28 Eastcastle Street, London W1W 8DH.

The Company is listed on AIM of the London Stock Exchange. These Financial Statements were authorised for issue by the Board of Directors on 20 June 2023.

2 Adoption of a new International Financial Reporting Standards

No new standards and interpretations issued by the IASB had a significant impact on the consolidated financial statements.

Standards, amendments, and interpretations to published standards not yet effective

The Directors have considered those standards and interpretations, which have not been applied in the financial statements but are relevant to the Group's operations, that are in issue but not yet effective and do not consider that they will have a material impact on the future results of the Group

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 and in accordance with UK adopted International Accounting Standards (IFRS). The Parent Company's Financial Statements have also been prepared in accordance with UK adopted International Accounting Standards as applied by 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 Directors have prepared a business plan and cash flow forecast for the period to December 2024. 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 Group generates increasing levels of cash driven by its profitable and growing US-based business, ALD. The Directors also note that the Group has diversified its operations further with growth in WII. Moreover, after oversubscribed capital raises in July and November 2021 and expansion of its credit facilities in February 2021 and March 2022, the Directors believe that funding will be available on a case-by-case basis for additional initiatives.

Cash at 31 December 2022 was $23 million (2021: $23.8 million). At 31 December 2022, total debt (borrowings and deferred consideration from franchise acquisitions) was $29 million with amortisation of such amount spread through 2027. Meanwhile, operating cash flows (EBITDA) in 2022 increased by 16% to $11.1 million (2021: $9.5 million). Cash on the balance sheet plus an ability to generate significant cash relative to the amount of debt that comes due in any one year between 2023 and 2027 are important variables for Director considerations. Moreover, the Directors consider various scenarios that may influence cash availability such as inflationary pressures, the threat of recession from rising interest rates and the use of cash for investments, such as Salesforce.com and related software applications, geared to create operational efficiencies that enhance organic cash generation.

The Directors conclude that the Group will have adequate cash resources both to pursue its growth plan and to accelerate execution if it so chooses. 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 2022. 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 Group (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 non-controlling 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 2010 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 loss after tax for the year ended 31 December 2022 is $748,658 (2021: $808,865).

Inventories

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

Defined contribution pension scheme

Water Intelligence International provides a government run pension scheme under UK legislation. Employees have the opportunity to opt in or opt out. It is compulsory for companies to offer this to their employees. This was implemented on 1 November 2017.

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 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

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.

(ii) 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 other comprehensive income.

Leases
The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right of use lease is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before commencement date plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the useful life of the right-of-use asset or the end of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted using the Group incremental borrowing rate.

Revenue recognition

IFRS 15 (Revenue from Contracts with Customers) came into effect on 1 January 2018. Under IFRS 15, revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

Nature of the Business

Water Intelligence plc operates through two wholly-owned subsidiaries: American Leak Detection (ALD) and Water Intelligence International (WII). Both subsidiaries provide precision water leak detection and repair services. The services that are performed for various customers are discrete activities - locating a water leak or fixing a leak. The services are not bundled. Each service has a price established in a rate book. Depending on customer preference, a service technician may stop after locating the leak. The customer would pay a fee for that service. Or following the leak detection service, the technician may also provide repair services for separate fee depending on what is contracted for by the customer. Service jobs are typically short in duration, usually 1-2 hours for a leak detection service. ALD delivers these services through corporate locations and franchise locations across the United States and in Canada and Australia. WII operates outside the United States, mainly in the UK, and delivers services only through corporate locations.

Customers and Sources of Revenue

Residential.

Both ALD and WII provide services to residential customers. Service technicians, whether from franchise-operated locations or corporate-operated locations, provide services to homeowners. When the service is delivered, the homeowner is invoiced immediately upon completion of the service. The price of the service is a fixed call-out charge for the technician to come to the house and an hourly charge based on the time it takes to find the leak. Revenue is recognized upon completion of the service.

Business-to-Business.

ALD has written national contracts with nationwide insurance companies. The insurance company, as ALD's customer, receives claims from homeowners or property management for water-related damage. The insurance company contracts directly with ALD headquarters. ALD headquarters, as the principal, takes liability risk for performance of the service jobs and for providing to insurance companies certain management services. A national price book is established as part of the national contract. After the leak detection service is performed, report from ALD headquarters is delivered to the insurance company and the insurance company is also invoiced for the job. Service is deemed complete upon delivery of the report and invoice. Revenue is recognized upon delivery of the report and invoice.

Municipal.

WII headquarters or ALD headquarters will contract with a municipality to provide leak detection services. Such leak detection services largely consist of surveying kilometers of pipe. During such surveys, a designated distance is covered each day with a daily rate per technician per kilometer covered. A report is prepared for the municipality weekly. When the report is delivered, the service is deemed complete with respect to the distance covered. The municipality will be billed for the week's work when the report is conveyed. Revenue is recognized upon the delivery of the report.

Franchise Sales, Equipment and On-going Royalty Payments.

ALD is a franchisor and leak detection services are delivered not only by corporate-operated locations but also by ALD's franchise System. Franchisees are independently owned and operated.

The franchise System has the following characteristics for revenue recognition. ALD sells franchises to third parties. A franchise is an exclusive territory in which a franchisee is authorized to deliver ALD services, mainly leak detection and repair. ALD headquarters provides training and advice to support the delivery of services by franchisees.

The franchise sale is documented by means of a ten-year license agreement that is renewable for ten-year increments based on certain conditions derived from franchisee performance. The agreement has three main components. First, the agreement provides for the payment of an upfront fee in exchange for the exclusive territory and training. The upfront fee is non-refundable. ALD revenue is recognized with respect to most of the upfront fee at the Closing of the franchise sale. The remaining portion of the upfront fee is recognized as revenue over time using a straight-line method to reflect the delivery of franchisor services over the ten-year period. Second, the franchise agreement provides that the franchisee may purchase proprietary equipment from ALD and more general equipment from ALD-approved third parties. There is a price book. ALD revenue is recognized upon the delivery of equipment to franchisees and an invoice for the equipment. Third, in accordance with the franchise license agreement, each franchise pays a royalty fee to ALD each month based on a percentage of the franchisee's gross sales for that month. Each month, a franchise files a royalty report and pays the royalty amount. ALD revenue is recognized upon the receipt of the royalty report.

In respect of the sale of franchise territories, the Group will monitor on an ongoing basis the correct apportionment for each such sale between recognition of upfront fees and fees which are deferred over the length of the franchise agreement. This year such sales were not a material part of the Group's revenue or income.

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.

Investments in equity instruments are initially designated at FVTOCI and are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment's revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate, including interest rate swaps.
Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Loans and receivables

Trade receivables, loans, and other receivables held with the objective to collect the contractual cash flows are classified as subsequently measured at amortised cost. These are initially measured at fair value plus transaction costs. At each period end, there is an assessment of the expected credit loss in accordance with IFRS 9, with any increase or reduction in the credit loss provision charged or released to other selling and administrative expenses in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents 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.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group always recognises lifetime ECLs for trade receivables and contract assets. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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.

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.

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 reporting 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.

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

	Years
Covenants not to compete	1-6
Customer lists	5
Salesforce CRM platform	5
Trademarks	20
Patents	10
Product development	4

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

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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.

