Water Intelligence plc (AIM: WATR.L)

("Water Intelligence", the "Group" or the "Company")

Results for the year ended 31 December 2013 and Bank Refinancing

Water Intelligence a leading provider of smart water monitoring products and non-invasive leak detection and remediation services, is pleased to present its full, audited results for the year ended 31 December 2013. The Company also announces that it has successfully refinanced its existing term loan agreement with Liberty Bank.

Copies of the Annual Report will be made available to view on the Company's website at www.waterintelligence.co.uk.

Results Highlights

- **Royalty Income component growth of 6% to $4.61m (2012: $4.35m)**
- **Profit before tax of $611,894 up 15% year/year (2012: $530,515)**
- **Profit of $454,111 up 70% year/year (2012: $265,476)**
- **EPS 4.3 cents (2012: 2.8 cents)**
- **Positive operating cash flow of $885,299 (2012: $823,760)**
- **Net Debt as of Dec. 31, 2013 $1.18 million down 52% year on year (2012: $2.54 million)**
- **Positive start to 2014**

Bank Refinancing

The Board of Water Intelligence plc is also pleased to announce that on June 17, 2014, the Group has finalised its refinancing of its existing term loan agreement with Liberty Bank. The borrowing has been increased to $2,750,000 implying approximately $1,000,000 of new cash net of costs. The term of the loan has been reset for 5 years to 2019. Interest on the loan is fixed for the first three years at 5.75%. Amortisation shall be approximately $53,000 monthly which represents a significant reduction from the current level of amortisation. The Group has also renewed its line of credit agreement with Liberty Bank. The line is equal to $250,000 and carries with it an interest rate equal to the Wall Street Journal Prime, plus 2.75%. The Group is not drawing on the line of credit at this time. The term loan is guaranteed by Plain Sight Systems and the Executive Chairman.

Patrick DeSouza, Executive Chairman of Water Intelligence, commented:

"We are pleased with the growth of the business, in particular our continued strong organic growth in earnings. We are excited about the future and look forward to capturing a greater share of customer demand in this growing world-wide market for products and services that address water loss issues.

In addition, with this refinancing, we are reaffirming our relationship with Liberty Bank. We are pleased to be increasing the amount of resources available to support our growth plan.

Coupled with our addition last December of another quality institutional equity investor, we are prudently building a solid base of support for our company.”

Related Party Transaction

Liberty Bank has required that the refinanced term loan and commercial line of credit be guaranteed by Plain Sight Systems and the Executive Chairman. For the PSS guarantee, ALD pays 0.75% per annum based on the outstanding balance of the loan calculated at the end of each month. For the guarantee of the Executive Chairman, the board shall award an amount of ordinary shares equivalent to the cash value of the guarantee. The charge for the guarantees will be eliminated should the guarantees no longer be required by Liberty Bank.

In order to obtain PSS’s consent to extend the duration of its current guarantee, the boards of both PSS and Water Intelligence, reviewed by its respective independent directors, have agreed to extend the time period for repayment of amounts currently owed by PSS to ALD to match the term of the new loan. Interest owed on the PSS receivable will match the interest rate charged by the bank. The monthly charge for the PSS guarantee would be offset against amounts owed by PSS. Interest income related to the PSS receivable amounted to $10,040 and $10,576 for the years December 31, 2013 and 2012, respectively. The guarantee fee expense for the PSS guarantee amounted to $17,323 and $22,161 for the years ended December 31, 2013 and December 31, 2012 respectively.

This transaction with PSS and the Executive Chairman constitutes a related party transaction under the AIM Rules. The independent Directors, Robert Mitchell and David Silverstone, having consulted with the Company’s nominated advisor, WH Ireland Limited, believe that the terms of the Related Party Transaction to be fair and reasonable insofar as Shareholders are concerned.