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 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 UK adopted International Accounting Standards.requires the use of judgements together with 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 judgements and estimates are based on management's best knowledge of current events and actions, the resulting accounting treatment estimates will, by definition, seldom equal the related actual results.

The key judgements in respect of the preparation of the financial statements are in respect of the accounting for acquisitions, determination of separately identifiable assets on acquisition, the determination of cash generating units, the evaluation of segmental information, the evaluation of whether there is any indication of any impairment in investments, intangibles, goodwill or receivables and whether deferred tax assets should be recognized for tax losses.

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 fair value of assets arising on acquisition (see note 12), carrying value of the goodwill, the carrying value of the other intangibles (see note 13) and the carrying value of the investments. Please see relevant notes for these areas.

4 Segmental Information

In the opinion of the Directors, the operations of the Group currently comprise five operating segments, being (i) Franchise royalty income, (ii) Franchise-related activities (including product and equipment sales, business-to-business sales and sales of franchises), (iii) US corporate operated locations, (iv) International corporate operated locations and (v) Head office costs. 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 now separated into the four income generating segments (items (i) to (iv)), and items that do not fall into these segments have been categorized as unallocated head office costs (v).

The Group mainly operates in the US, with operations in the UK and certain other countries especially Canada and Australia. No single customer accounts for more than 10% of the Group's total external revenue.

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

Revenue	**Year ended 31 December 2022 $**	**Year ended 31 December 2021 $**
Franchise royalty income	6,746,928	6,803,489
Franchise related activities	10,624,268	9,769,657
US corporate operated locations	47,296,711	31,861,087
International corporate operated locations	6,665,554	6,109,175
Total	71,333,461	54,543,408

Profit/(Loss) before tax	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Franchise royalty income	1,956,609	1,808,730
Franchise related activities	964,667	805,171
US corporate operated locations	8,252,651	6,007,153
International corporate operated locations	85,599	315,740
Unallocated head office costs	(4,915,011)	(2,927,132)
PPP loan forgiveness	-	1,869,800
Non-core costs	(840,299)	(323,423)
Total	5,504,216	7,556,039

Assets	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Franchise royalty income	29,945,794	27,869,663
Franchise related activities	3,166,036	2,452,933
US corporate operated locations	47,356,148	43,050,953
International corporate operated locations	16,120,479	9,993,906
Total	96,588,457	83,367,455

Amortisation	Year ended 31 December 2022 $	Year ended 31 December 2021 $
US corporate operated locations	942,911	466,217
International corporate operated locations	25,175	4,009
Total	968,086	470,226

Depreciation	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Franchise royalty income	-	-
Franchise related activities	-	-
US corporate operated locations	2,665,878	2,009,350
International corporate operated locations	570,805	465,719
Total	3,236,683	2,475,069

Finance Expense	Year ended 31 December 2022 $	Year ended 31 December 2021 $
US corporate operated locations	756,164	484,047
International corporate activities	11,282	13,719
Unallocated head office costs	803,146	471,364
Total	1,570,592	969,130

Geographic Information

As noted herein, the Group has two wholly-owned subsidiaries – ALD and WII. ALD, the Group's core business, has US franchise-operated and corporate-operated locations and international franchises in Australia and Canada. Meanwhile, WII has corporate-operated activities outside the US. We may also regroup the same information into US and Outside the US to capture the Group's effort to be multinational company. For 2022, outside the US sales have grown 9% to $6.7 million (2021: $6.2 million). Sales in the US have grown 34% to $64.5 million (2021: $48.3 million). The percentage of International sales to total sales has decreased to 9% (2021: 11%).

Total Revenue

	Year ended 31 December 2022			Year ended 31 December 2021		
	US	**International**	**Total**	**US**	**International**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Franchise royalty income	6,636,512	110,416	6,746,928	6,698,729	104,760	6,803,489
Franchise related activities	10,624,268	-	10,624,268	9,769,657	-	9,769,657
US Corporate owned Stores	47,296,711	-	47,296,711	31,861,087	-	31,861,087
International corporate activities	-	6,665,554	6,665,554	-	6,109,175	6,109,175
Total	64,557,491	6,775,970	71,333,461	48,329,473	6,213,935	54,543,408

5 Expenses by nature

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

	Note	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Raw materials and consumables used		4,826,483	1,954,849
Employee costs	6	29,050,991	24,226,020
Depreciation charge		3,236,683	2,475,069
Amortisation charge		968,086	470,226
Marketing costs		213,260	293,036
R&D		-	-
Foreign exchange (gain)/loss		38,896	1,624

	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Auditors remuneration		
Fees payable to the Company's auditor for audit of Parent Company and Consolidated Financial Statements	54,000	54,000
Fees payables to the Company's auditor for other services (assurance related 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 $214,863 (2021: $158,614) for the audit of these companies and $40,499 (2021: $38,899) for other services.

6 Employees and Directors

The Employees and Directors of the Company contribute to the execution and management of the business.

	Year ended 31 December 2022	Year ended 31 December 2021
Short-Term employee benefits		
Directors fees, salaries and benefits	640,704	874,381
Employee wages and salaries	25,809,809	21,313,711
Employer payroll taxes	2,138,381	1,595,220
Long-Term employee benefits		
Share based payments	462,097	442,708
	29,050,991	24,226,020

Information regarding Directors' emoluments are as follows:

	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Short-Term employee benefits		
Directors' fees, salaries and benefits	640,704	889,385
Employer payroll taxes	20,039	22,079
	660,743	911,464

The highest paid Director (Executive) received emoluments of $591,473 (2021: $654,385).

In lieu of cash compensation, all of the directors were awarded stock options with an exercise price of $8.18 as announced on 7, February 2023. (See Note 7) The value of the options is as follows: P DeSouza $80k, L Hills $40k, D Ewell $40k, B Knell $80k, M Reisman $40k, for a total of $280k. Options granted plus director's fees, salaries and benefits above totals $920,704 which is to be compared to $889,385 in 2021

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

	Year ended 31 December 2022	Year ended 31 December 2021
Directors (executive and non-executive)	5	5
Management	44	48
Field Services	271	223
Franchise Support	19	20
Administration	97	83
	436	379

7 Share options

The Company grants share options at its discretion to Directors, management and advisors. These are accounted for as equity settled options. 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 2022	Weighted average exercise price ($) 2022	Number of share options 2021	Weighted average exercise price ($) 2021
Outstanding at beginning of year	2,238,000	5.74	1,907,500	3.92
Granted during the year	95,000	12.04	555,500	10.66
Forfeited/lapsed during the year	(35,000)	12.56	-	-
Exercised during the year	(70,000)	2.36	(225,000)	2.54
Outstanding at end of the year	2,228,000	6.02	2,238,000	5.74
Exercisable at end of the year	627,500	1.59	682,500	1.58

Fair value of share options

During the year, the Group granted 95,000 Share Options pursuant to certain Acquisitions, with exercise prices ranging from £8.17 to £11.09 ($10.30 to $12.50).

The fair value of options granted during the current year has been calculated using the Black Scholes model which has given rise to fair values per share ranging from $2.03 to $3.21. This is based on risk-free rates of 2.81% to 3.15% and volatility of 46.8% to 47.9%.

The Black Scholes calculations for the options granted during the year resulted in a charge of $462,097 (2021: $442,708) which has been expensed in the year.

The weighted average remaining contractual life of the share options as at 31 December 2022 was 6.20 years (2021: 7.10 years).

Options arrangements that exist over the Company's shares at year end and at the time of the report are detailed below:

Grant	At report date	2022	2021	Date of Grant	Exercise price	Exercise period From	To
ALDHC Plan	67,500	67,500	67,500	01/12/2013	$1.14	01/12/2013	01/12/2023
2013 Directors	100,000	100,000	100,000	01/08/2013	$1.30	01/08/2013	01/08/2023
2015 Options	117,500	117,500	122,500	08/06/2015	$0.67	08/06/2015	08/06/2025
2016 Directors	100,000	100,000	100,000	13/06/2016	$1.26	13/06/2016	13/06/2026
2016 Employee	25,000	25,000	25,000	19/12/2016	$1.24	19/12/2019	19/12/2026
2016 Employee	82,500	82,500	132,500	19/12/2016	$1.56	19/12/2019	19/12/2026
2018 Acquisition	135,000	135,000	135,000	06/03/2018	$3.15	06/03/2021	06/03/2028
2019 Employee	425,000	425,000	425,000	04/04/2019	$6.24	04/04/2023	04/04/2029
2019 Acquisition	50,000	50,000	50,000	04/04/2019	$4.59	04/04/2023	04/04/2029
2020 Employee	485,000	485,000	500,000	31/07/2020	$5.60	31/07/2024	31/07/2030
2020 Acquisition	25,000	25,000	25,000	30/09/2020	$6.20	30/09/2024	30/09/2030
2021 Acquisition	45,500	45,500	45,500	01/01/2021	$6.80	01/01/2025	01/01/2031
2021 Directors	300,000	300,000	300,000	15/03/2021	$10.40	15/03/2025	15/03/2031
2021 Acquisition	100,000	100,000	100,000	20/04/2021	$11.38	20/04/2025	20/04/2031
2021 Acquisition	75,000	75,000	110,000	01/07/2021	$12.56	01/07/2025	01/07/2031
2022 Acquisition (1)	20,000	20,000	-	31/05/2022	$10.30	31/05/2026	31/05/2032
2022 Acquisition (2)	75,000	75,000	-	30/06/2022	$12.50	30/06/2026	30/06/2032
2023 Directors (3)	105,000	-	-	06/02/2023	$8.18	06/02/2027	06/02/2033
2023 Acquisition (4)	25,000	-	-	06/02/2023	$8.18	06/02/2027	06/02/2033
Total	**2,358,000**	**2,228,000**	**2,238,000**				

All share options are equity settled on exercise. The amounts at the Report Date reflect all share options that have been either exercised or forfeited.

(1) On 31 May 2022, certain vendors, retained as employees, were granted options to purchase 20,000 New Ordinary Shares at a price of $10.30 pursuant to an acquisition in 2022. These options have a four-year vesting requirement.

(2) On 30 June 2022, certain vendors, retained as employees, were granted options to purchase 75,000 New Ordinary Shares at a price of $12.50 pursuant to the acquisition of a franchise acquired in 2022. These options have a four-year vesting requirement.

(3) On 6 February 2023, in lieu of compensation board members received options to purchase 105,000 New Ordinary Shares at a price of $8.18. These options have a four-year vesting requirement.

(4) On 6 February 2023, certain vendors, retained as employees, were granted options to purchase 25,000 New Ordinary Shares at a price of $8.18 pursuant to the acquisition of a franchise acquired in 2023. These options have a four-year vesting requirement

Patrick DeSouza received (i) 180,000 Partly Paid Shares at an exercise price of $1.07 during 2016, (ii) 750,000 Partly Paid Shares at an exercise price of $2.71 in March 2018, (iii) 850,000 Partly Paid Shares at an exercise price of $4.82, in May 2019 and (iv) 300,000 Partly Paid Shares at an exercise price of $6.13 in October 2020 in connection with capital raising and bank financings. These Partly Paid Shares carry voting rights but will not be admitted to trading or carry any economic rights until fully paid.

8 Finance income

	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Interest income	229,550	51,092

9 Finance expense

	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Interest expense	1,381,162	832,144
Interest on lease liabilities	189,430	136,986
Total interest expense	1,570,592	969,130

10 Taxation

Group	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Current tax:		
Current tax on profits in the year	1,261,955	1,084,021
Prior year over provision	-	-
Total current tax	1,261,955	1,084,021
Deferred tax current year	575,782	557,329
Deferred tax prior year	-	-
Deferred tax (credit)/expense (note 20)	575,782	557,329
Income tax expense	1,837,737	1,641,350

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	5,504,216	7,556,039
Tax calculated at domestic rate applicable profits in respective countries (2022: 24.8% versus 2021: 23.6%)	1,242,058	1,457,165
Tax effects of:		
Non-deductible expenses	95,621	136,081
GILTI Inclusion	-	47,262
PPP loan forgiveness	-	(392,688)
Other tax adjustments, reliefs and transfers	154,095	136,062
State taxes net of federal benefit	339,601	263,377
Adjustment in respect of prior year	(696)	2,794
Changes in rates	7,058	(8,703)
Taxation expense recognized in income statement	1,837,737	1,641,350

The Group is subject to income taxes in multiple 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.

As also set forth, in Note 20, at the balance sheet date, the Group’s UK trading operations had unused tax losses of £3,449,063 (2021: £3,739,716) available for offset against future profits. £862,266 (2021: £934,929) represents unrecognized deferred tax assets thereon at 25%. The deferred tax asset has not been recognized due to uncertainty over timing of utilization.

The effective rate for tax for 2022 is 24.8% (2021: 23.6%).

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 2022 $	Year ended 31 December 2021 $
Profit for the year attributable to equity holders of the Parent ($)	3,566,540	5,764,952
Weighted average number of ordinary shares	17,360,189	15,972,588
Diluted weighted average number of ordinary shares	18,554,459	17,286,616
Profit per share (cents)	20.5	36.1
Diluted profit per share (cents)	19.2	33.3

Adjusting for the PPP loan forgiveness has the following effect:

Profit per share (cents)	-	(11.7)
Adjusted Profit per share (cents)	20.5	24.4

Diluted profit per share (cents)	-	(10.8)
Adjusted Diluted profit per share (cents)	19.2	22.5

12 Acquisitions

These can be summarised as follows:

On 19 January 2022, the Group announced the reacquisition of its Fort Worth, Texas franchise territory within the Group's ALD franchise business. The Fort Worth operation is fast-growing and expected to accelerate further by adding new service locations in north and west Texas during 2022. Moreover, this reacquisition reinforces the Group's strategy of establishing regional corporate hubs in the US that have scale to fuel growth in nearby corporate and franchise locations. The purchase price of $7.7 million in cash is to be paid over three years. The purchase price is based on 2021 pro forma of $3.6 million in revenue and $1.2 million in profit before tax.

On 12 May 2022, the Group announced the reacquisition of its American Leak Detection Central Texas franchise territory within the Group's ALD franchise business. The franchise includes the cities of Abilene, Lubbock and Midland which are west of recently launched corporate-operated locations of Fort Worth (via franchise acquisition) and Wichita Falls (greenfield). The purchase price of $0.75 million in cash is based on the franchise's 2021 Statement of Income of $0.65 million in revenue and $0.21 million in profit before tax.