Water Intelligence plc
Patrick DeSouza (Executive Chairman) Tel: +1 203 654 5426

WH Ireland Limited
Adrian Hadden / James Bavister Tel: 020 7220 1666

Chairman's Statement

Overview

During 2013 we closed a successful three-year cycle of corporate development that was designed to restore stable growth after listing on the UK AIM market. As I indicated in the last two annual reports, we have been making operating decisions based a risk-adjusted cost of capital that prioritised our core American Leak Detection (“ALD”) services business because it is established and profitable. Our UK-based product business, while promising, is less well established. Last year, we passed two operational milestones based on this approach: (i) sustained success executing in our core business; and (ii) gaining institutional support in the financial marketplace. As a result of our success, we have increased our cash position and now may loosen the constraints on reinvestment for accelerated growth.

Execution

As noted, during 2013 we focused on our core ALD business, and for the third consecutive year, Water Intelligence improved its revenue and earnings results. Profit before taxes for the

Company increased 15% year on year to $611,800. Adjusted for non-cash amortisation expense, profit before taxes actually increased 17% year on year to $944,000. Profits grew 70% year on year to $454,111 translating to an increase in earnings per share to 4.3p from 2.8p in 2012. Moreover, increased profitability did not come at the expense of revenue as we improved marginally to $6.82 million from $6.74 million.

American Leak Detection

When one focuses on results in the core ALD business, there is a clearer picture of our underlying strength. Revenue at ALD grew 9% year on year to $6.8 million. Royalty income, a measure of the health of the franchise system, reached a record high at $4.61 million with a growth rate that accelerated year on year to 6%. Corporate stores were flat at $1.45 million; and, as discussed below, will be an area of attention during 2014-15. Together, our corporate store sales and royalty level implied that our system-wide sales footprint reached approximately $60 million - a significant improvement over our three-year cycle. In general, product and equipment sales rose 55% year on year to $721,000. Equipment sales were led by a new product - *Leakfinder* - developed in the US for our franchisees. *Leakfinder* sales partially offset the lack of *Leakfrog* sales in the UK. Our ability to have multiple sources for product sales reflects our risk-adjusted cost of capital approach. Our shareholders benefit from such operational flexibility.

During 2013, we accelerated our efforts to increase market penetration. We hired more associates to work with both insurance companies and our franchisees. Our existing national footprint is an attribute sought by insurance companies in their meeting residential and commercial demands all over the U.S. for pinpoint leak detection and remediation. During 2013 and, now in 2014, we see increased insurance-related work reflected in the increase in royalty income. Over time we expect to see this channel deliver recurring sales.

We are also working with partners to gain additional leverage from our resources. We have deepened our relationships with companies that focus on municipal customers in the UK and abroad and others that focus on property management customers in the U.S. We share mutuality of interests with each. For our partners, our franchise system offers an annual sales footprint of over 100,000 municipalities, commercial businesses and residential units from which to up-sell additional services. For our UK products, our partners have ready channels for resale.

Qonnectis

Our UK products business is housed in our wholly-owned subsidiary Qonnectis Networks Limited ("Qonnectis"). During 2013, we focused primarily on developing the US services business and maintained our UK products business. We are disappointed at the slow pace of testing of our *Domestic Reporter* product among UK utilities. Combined with the lack of *Leakfrog* sales, Group "Other Activities" sales, which predominantly comprise product and equipment sales, dropped from $941,764 to $757,990 year on year. We have begun to revamp our sales approach in the UK relying more on strategic relationships to engage in re-sale activities. We have been mindful to cut unnecessary expenses in our Qonnectis product business until we decide on the right sales approach. We reduced operating expenses to approximately $267,000 in 2013 from approximately $325,000 in 2012. We plan to cut expenses further during 2014 and to rely on our partners for a physical sales presence.

Balance Sheet Strength

Our strategy of growing our ALD business while maintaining our Qonnectis business produced a much stronger balance sheet that will lead to greater long-term flexibility in terms of growth options. The Company's year on year cash position as at 31 December 2013 more than doubled from 31 December 2012 to approximately $800,000 because of increased earnings and a small equity issuance described below. Our bank debt, meanwhile, was paid down on schedule reaching $1.97 million at year-end. Hence, net debt was reduced to approximately $1.18 million at year-end or less than half the amount that existed at year-end 2012.

We have achieved a self-sustaining profile of creditworthiness: higher levels of cash, lower levels of debt and higher flows of royalty income from ALD to accelerate repayment of debt or to reinvest in growth. With our profile, we can attract institutional finance to build long-term partnerships. On the equity side, in November 2013, we took a major step forward attracting a high quality institutional investor. We issued a limited number of ordinary shares and raised approximately $600,000 net of transaction costs and fees. Our goal was to prepare the way for working with institutional equity partners once we are ready to roll-out an accelerated growth plan. On the debt side, because of our relatively stronger profile, on June 17, 2014, we were able to finalise the refinancing of our debt with Liberty Bank of Connecticut at attractive rates. We were also able to add approximately $1,000,000 in new cash *while* cutting our overall amortisation expense by approximately 25% from our current amortisation schedule. As we launch our growth plan, we look forward to working with strong institutional players from both the debt and equity markets.

Outlook

Our franchisees are fully behind our initiatives in building national sales channels to leverage our extensive U.S. and core international footprint in providing non-invasive, water leak detection solutions. From software to marketing, our franchisees have begun to make the necessary investments to effectively serve our insurance channel customers. One indication of a shared commitment to our growth plan came in November 2013 when ALD had its annual franchise convention. The theme of the Convention was TEAM: Together Everyone Achieves More. Since the Convention, management and franchisees have worked together to accelerate growth. During Q1 2014, the board has begun to supplement the management team's skills by integrating board member David Silverstone and senior franchise leaders in designing and executing our forward-looking growth plan.

During October 2014, ALD will celebrate its 40th anniversary as a company. Market demand has never been higher for our ALD products and services. During March 2014, the U.S. Environmental Protection Agency provided striking data as part of its Sixth Annual *Fix a Leak Week*. The EPA communicated that the average U.S. household wastes approximately 10,000 gallons of water annually from leakage. ALD, especially because of its non-invasive approach and nationwide footprint, is well-positioned to help address this problem. In addition, our UK products may help improve our offering if adapted for the U.S. market. On May 18, 2014, the Wall Street Journal (New Technology Tools Aim to Reduce Water Use) reported that approximately 40% of the continental US is battling drought and that water utilities and consumers are turning to software and mobile apps to assess how much water they are using. We are committing some resources to refocus our product roadmap – especially *Domestic Reporter* - on our go-to-market approach in the U.S. To reiterate, we are able to raise our sights after returning to balance sheet strength. The demand for a range of product and services solutions is urgent. For example, California informed its water agencies that urban water use should be cut by 20% by 2020.

During 2014, we have begun to increase spending to initiate a growth plan that captures increasing market demand. During Q1 2014, we hired additional headcount to build out our well-received insurance sales channel. We are also spending resources to address areas where we can do a lot better. For example, given strong market demand, corporate store performance could be improved with additional execution help. Because of an existing franchise footprint across the U.S., we have a great opportunity to fill market demand in open spaces among our franchisees with corporate-run trucks that will add directly to revenue and earnings. Such increased corporate presence will have the collateral benefit of supporting our franchisees more directly in the field. We will also begin to focus on alternative ways to increase our critical mass, such as with franchise buybacks, to take advantage of our existing $60 million in profitable sales across the franchise system. We hope to see additional sales growth in 2015 after making these investments in 2014.

In launching our growth plan, our starting point remains reinvesting in activities that drive our existing revenue and earnings base. Our product roadmap and sales approach will support this strength in a disciplined way. With such discipline on execution and franchisee support in our plan, we believe that we will find continued support among institutional finance given an exciting market opportunity. The results reflected above relate to continuing activities. The profit for the current and prior year and the total comprehensive profit for the current and total comprehensive loss for the prior year are wholly attributable to equity holders of the Parent Company, Water Intelligence plc.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2013