On 16 June 2022, the Group announced the acquisition of Shanahan Plumbing LLC. The acquisition builds upon the Group's growing ALD operations in Connecticut and New York. The purchase price of $1.0 million in cash is based on Shanahan Plumbing's 2021 Statement of Income of $1.9 million and $0.2 million in adjusted profit before tax.

2022 Acquisitions

	Sub. Aqu. Fort Worth	Central Texas	Shanahan	Adjustments	Totals
	$	$	$	$	$
Fair value of assets and liabilities acquired					
Equipment	366,109	38,562	143,931	-	548,602
Vehicles	330,877	50,480	175,220	-	556,577
Non-compete	132,434	30,000	60,000	-	222,434
Liabilities / Other	(140,080)	-	572,711	-	432,631
Net assets acquired	689,340	119,042	951,862	-	1,760,244
Consideration					
Cash	3,850,000	700,000	900,000	50,000	5,500,000
Note payable	3,850,000	50,000	100,000	(41,553)	3,958,447
Total consideration	7,700,000	750,000	1,000,000	8,447	9,458,447
Intangible assets arising on acquisition (see note 13)	7,010,660	630,958	48,138	8,447	7,698,203

The intangible assets arising on the above acquisitions of $7,698,203 is included in additions to goodwill and indefinite life intangible assets for owned & operated stores (see note 13).

Following acquisitions all Franchises are classed as one cash generating unit therefore cannot separately disclose revenue and profit for each individual franchise.

2021 Acquisitions

	Sub. Aqu. Intelliditch	Sub. Aqu. Wat-er-save	Clermont	Reno	Las Vegas and Phoenix	Daytona	Medford	PlumbRight	Adjust-ments	Totals
	$	$	$	$	$	$	$	$	$	$
Fair value of assets and liabilities acquired										
Equipment	-	11,199	26,250	133,100	447,000	40,595	163,455	74,305	-	895,904
Vehicles	-	34,077	54,868	108,734	490,628	104,434	84,957	90,231	-	967,929
Non-compete	-	41,553	30,000	60,000	120,000	90,000	30,000	70,000	-	441,553
Liabilities / Other	116,667	539,854	-	(13,001)	(560,250)	-	(35,000)	-	-	48,269
Net assets acquired	116,667	626,684	111,118	288,833	497,378	235,029	243,412	234,536	-	2,353,655
Consideration										
Cash	-	1,502,277	330,000	21,000	3,000,000	900,000	688,559	300,000	-	6,741,835
Note payable	-	41,553	330,000	267,833	7,150,842	1,850,000	688,559	375,000	(100,000)	10,603,787
Non-controlling interest	116,667	-	-	-	-	-	-	-	-	116,667
Total consideration	116,667	1,543,830	660,000	288,833	10,150,842	2,750,000	1,377,117	675,000	(100,000)	17,462,288
Intangible assets arising on acquisition (see note 13)	-	917,146	548,882	-	9,653,464	2,514,971	1,133,705	440,464	(100,000)	15,108,633

The amount of deferred consideration for 2022 acquisitions as well as the remaining deferred consideration for acquisitions made in 2018, 2019, 2020 and 2021 can be summarized as follows:

Current	**Year acquired**	**Year ended 31 December 2022 $**	**Year ended 31 December 2021 $**
South Florida	2018	28,101	26,465
Tucson	2019	113,550	109,650
Minneapolis	2020	327,670	327,670
San Jose	2020	49,074	223,976
Seattle	2020	100,000	450,000
Melbourne, Florida	2020	350,000	400,000
Baton Rouge	2020	175,000	175,000
Clermont	2021	-	330,000
Las Vegas and Phoenix	2021	1,640,698	1,713,343
Daytona	2021	850,000	850,000
Medford	2021	-	688,559
PlumbRight	2021	175,000	200,000
Fort Worth	2022	1,300,000	-
Total current deferred consideration		5,109,093	5,494,663

Non-Current	**Year acquired**	**Year ended 31 December 2022 $**	**Year ended 31 December 2021 $**
South Florida	2018	89,341	117,439
Tucson	2019	48,468	162,018
Minneapolis	2020	-	327,672
San Jose	2020	72,386	125,985
Seattle	2020	300,000	300,000
Melbourne, Florida	2020	-	350,000
Baton Rouge	2020	-	175,000
Reno	2021	-	50,000
Las Vegas and Phoenix	2021	3,954,226	5,437,499
Daytona	2021	150,000	1,000,000
PlumbRight	2021	-	175,000
Fort Worth	2022	2,550,000	-
Total non-current deferred consideration		7,164,421	8,220,613

13 Intangible assets

The calculation of amortisation of 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.

Goodwill and other indefinite life intangible assets

Group	Goodwill Acquisitions	Goodwill relating to Owned & Operated stores	Goodwill on franchisor activities	Totals
	$	$	$	$
Cost				
At 1 January 2021	3,306,821	19,797,533	636,711	23,741,065
Additions	917,146	14,191,487	-	15,108,633
At 31 December 2021	4,223,967	33,989,020	636,711	38,849,698
Additions (see note 12)	7,010,660	687,543	-	7,698,203
At 31 December 2022	11,234,627	34,676,563	636,711	46,547,901
Impairment				
At 1 January 2021	1,506,229	75,000	-	1,581,229
Impairment in year	-	-	-	-
At 31 December 2021	1,506,229	75,000	-	1,581,229
Impairment in year	-	-	-	-
At 31 December 2022	1,506,229	75,000	-	1,581,229
Carrying amount				
At 31 December 2021	2,717,738	33,914,020	636,711	37,268,469
At 31 December 2022	9,728,398	34,601,563	636,711	44,966,672

The increase in carrying value of Goodwill Acquisitions at 31 December 2022 relate to goodwill additions arising on the acquisitions outlined in Note 12 above during 2022.

Goodwill and indefinite life intangible assets on owned & operated stores comprises legacy owned stores together with additions arising from reacquisitions of franchise operations from 2015 through 2022. Details on additions in 2022 can be found in note 12 above.

Where appropriate consideration of separately identifiable intangible assets has 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 - 2022 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 a 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 a 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.

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 or indefinite life intangible assets are allocated to appropriate cash generating units which can be summarised as follows:

Goodwill on Acquisitions is allocated to separate cash generating units.

Goodwill or indefinite life intangible assets on owned & operated stores is allocated to cash generating units that are expected to benefit from the synergies of the combination.

Goodwill on Franchisor Activities is considered to be related to a single cash generating unit by reference to revenues and activities derived from the franchise royalty income and franchise related activities segments (see note 4).

The cash generating units to which goodwill or indefinite life intangible assets have 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.

The key assumptions/inputs used for the impairment assessment based on the forecast cash flow and revenues for 2022 were as follows:

	%
Discount rate	15
Short term revenue growth	5
Long term revenue growth	3.5
Tax rate	25
Discount rate sensitivity step	2
Perpetual growth rate sensitivity step	1

This has resulted in no material impairment charge being required in 2022 (2021: $nil).

Based upon the sensitivity analysis had the estimated discount rate used been 2% higher and the perpetual revenue growth rate used been 1% lower in these calculations the Group would still not have incurred any material impairment for any of the categories of goodwill or indefinite life intangible assets.