	Notes	Year ended 31 December 2013 $	Year ended 31 December 2012 $
Revenue		6,816,008	6,740,567
Cost of sales		(559,171)	(611,084)
Gross profit		6,256,837	6,129,483
Administrative expenses			
- Share-based payments		(21,187)	(30,632)
- Impairment of goodwill	6	-	-
- Amortisation of intangibles		(332,164)	(279,313)
- Other administrative costs		(5,109,262)	(5,057,445)
Total administrative expenses		(5,462,613)	(5,367,390)
Operating profit		794,224	762,093
Finance income		23,624	28,093
Finance expense		(205,954)	(259,671)
Profit before tax		611,894	530,515
Taxation expense	4	(157,783)	(265,039)
Profit for the year		**454,111**	**265,476**
Other Comprehensive Income			
Exchange differences arising on translation of foreign operations		(18,792)	(52,716)
Total comprehensive profit for the year		**435,319**	**212,760**
Profit per share		**Cents**	**Cents**

Basic	5	4.3	2.8
Diluted	5	4.1	2.7

Consolidated Statement of Financial Position as at 31 December 2013

	Notes	2013 $	2012 $
ASSETS			
Non-current assets			
Goodwill	6	801,211	801,211
Other intangible assets		3,258,101	3,590,976
Property, plant and equipment		11,313	16,896
Deferred tax asset		-	-
Trade and other receivables	7	19,073	39,640
		4,089,698	4,448,723
Current assets			
Inventories		145,293	194,007
Trade and other receivables	7	750,006	812,445
Corporation tax		-	29,433
Cash and cash equivalents		792,468	382,525
		1,687,767	1,418,410
TOTAL ASSETS		5,777,465	5,867,133
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent			
Share capital		12,732,564	12,716,863
Share premium		4,800,610	4,203,812
Capital redemption reserve		6,517,644	6,517,644
Merger reserve		8,501,150	8,501,150
Share based payment reserve		110,680	89,493
Other reserves		(60,444)	(41,652)
Reverse acquisition reserve		(27,758,088)	(27,758,088)
Retained loss		(1,941,507)	(2,395,618)
		2,902,609	1,833,604
Non-current liabilities			
Borrowings	10	1,263,111	1,950,489
Promissory notes		-	-
Provision for onerous contracts		12,901	58,655
Deferred tax liability		195,319	149,794
		1,417,331	2,158,938
Current liabilities			
Trade and other payables	8	642,559	908,224
Borrowings	10	706,600	900,275
Promissory notes		-	-
Provision for onerous contracts		54,366	66,092
		1,403,525	1,874,591
TOTAL EQUITY AND LIABILITIES		5,777,465	5,867,133

Consolidated statement of changes in equity for the year ended 31 December 2013

	Share Capital	Share Premium	Capital Redemption Reserve	Reverse Acquisition Reserve	Merger Reserve	Share based payment reserve	Other reserves	Retained Losses	Total Equity
	$	$	$	$	$	$	$	$	$
As at 1 January 2012	**12,716,863**	**4,203,812**	**6,517,644**	**(27,758,088)**	**8,501,150**	**54,728**	**15,197**	**(2,661,094)**	**1,590,212**
Share-based payment expense	-	-	-	-	-	30,632	-	-	30,632
Foreign exchange	-	-	-	-	-	4,133	(4,133)	-	-
Total comprehensive profit/(loss)	-	-	-	-	-	-	(52,716)	265,476	212,760
As at 31 December 2012	**12,716,863**	**4,203,812**	**6,517,644**	**(27,758,088)**	**8,501,150**	**89,493**	**(41,652)**	**(2,395,618)**	**1,833,604**
As at 1 January 2013	**12,716,863**	**4,203,812**	**6,517,644**	**(27,758,088)**	**8,501,150**	**89,493**	**(41,652)**	**(2,395,618)**	**1,833,604**
Issue of Ordinary Shares	15,701	596,798	-	-	-	-	-	-	612,499
Share-based payment expense	-	-	-	-	-	21,187	-	-	21,187
Foreign exchange	-	-	-	-	-	-	-	-	-
Total comprehensive profit/(loss)	-	-	-	-	-	-	(18,792)	454,111	435,319
As at 31 December 2013	**12,732,564**	**4,800,610**	**6,517,644**	**(27,758,088)**	**8,501,150**	**110,680**	**(60,444)**	**(1,941,507)**	**2,902,609**

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.
Capital redemption	Non-distributable reserve in relation to cancellation of deferred shares
Retained losses	Cumulative net losses recognised in the Financial Statements
Reverse acquisition	Non-distributable amount arising on the reverse acquisition.
Other reserves	Amounts recognised for the fair value of share options granted in accordance with IFRS 2 and exchange differences on translating foreign operations.
Merger reserve	Non-distributable reserve arising on reverse acquisition

Consolidated statement of cash flows for the year ended 31 December 2013

	Year ended 31 December 2013	Year ended 31 December 2012
	$	$
Net cash generated from operating activities	**885,299**	**823,760**
Cash flows from investing activities		
Interest received	23,624	28,093
Interest paid	(205,954)	(259,671)
Purchase of plant and equipment	(6,403)	(750)
Purchase of intangible assets	-	(157,095)
Sale of fixed assets	-	-
Net cash used in investing activities	**(188,733)**	**(389,423)**
Cash flows from financing activities		
Issue of share capital	15,701	-
Share premium from placing	596,798	-
Proceeds from borrowings	250,000	412,380
Principal payments on long term debt and promissory notes	(1,131,054)	(771,442)
Net cash used in financing activities	**(268,555)**	**(359,062)**
Net increase in cash and cash equivalents	**428,011**	**75,275**
Cash and cash equivalents at the beginning of year	**382,525**	**364,099**
Effect of foreign exchange rate changes	(18,068)	(56,849)
Cash and cash equivalents at end of year	**792,468**	**382,525**

Notes to the Financial Statements for the year ended 31 December 2013

1. General information

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

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

The Company is listed on AIM of the London Stock Exchange. These Financial Statements were authorised for issue by the Board of Directors on the 13 June 2014.

2. Significant accounting policies

Basis of preparation

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

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

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

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

Going concern

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

The Directors have prepared a business plan and cash flow forecast for the period to June 2015. The forecast contains certain assumptions about the level of future sales and the level of gross margins achievable. These assumptions are the Directors' best estimate of the future development of the business. The Directors acknowledge that the Group in the near-term is funded entirely on cash generation by its profitable US-based franchise business, ALD. The achievement of a successful product development and subsequent sales initiative will require additional working capital finance to be put in place. The Directors believe that the funding will be able to be made available on a case by case basis such that the Group will have adequate cash resources.

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 2013. The Consolidated Statement of Comprehensive Income includes the results of all subsidiary undertakings for the period from the date on which control passes. Control is achieved where the Company (or one of its subsidiary undertakings) obtains the power to govern the financial and operating policies of an investee entity so as to derive benefits from its activities.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The acquisition of ALDHC in 2011 was, under IFRS3, accounted for as a reverse acquisition. The assets and liabilities revalued at their fair value on acquisition therefore related to the Company. A reverse acquisition reserve was 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.

3. Segmental Information

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

The Group mainly operates in the US, with operations in the UK and certain other countries. In 2013, 99% (2012 89%) of its revenue came from the US based operations, while the remaining 5% (2012 11%) of its revenue came from either UK or overseas based operations.

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

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

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

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

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

Revenue	**Year ended 31 December 2013 $**	**Year ended 31 December 2012 $**
Royalties from franchisees	4,610,363	4,345,615
Corporate-operated Stores	1,447,655	1,453,188
Other activities	757,990	941,764
Total	**6,816,008**	**6,740,567**

Profit/(Loss) before tax	**Year ended 31 December 2013 $**	**Year ended 31 December 2012 $**
Royalties from franchisees	1,208,652	1,113,604

Corporate-operated Stores	5,302	65,527
Other activities	28,297	(135,783)
Unallocated head office costs	(630,357)	(512,833)
Total	**611,894**	**530,515**

Assets	**Year ended 31 December 2013**	**Year ended 31 December 2012**
	$	**$**
Royalties from franchisees	5,505,396	5,659,959
Corporate-operated Stores	268,885	301,355
Other activities	3,184	(243,926)
Total	**5,777,465**	**5,717,388**