13 Intangible assets continued

Other Intangible assets table

	Product development $	Covenants not to compete $	Customer Lists $	Trademarks $	Patents $	Salesforce $	Enterprise Solution Development $	Total $
Cost								
At 1 January 2021	164,880	424,328	132,857	5,233,817	-	-	102,000	6,057,883
Additions	515,351	446,553	-	-	116,667	1,558,208	-	2,636,779
Disposals	(164,880)	(200,000)	-	-	-	-		(364,880)
At 31 December 2021	515,351	670,881	132,857	5,233,817	116,667	1,558,208	102,000	8,329,782
Additions	598,058	222,434	572,711	-	18,242	1,758,095	-	3,169,540
Disposals	-	-	-	-	-	-	-	-
At 31 December 2022	1,113,409	893,315	705,568	5,233,817	134,908	3,316,304	102,000	11,499,322
Accumulated amortisation								
At 1 January 2021	164,880	193,101	132,857	3,881,749	-	-	34,000	4,406,587
Amortisation expense	-	91,976	-	261,691	5,833	129,851	(19,125)	470,226
Disposals	(164,880)	(200,000)	-	-	-	-	-	(364,880)
Exchange differences	-	(188)	-	-	-	-	-	(188)
At 31 December 2021	-	84,889	132,857	4,143,440	5,833	129,851	14,875	4,511,745
Amortisation expense	-	167,818	25,454	261,691	8,469	479,154	25,500	968,086
Disposals	-	-	-	-	-	-	-	-
Exchange differences	-	113	-	-	19	-	-	131
At 31 December 2022	-	252,819	158,311	4,405,131	14,321	609,005	40,375	5,479,962
Carrying amount								
At 31 December 2021	515,351	585,992	-	1,090,377	110,833	1,428,357	87,125	3,818,037
At 31 December 2022	1,113,409	640,496	547,257	828,686	120,588	2,707,298	61,625	6,019,360

All intangible assets have been acquired by the Group.
The calculation of amortisation of 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.

14 Property, plant and equipment

	Equipment & displays $	Motor Vehicles $	Leasehold Improvements $	Buildings $	Right of Use Vehicles $	Right of Use Offices $	Total $
Cost							
At 1 January 2021	3,052,181	2,326,504	83,672	156,242	1,448,967	1,677,576	8,745,143
Acquired on acquisition of subsidiary	77,684	115,371	-	-	-	-	193,055
Additions	1,587,515	789,876	4,148	-	1,947,086	899,061	5,227,687
Purchase ROU Vehicles	-	280,124	-	-	(280,124)	-	-
Exchange differences	(23,687)	(39,043)	-	17	(1,517)	(7,754)	(71,984)
Disposals	-	(122,810)	-	-	-	(538,979)	(661,789)
At 31 December 2021	**4,693,694**	**3,350,021**	**87,820**	**156,259**	**3,114,413**	**2,029,904**	**13,432,111**
Acquired on acquisition of subsidiary	366,109	330,877	-	-	-	-	696,986
Additions	781,433	1,008,632	-	-	1,005,570	1,427,888	4,223,523
Purchase ROU Vehicles	-	315,140	-	-	(315,140)	-	-
Exchange differences	(79,908)	(72,121)	-	(7,354)	(3,055)	(21,887)	(184,325)
Disposals	(29,103)	(187,367)	(15,000)	-	-	(1,032,961)	(1,264,431)
At 31 December 2022	**5,732,225**	**4,745,181**	**72,820**	**148,905**	**3,801,787**	**2,402,944**	**16,903,863**
Accumulated depreciation							
At 1 January 2021	1,241,197	781,762	23,085	50,764	762,433	713,681	3,572,921
Acquired on acquisition of subsidiary	66,485	81,294	-	-	-	-	147,778
Eliminated on disposals	-	(91,014)	-	-	-	(449,014)	(540,027)
Purchase ROU Vehicles	-	256,007	-	-	(256,007)	-	-
Depreciation expense	705,334	560,828	15,789	12,086	428,548	752,483	2,475,069
Exchange differences	(10,728)	(16,485)	-	(63)	(270)	(3,312)	(30,858)
At 31 December 2021	**2,002,288**	**1,572,391**	**38,875**	**62,787**	**934,704**	**1,013,838**	**5,624,883**
Eliminated on disposals	(8,790)	(115,844)	(7,046)	-	-	(953,584)	(1,085,264)
Purchase ROU Vehicles	-	315,140	-	-	(315,140)	-	-
Depreciation expense	946,921	795,269	16,026	4,127	643,364	830,975	3,236,683
Exchange differences	(47,251)	(34,097)	-	(2,301)	(1,253)	(12,491)	(97,393)
At 31 December 2022	**2,893,168**	**2,532,859**	**47,855**	**64,613**	**1,261,677**	**878,737**	**7,678,909**
Carrying amount							
At 31 December 2021	2,691,406	1,777,630	48,945	93,472	2,179,709	1,016,067	7,807,227
At 31 December 2022	**2,839,057**	**2,212,322**	**24,965**	**84,292**	**2,540,111**	**1,524,208**	**9,224,955**

15 Investment in subsidiary undertakings

Company	Subsidiary Undertakings $
Cost	
At 31 December 2021	13,812,758
Exchange difference	(785,573)
At 31 December 2022	13,027,185
Impairment	
At 31 December 2021	6,400,906
Exchange difference	-
At 31 December 2022	6,400,906
Carrying amount	
At 31 December 2021	7,411,782
At 31 December 2022	6,626,279

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 goodwill and acquired intangible assets that underpins the varying value of the investments.

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

The subsidiary undertakings during the year were as follows:

	Registered office address	Country of incorporation	Interest held %
Water Intelligence International Limited* (leak detection products and services)	27-28 Eastcastle Street, London, United Kingdom, W1W 8DH	England and Wales	100%
Wat-er-save Services Limited	Agriculture house, Acland Rd, Dorchester DT1 1EF		100%
Water Intelligence Australia Pty	1 Farrer Place, Sydney, NSW 2000	Australia	100%
American Leak Detection Holding Corp. (holding company of ALD Inc.) *	199 Whitney Avenue, New Haven, Connecticut 06511 US	US	100%
American Leak Detection, Inc. (leak detection product and services)	199 Whitney Avenue, New Haven, Connecticut 06511 US	US	100%
Canadian Leak Detection, Inc.	8-4696 Bartlette Rd. Beamsville, Ontario L0R 1B1	Canada	100%
Qonnectis Group Limited (dormant)	27-28 Eastcastle Street, London, United Kingdom, W1W 8DH	England and Wales	
NRW Utilities Limited (Dormant)	27-28 Eastcastle Street, London, United Kingdom, W1W 8DH	England and Wales	

* Subsidiaries owned directly by the Parent Company. These subsidiaries – WII and ALDHC – represent the two principal business lines of the Parent Company. Wat-er-save, Water Intelligence Australia, Canadian Leak Detection and American Leak Detection Inc. are also wholly-owned by the two principal subsidiaries and indirectly owned by the Parent.

The Company’s strategy involves acquisitions, especially of franchisees. Not all acquisitions are 100% owned. American Leak Detection had a 60% stake in a reacquired franchise in Bakersfield, California.

American Leak Detection purchased the remaining 40% in 2022. American Leak Detection also has a 51% stake in a former franchise located in Denver, Colorado. Finally, American Leak Detection owns 75% of the IntelliDitch subsidiary that was set up as part of the acquisition of IP assets from FastDitch in 2021.

16 Inventories

	Group	
	Year ended 31 December 2022 $	**Year ended 31 December 2021 $**
Group Inventories	759,070	677,218

During the year ended 31 December 2022, an expense of $9,659,600 (2021: $8,964,486) was recognized in the Consolidated Statement of Comprehensive Income, including business to business expenses of $9,142,777 (2021: $8,288,217). There has been no write down of inventories during 2022.

17 Trade and other receivables

	Group		Company	
	Year ended 31 December 2022 $	**Year ended 31 December 2021 $**	**Year ended 31 December 2022 $**	**Year ended 31 December 2021 $**
Trade notes receivable	287,572	429,219	-	-
Due from Group undertakings	-	-	22,605,908	23,270,653

All trade notes receivables are due within five years from the end of the reporting period.

	Group		Company	
	Year ended 31 December 2022 $	**Year ended 31 December 2021 $**	**Year ended 31 December 2022 $**	**Year ended 31 December 2021 $**
Trade receivables	7,211,414	4,414,329	-	-
Prepayments	2,061,459	1,928,308	19,745	110,916
Due from Group undertakings	-	-	4,329,809	4,670,366
Accrued royalties receivable	566,731	513,853	-	-
Trade notes receivable	256,613	194,590	-	-
Other receivables	988,215	997,708	-	-
Due from related party	309,152	331,106	-	-
Current portion	11,393,584	8,379,894	4,349,554	4,781,282

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.

Accrued royalties receivable are never reclassified to trade receivables as, should any royalties be withheld or unpaid, the Group has the right to take back the relevant franchise.

The average credit period taken on sales is 39 days (2021: 39 days).

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

	Year ended 31 December 2022 $	Year ended 31 December 2021 $
US Dollar	10,261,789	7,153,573
UK Pound	807,038	905,624
Australian Dollar	286,546	286,597
Canadian Dollar	38,211	34,100
	11,393,584	8,379,894

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

18 Cash and cash equivalents

	Group		Company	
	Year ended 31 December 2022 $	Year ended 31 December 2021 $	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Cash at bank and in hand	23,014,454	23,802,352	1,384,624	1,865,798

19 Trade and other payables

	Group		Company	
	Year ended 31 December 2022 $	Year ended 31 December 2021 $	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Trade payables	1,519,128	723,458	305	6,881
Accruals and other payables	4,811,979	3,470,573	145,950	125,745
Due to Group undertakings	-	-	-	-
	6,331,107	4,194,031	146,255	132,626

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 (2021:16 days).

20 Deferred Tax

The analysis of deferred tax liabilities is as follows:

Group	2022 $	2021 $
Deferred tax (liability)/assets	(1,915,581)	(1,576,872)

The movement in deferred tax liabilities is as follows:

2022

	Opening balance $	Recognized in the income statement $	Recognized in Other Comprehensive Income $	Closing balance $
Temporary differences:	-	-	-	-
Net operating profit (loss) (non-current)	-	-	-	-
Short term temporary differences	(1,576,872)	(575,782)	237,073	(1,915,581)
	(1,576,872)	(575,782)	237,073	(1,915,581)

2021

	Opening balance $	Recognized in the income statement $	Recognized in Other Comprehensive Income $	Closing balance $
Temporary differences:	-	-	-	-
Net operating profit (loss) (non-current)	-	-	-	-
Short term temporary differences	(957,170)	(557,329)	(62,373)	(1,576,872)
	(957,170)	(557,329)	(62,373)	(1,576,872)

Deferred tax recognized in OCI is purely related to the revaluation of the listed shares.

As also set forth, in Note 20, at the balance sheet date, the Group's UK trading operations had unused tax losses of £3,449,063 (2021: £3,739,716) available for offset against future profits. £862,266 (2021: £934,929) represents unrecognized deferred tax assets thereon at 25%. The deferred tax asset has not been recognized due to uncertainty over timing of utilization.

21 Share capital

The issued share capital in the year was as follows:

Group & Company

	Ordinary Shares Number	Shares held in treasury Number	Total Number
At 31 December 2021	17,366,688	51,000	17,417,688
At 31 December 2022	17,358,688	129,000	17,487,688

Group & Company

	Share capital $	Share premium $	Shares in Treasury $
At 31 December 2021	142,260	35,252,633	(468,427)
At 31 December 2022	143,192	35,417,072	(1,139,404)

At various times during 2022, the Company bought 8,000 shares into treasury at a purchase price range of 815p to 895p.

On 19 August 2022, the Company issued 70,000 shares pursuant to an exercise of options. These shares were re-purchased which resulted in a $584k increase to treasury shares.

Reverse acquisition reserve

The reverse acquisition reserve was created in accordance with IFRS3 Business Combinations and relates to the reverse acquisition of Qonnectis Plc by ALDHC in July 2010. Although these Consolidated Financial Statements have been issued in the name of the legal parent, the Company it represents in substance is a continuation of the financial information of the legal subsidiary ALDHC. A reverse acquisition reserve was created in 2010 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. Qonnectis Plc was renamed Water Intelligence Plc on completion of the reverse acquisition on 29 July 2010.

22 Lease liability

	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Lease liabilities in statement of financial position		
Amounts due within one year	1,427,510	1,161,879
Amount due after more than one year	2,593,065	2,048,288
	4,020,575	3,210,167
Amount recognized in the statement of comprehensive income		
Interest on leasehold liabilities	189,430	136,986
Amount recognized in the statement of cash flows		
Repayment of lease liabilities	1,595,853	1,448,594

23 Financial instruments

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

i. Market risk (including foreign currency risk management)
ii. Interest rate risk
iii. Credit risk
iv. 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 2022 no trading in financial instruments was undertaken (2021: none). The Group did enter into interest rate swap agreements as detailed in the derivatives section below.

The Group uses financial instruments including cash, loans, 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, cash equivalents, trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables and cash and cash equivalents. 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. As at 31 December 2022, 45.28% was held with one counterparty with a credit rating of Aa3 and a further 43.28% was held with another counterparty with a credit rating of A+.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the shared credit risk characteristics and the days past due. The expected loss rates are based on the historic payment profiles of sales and the credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information.

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of each reporting period.

As at 31 December 2022, trade receivables of $1,948,729 (2021: $438,284) were past due but not impaired. These relate corporate store 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 2022 $	**Year ended 31 December 2021 $**
60-90 days	331,989	196,106
90+ days	1,616,740	242,178
	1,948,729	438,284
Average age (days)	95	95

The Group believes that no impairment allowance is necessary in respect of trade receivables that are past due but not impaired. This is based on the Group's good historic track record of collection for all such receivables.

Credit risk management
Credit risk refers to the risk that a counterparty 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.

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.