Amortisation/impairment	**Year ended 31 December 2013**	**Year ended 31 December 2012**
	$	**$**
Royalties from franchisees	332,164	263,464
Corporate-operated Stores	-	-
Other activities	-	15,849
Total	**332,164**	**279,313**

Depreciation	**Year ended 31 December 2013**	**Year ended 31 December 2012**
	$	**$**
Royalties from franchisees	11,482	17,225
Other activities	490	2,136
Total	**11,972**	**19,361**

Finance Expense	**Year ended 31 December 2013**	**Year ended 31 December 2012**
	$	**$**
Royalties from franchisees	205,954	249,846
Other activities	-	9,825
Total	**205,954**	**259,671**

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

Geographic information

Total revenue

Total revenue from activities by geographical area is detailed below:

Revenue by geography

	Year ended 31 December 2013 $	Year ended 31 December 2012 $
US	6,452,396	6,007,175
International	363,612	733,392
Total	**6,816,008**	**6,740,567**

Revenue from franchisor activities by geographical area is detailed below.

	Year ended 31 December 2013 $	Year ended 31 December 2012 $
US	4,357,523	4,085,147
International	252,840	260,468
Total	**4,610,363**	**4,345,615**

4. Taxation

Group	Year ended 31 December 2013 $	Year ended 31 December 2012 $
Current tax:		
Current tax on profits in the year	112,258	60,386
Prior year over provision	-	(359)
Total current tax	**112,258**	**60,027**
Deferred tax current year	45,525	260,551
Deferred tax prior year	-	(55,539)
Deferred tax charge (note 21)	**45,525**	**205,012**
Income tax expense	**157,783**	**265,039**

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/(Loss) before tax on ordinary activities	611,894	530,515
Tax calculated at domestic rate applicable profits in respective countries	235,579	242,421

Tax effects of:		
Non-deductible expenses	5,254	22,404
State taxes net of federal benefit	-	77,229
Depreciation less than capital allowances	(74,765)	(12,072)
Short term timing differences	6,528	4,433
Other differences	-	2,372
Addition for research and development		-
Tax losses (relieved)/unrelieved	(14,813)	(15,850)
Prior year taxation	-	(55,898)
Taxation expense recognised in income statement	157,783	265,039

The Group is subject to income taxes in two jurisdictions. Significant judgment is required in determining g the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The effective rate for tax for 2013 is 26% (2012: 50%).

5. 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 2013**	**Year ended 31 December 2012**
Profit for the year attributable to shareholders of the Company ($)	454,111	265,476
Weighted average number of ordinary shares	10,567,650	9,604,417
Diluted weighted average number of ordinary shares	11,021,761	9,890,922
Profit per share (cents)	**4.3**	**2.8**
Diluted profit per share (cents)	**4.1**	**2.7**

6. Goodwill

Group	**Goodwill**	**Owned and Operated stores**	**Franchisor activities**	**Totals**
	$	**$**	**$**	**$**
Cost				
At 1 January 2012	1,493,729	239,500	636,711	2,369,940
Additions	-	-	-	-
At 31 December 2012	**1,493,729**	**239,500**	**636,711**	**2,369,940**
Additions	-	-	-	-
At 31 December 2013	**1,493,729**	**239,500**	**636,711**	**2,369,640**

Impairment				
At 1 January 2012	1,493,729	75,000	**-**	1,568,729
Impairment in year	-	-	**-**	-
At 31 December 2012	**1,493,729**	**75,000**	**-**	**1,568,729**
Impairment in year	-	-	**-**	-
At 31 December 2013	**1,493,729**	**75,000**	**-**	**1,568,729**
Carrying amount				
At 31 December 2012	**-**	164,500	636,711	801,211
At 31 December 2013	**-**	**164,500**	**636,771**	**801,211**

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

The assumptions used for the corporate owned and operated stores are based on the forecast cash flows for 2014 and that cash flows thereafter are assumed to increase by 2% per annum and a discount rate of 10% has been used to value the future cash flows. A terminal value has been estimated after 5 years of discounted cash flows. This has resulted in no impairment charge being required in 2013 (2012: $nil).