Categories of financial instruments

	Group		Company	
	Year ended 31 December 2022 $	Year ended 31 December 2021 $	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Loans and receivables	-		-	-
Cash and cash equivalents	23,014,454	23,802,352	1,384,624	1,865,798
Trade and other receivables – current	11,393,584	8,379,894	4,349,554	4,781,282
Trade and other receivables – non-current	287,572	429,219	22,605,908	23,270,653
Financial Liabilities measured at amortised cost				
Trade and other payables	6,331,107	4,194,031	146,255	132,626
Borrowings – current	5,519,560	3,325,579	-	-
Borrowings – non-current	15,334,813	8,176,893	-	-
Deferred consideration – current	5,109,093	5,494,663	-	-
Deferred consideration – non-current	7,164,421	8,220,613	-	-

Borrowings

Bank Debt

The Group has a commercial banking relationship with M&T Bank (M&T) with various facilities: a working capital line of credit (“WCL”); acquisition lines of credit (“ALOCs”), and term loans (“Term Loans”).

A $2,000,000 WCL is secured by substantially all of the assets of the Group. On December 4, 2021, the WCL was extended to a maturity date of December 5, 2023 and bore an annual variable interest rate equal to equal to LIBOR plus 3.00%. In March 2022, the WCL was amended to change the variable interest rate to which the outstanding balance shall bear interest to SOFR plus 3.00%. At December 31, 2022 and 2021, the interest rate was 4.17% and 4.00%, respectfully. Monthly interest only payments on any unpaid balance were made during 2022 and 2021 until the WCL was fully paid off in May 2022. The balance outstanding at December 31, 2022 and 2021 was $0 and $226,737, respectively and is included within line of credit on the consolidated balance sheets.

In October 2020, M&T provided the Group with a term loan in the amount of $4,607,000 (“Term Loan”). The Term Loan bears interest at a rate equal to 3.58% and requires installments consisting of principal of $85,315 plus accrued interest to be paid monthly beginning in November 2020 until maturity in May 2025. The loan is secured by substantially all of the assets of the Group. The balance outstanding at December 31, 2022 and 2021 was $2,474,130 and $3,497,907, respectively and is included within notes payable on the balance sheets.

In October 2020, M&T provided the Group with an ALOC (“ALOC”) in the amount of $6,000,000. The ALOC has a two year draw period. The line bears interest at a rate equal to LIBOR plus 3.00%. As of December 31, 2022 and 2021, the interest rate was 3.59% and requires installments of principal and interest amounting to $39,816 to be paid per month beginning in November 2020 until maturity in October 2025. As part of the agreement, the ALOC advance would be converted into a term loan if any ALOC advance exceeded $500,000 or automatically at the end of each draw period. Upon conversion, the term loan would bear interest at a rate per annum equal to three (3) percentage points in excess of M&T’s five year cost of funds interest rate; with a floor of 3.25%. ALOC is secured by substantially all of the assets of the Group. The balance outstanding at December 31, 2022 and 2021 was $1,353,751 and $1,831,546, respectively and is included within notes payable on the balance sheets.

In February 2021, the Group was advanced $3,200,000 from the ALOC which converted the ALOC into a new term loan (“New Term Loan”). The New Term Loan bears interest at a rate equal to 3.64% and requires installments consisting of principal and interest amounting to $53,333 to be paid monthly beginning in March

2021 until maturity in February 2026. The New Term Loan is secured by substantially all of the assets of the Group. The balance outstanding at December 31, 2022 and 2021 was $2,026,667 and $2,666,667, respectively and is included within notes payable on the balance sheets.

In March 2022, M&T provided the Group with a new ALOC ("New ALOC") in the amount of $15,000,000. The New ALOC has a two year draw period. As part of the agreement, M&T advanced the Company $9,463,647 related to the New ALOC. The line bears interest at a rate equal to 5.39% and requires installments consisting of principal of $157,727 plus interest to be paid monthly beginning in April 2022 until maturity in March 2027. In May 2022 and December 2022, the Company was advanced $600,000 and $2,125,000, respectively, from the New ALOC. The advances bear interest at a rate equal to 2.85% plus SOFR and require monthly installments consisting of interest only to be paid until the end of the first draw period. As part of the agreement, the New ALOC advances would be converted into a term loan automatically at the end of each draw period. Upon conversion, the term loan would bear interest at a rate per annum equal to three (3) percentage points in excess of SOFR. The New Term Loan is secured by substantially all of the assets of the Group. The balance outstanding at December 31, 2022 and 2021 was $10,769,100 and $0, respectively and is included within notes payable on the balance sheets. The New ALOC has related swap agreements which mature at the same time as the underlying loans.

As noted above, the Group expanded its credit facilities in March 2022. The interest rate for the new acquisition line of credit was established using the SOFR index. Additionally, the existing working capital line of credit interest rate was amended upon renewal in December 2021 to be calculated using the SOFR index. Therefore, the Group will not be impacted by the IBOR reform.

In connection with the M&T line of credit, ALOC, and term note facilities, the Group is required to comply with certain financial and non-financial covenants. The most restrictive of these covenants includes a debt service coverage ratio to be tested quarterly and a maximum total funded debt to EBITDA ratio minimum to be tested quarterly. The Group was in compliance with those requirements at December 31, 2022.

PPP Program - The Paycheck Protection Program (PPP) brought much needed relief to business owners affected by the coronavirus. Not only does this loan program provide funding to help cover payroll and other expenses, but if used for qualifying purposes, part or all of the loan can be forgiven. ALD applied for and received funding of $1,869,800 under this program in April 2020. The Group received notification from the SBA on March 31, 2021 that the full advance of $1,869,800 was forgiven. The gain on the loan forgiveness was recognized in 2021, with the related expenses recognized in 2020.

	Current		**Non-Current**	
Financial Instruments	**Year ended 31 December 2022 $**	**Year ended 31 December 2021 $**	**Year ended 31 December 2022 $**	**Year ended 31 December 2021 $**
Working Capital Line of Credit	-	-	-	226,737
External borrowings	4,162,819	2,224,161	12,869,822	6,056,902
Less: Loan Closing Costs	(70,769)	(60,461)	(128,074)	(155,034)
Lease Liabilities	1,427,510	1,161,879	2,593,065	2,048,288
Total	5,519,560	3,325,579	15,334,813	8,176,893

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, short and medium term borrowings and equity comprising issued capital, reserves and retained earnings. Other than with respect to Bank Debt, the Group is not subject to any externally imposed capital requirements. See KPI on page 10.

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.

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 predominately relate to royalties receivable in the US denominated in currencies other than US$ being Canadian Dollars, Australian Dollars and Euro; royalties from such outside US sources in 2022 were $110,416 (2021: $104,760). No foreign exchange contracts were in place at 31 December 2022 (2021: Nil).

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

	Group		Company	
	Year ended 31 December 2022 $	Year ended 31 December 2021 $	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Assets				
Sterling, Australian and Canadian Dollars	3,462,037	4,288,235	28,340,086	29,917,733
Liabilities				
Sterling, Australian and Canadian Dollars	1,066,160	1,146,338	146,255	132,626

As shown above, at 31 December 2022 the Group had Sterling, Australian and Canadian denominated monetary net assets of $3,462,037 (2021: $4,288,235). If the foreign currency weakens by 10% against the US dollar, this would decrease net assets by $346,204 (2021: $428,824) with a corresponding impact on reported losses. Changes in exchange rate movements resulted in a loss from exchange differences on a translation of foreign exchange of $409,340 in 2022 (2021: gain of $221,281), resulting primarily from the share issuance from prior years in Pound Sterling and subsequent intercompany transfers accounted in US Dollars.

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 majority of borrowings are subject to fixed rates with only the WCL subject to variable rates. The fixed rate borrowings at the year-end are $14,108,798 (2021: $8,065,568) and the variable rate borrowings are $2,725,000 (2021: $226,767) The variable rate borrowings from 2022 were converted to fixed rates early 2023 and were only variable for 3 months. The 2021 variable rate loan was paid in full during 2022.

Interest rate sensitivity analysis

The losses recorded by both the Group and the Company for the year ended 31 December 2022 would not materially change if market interest rates had been 1% higher/lower throughout 2022 and all other variables were held constant.

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 forecast for the period to 31 December 2024. 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 primarily reliant on cash generation from its predominantly US-based corporate-operated profits and franchisee royalty income.

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 $	1-2 years $	2-5 years $	>5 years $	Total $
2022						
Payables	6,331,107	-	-	-	-	6,331,107
Lease liabilities	773,239	654,271	1,929,195	663,870	-	4,020,575
Borrowings	2,045,305	2,046,745	7,520,762	5,220,986	-	16,833,798
Deferred consideration	3,245,144	1,863,949	7,136,582	27,839	-	12,273,514

Group	0-6 months $	6-12 months $	1-2 years $	2-5 years $	>5 years $	Total $
2021						
Payables	4,194,030	-	-	-	-	4,194,030
Lease liabilities	607,899	553,980	1,437,794	610,493	-	3,210,166
Borrowings	1,092,915	1,070,785	4,769,556	1,359,050	-	8,292,306
Deferred consideration	4,558,239	936,424	6,099,351	2,121,262	-	13,715,276

Interest expected to be paid on liabilities are shown in the table below

Group	0-6 months $	6-12 months $	>12 months $	Total $
2022				
Payables	-	-	-	-
Lease liabilities	88,330	71,020	174,210	333,559
Borrowings	250,918	213,702	521,472	986,092
Deferred consideration	207,290	172,976	239,386	619,651

Derivatives
The Group recognized that there was inherent risk related to interest rates in the economic environment. Therefore, the Group utilized interest rate swaps to fix its future rates and thereby eliminated the risk against the numerous increases in interest rates that occurred.

The Group entered into a swap agreement with M&T Bank which fixed the Daily Simple SOFR interest at 2.39% through March 30, 2027. The interest rate swap had a notional amount of $9,463,647, an effective date of March 30, 2022, and a fair value of $285,618 at December 31, 2022, which was included as an asset on the balance sheets.

The Group entered into an additional swap agreement with M&T Bank which fixed the Daily Simple SOFR interest at 2.68% through March 30, 2028. The interest rate swap had a notional amount of $5,536,353, an effective date of March 30, 2023, and a fair value of $162,559 at December 31, 2022, which was included as an asset on the balance sheets.

The 2022 interest rate swaps meet the criteria necessary to qualify as effective cash flow hedges as defined in the accounting standards. Accordingly, the Group has reflected the changes in the fair value within other comprehensive income in the statement of comprehensive income.

Fair values

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

Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Long-term borrowings $	Short-term borrowings $	Lease Liabilities $	Total $
At 1 January 2022	6,128,605	2,163,701	3,210,167	11,502,473
Cash flows				
- Repayment	(3,815,204)	-	(1,595,853)	(5,411,057)
- Proceeds	12,356,696	-	-	12,356,696
Non-cash				
- New Leases	-	-	2,406,261	2,406,261
- Reclassification	(1,928,349)	1,928,349	-	-
As at 31 December 2022	12,741,748	4,092,050	4,020,575	20,854,373

	Long-term borrowings $	Short-term borrowings $	Lease Liabilities $	Total $
At 1 January 2021	5,848,261	2,941,610	1,763,433	10,553,304
Cash flows				
- Repayment	(1,827,765)	-	(1,448,594)	(3,276,359)
- Proceeds	3,200,000	-	-	3,200,000
Non-cash				
- New Leases	-	-	2,895,328	2,895,328
- PPP loan forgiveness	(420,031)	(1,449,769)	-	(1,869,800)
- Reclassification	(671,860)	671,860	-	-
As at 31 December 2021	6,128,605	2,163,701	3,210,167	11,502,473

24 Fair value measurement

The following table provides the fair value measurement hierarchy for assets measured at fair value:

			Fair value measurement using		
		Total	Quoted process in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value	**Date of valuation**	**$**	**$**	**$**	**$**
Listed equity investments					
SEEEN investment	31 December 2022	474,613	474,613	-	-
SEEEN investment	31 December 2021	1,185,039	1,185,039	-	-
Derivative financial assets					
Interest rate swap	31 December 2022	448,177	-	448,177	-
Interest rate swap	31 December 2021	-	-	-	-

To estimate fair value, the lower end of the bid-offer spread as at 31 December 2022 was used to calculate the value of the holding. There is an active market for the Group's liquid equity investment.

25 Contingent liabilities

The Directors are not aware of any material contingent liabilities.

26 Related party transactions

PSS was one former owner of ALDHC until the reverse merger in 2010 that created Water Intelligence. PSS is now a significant shareholder of Water Intelligence and hence is a related party to the Company. 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 also guarantees the bank debt of Water Intelligence as described below.

During the normal course of operations, there are intercompany transactions among PSS, Water Intelligence plc, ALDHC and ALD. In previous years, PSS charged administrative fees to the Company to cover activities taken on behalf of company business, including research. The financial results of these related party transactions are reviewed by an independent director of Water Intelligence plc, the parent of ALDHC and ALD.

As described in Note 23, the Company's parent (and the Company as co-borrower) have different credit facilities with M&T Bank. For the PSS guarantee, ALDHC pays 0.75% per annum based on the outstanding balance of the loan calculated at the end of each month. Interest charged on the PSS receivable will match the interest rate charged by the bank. The monthly charge for the PSS guarantee would not change and would be offset against amounts owed by PSS. The charge will be eliminated should the guarantee no longer be required by the bank. Interest income related to the PSS receivable amounted to $19,089 and $18,937 for the years December 31, 2022 and 2021, respectively. The guarantee fee expense for the PSS guarantee amounted to $99,146 and $67,000 for the years ended December 31, 2022 and 2021, respectively. During 2022 the Company paid expenses on behalf of PSS in the amount of $58,104. The related receivable/prepaid balance remaining is $309,152 and $331,106 at December 31, 2022 and 2021, respectively.

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

Water Intelligence International Limited	**$**
Balance at 31 December 2021	4,670,366
Net loans to subsidiary	-
Other expenses recharged and exchange differences	(340,556)
Balance at 31 December 2022	4,329,809

ALDHC	**$**
Balance at 31 December 2021	-
Loans prepaid by WI capital raise	-
Balance at 31 December 2022	-

ALD Inc.	**$**
Balance at 31 December 2021	23,270,653
Loans incurred due to WI capital raise	-
Loans paid to WI	-
Other expenses recharged and exchange differences	(664,745)
Balance at 31 December 2022	22,605,908

27 Subsequent events

On 7 February 2023, the Group announced the reacquisition of its Nashville, Tennessee franchise territory within the Group's ALD franchise business. The acquisition is pursuant to the Group's growth strategy of creating regional hubs and adds further corporate scale to operations in the Midwest, United States. The cash consideration for the acquisition is $3.25 million based on a 2022 Adjusted Income Statement of $2.4 million in revenue and $550,000 in profit before tax and includes the transfer of all operating assets to the Group.

28 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.