The assumptions used for the franchisor activities are based on the forecast cash flows for 2014 and that cash flows thereafter are assumed to increase by 2% per annum and a discount rate of 10% has been used to value the future cash flows. A terminal value has been estimated after 5 years of discounted cash flows. This has resulted in no impairment charge being required in 2013 or in prior years.

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

7. Trade and other receivables

Non-current	**Group**		**Company**	
	31 December 2013	**31 December 2012**	**31 December 2013**	**31 December 2012**

	$	$	$	$
Trade notes receivable	**19,073**	**39,640**	**-**	**-**

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

Current	Group 31 December 2013 $	31 December 2012 $	Company 31 December 2013 $	31 December 2012 $
Trade receivables	61,973	69,926	-	-
Prepayments	425,311	422,200	24,157	10,960
Due from Group undertakings	-	-	391,588	522,257
Accrued royalties receivable	94,428	125,595	-	-
Trade notes receivable	28,567	49,185	-	-
Other receivables				
Due from related party	124,728	131,913	-	-
VAT debtor	14,999	13,626	2,624	4,846
Current portion	**750,006**	**812,445**	**418,369**	**538,063**

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

The average credit period taken on sales is 26 days (2012: 38 days).

As at the 31 December 2013, trade receivables of $37,958 (2012: $36,270) were past due but not impaired. These relate to a number of customers for whom there is no history of default. The ageing analysis of these trade receivables is as follows:

Due to the current net liability position of Qonnectis Networks Limited, an impairment provision of $391,588 was made in FY13 against part of the receivable due from Qonnectis Networks Limited to Water Intelligence Plc (company). This provision has no impact on the consolidated results for the year.

Ageing of past due but not impaired receivables

	Year ended 31 December 2013 $	Year ended 31 December 2012 $
60-90 days	27,338	19,390
90+ days	10,620	16,880
	37,958	**36,270**
Average age (days)	95	105

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

	Year ended 31 December 2013 $	Year ended 31 December 2012 $
US Dollar	710,093	763,837
UK Pound	39,913	48,608
	750,006	**812,445**

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

8. Trade and other payables

	Group		Company	
	31 December 2013 $	31 December 2012 $	31 December 2013 $	31 December 2012 $
Trade payables	169,340	331,520	33,671	189,756
Other payables	84,770	33,046	-	-
Accruals	388,449	543,658	40,586	172,286
Due to Group undertakings	-	-	955,113	918,968
	642,560	**908,224**	**1,029,370**	**1,281,010**

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 25 days (2012: 71 days).

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

9. Related party transactions

PSS was the former owner of ALDHC and ALD until the reverse merger in 2010 that created Water Intelligence. PSS is now an affiliate of Water Intelligence and hence is a related party. PSS provides a technology license to Water Intelligence and ALD on terms favorable 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. On the other hand, PSS owes an amount to ALD specified below. During the normal course of operations, there are inter-company transactions among PSS, Water Intelligence plc, ALDHC and ALD. The financial results of these related party transactions are reviewed by an independent director of Water Intelligence plc, the parent of ALDHC and ALD so that they are on arms-length terms.

On June 17, 2014, the Group finalised its refinancing of its term loan agreement with Liberty Bank of Connecticut, the successor to the Bank of Southern Connecticut with whom the Group had its existing credit relationship. The borrowing has been increased from its current level to $2,750,000 which implies approximately $1,000,000 of new cash. The term of the loan has been reset for 5 years to 2019. Interest on the loan shall be fixed for the first three years at 5.75%. Amortisation shall be approximately $53,000 monthly. Through Q1 2014, amortisation was approximately $70,000 monthly. The Group has also renewed its commercial line of credit with Liberty Bank. The line is equal to $250,000 and carries with it an interest rate equal to the Wall Street Journal Prime, plus two and three quarter percent. The Group is not drawing on the line of credit at this time.

Liberty Bank has required that the refinanced term loan and commercial line of credit be guaranteed by Plain Sight Systems and the Executive Chairman. For the PSS guarantee, ALD pays 0.75% per annum based on the outstanding balance of the loan calculated at the end of each month. For the guarantee of the Executive Chairman, the board shall award an amount of ordinary shares equivalent to the cash value of the guarantee. The charge for the guarantees will be eliminated should the guarantees no longer be required by Liberty Bank.

In order to obtain PSS's consent to extend the duration of its current guarantee, the boards of both PSS and Water Intelligence, reviewed by its respective independent directors, have agreed to extend the time period for repayment of amounts currently owed by PSS to ALD to match the term of the new loan. Interest owed on the PSS receivable will match the interest rate charged by the bank. The monthly charge for the PSS guarantee would be offset against amounts owed by PSS. Interest income related to the PSS receivable amounted to $10,040 and $10,576 for the years December 31, 2013 and 2012, respectively. The guarantee fee expense for the PSS guarantee amounted to $17,323 and $22,161 for the years ended December 31, 2013 and December 31, 2012 respectively.

During the normal course of operations there are inter-company transactions among PSS, Water Intelligence plc, ALD and ALDHC. In previous years, PSS charged administrative fees to the Company to cover activities taken on behalf of company business. The related receivable/ prepaid balance remaining was $124,728 and $131,913 at December 31, 2013 and 2012, respectively.

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

QN

	$
Balance at 31 December 2012	**522,257**
Net loans to subsidiary	172,712
VAT transferred under group registration	68,564
Other expenses recharged and exchange differences	19,644
Impairment of intercompany receivable	**(391,588)**
Balance at 31 December 2013	**391,588**

ALD

	$
Balance at 31 December 2012	**(918,968)**
Loans to WI	(5,211)
Other expenses recharged and exchange differences	(30,934)
Balance at 31 December 2013	**(955,113)**

ALDH

	$
Dividend received	400,000

10. Financial instruments

	Group		Company	
	31 December	31 December	31 December	31 December
	2013	2012	2013	2012
	$	$	$	$
Financial Assets				
Cash and cash equivalents	792,468	382,525	188,883	56,465
Trade and other receivables – current	750,006	812,446	809,958	538,063
Corporation tax recoverable	-	29,434	-	-
Trade and other receivables – non-current	19,073	39,640	-	-
Financial Liabilities				
Trade and other payables	709,827	1,032,970	1,029,370	1,272,285
Borrowings – current	706,600	900,275	-	-
Borrowings – non-current	1,263,111	1,950,489	-	-
Promissory notes – current	-	-	-	-

Borrowings

Bank Loan

On 16 July 2010 ALDHC drew down a six-year term loan at an initial rate of 8% per annum of US$4.0 million from the Bank of Southern Connecticut (now known as Liberty Bank of Connecticut following the acquisition of the Bank of Southern Connecticut during 2013). As discussed below, the bank loan was refinanced on June 10, 2014.

The original bank loan was repayable in full on or before 16 July 2016 with monthly repayments of principal and interest at 8% per annum until the principal balance is reduced to US$2.0 million when the interest rate becomes 2% above "Wall Street Journal Prime" adjusted annually. At that point, the Group has the option of pre-payment without penalty.

The Bank Loan is secured by substantially all of the assets of ALDHC and its principal operating subsidiary ALD and guaranteed by PSS plus one significant shareholder, being the Executive Chairman.

On 25 July 2012, the ALDH entered into a $250,000 revolving line of credit agreement (Revolver) with the Bank of Southern Connecticut. The line bears interest at a rate equal to the greater of 5.25% per annum, or the Wall Street Journal Prime Rate (as defined) plus 2.75% (6.0% at December 31, 2012). The Revolver is secured by substantially all of the assets of the Group. At December 31, 2012, $248,548 was outstanding. The full amount was repaid on 24 April 2013 and the Revolver was drawn down on 21 June 2013. This was repaid on 12 September 2013. At 31 December 2013, $nil was outstanding.

On June 17, 2014, the Group finalised its refinancing of its term loan agreement with Liberty Bank. The borrowing has been increased to $2,750,000 implying approximately $1,000,000 of new cash. The term of the loan has been reset for 5 years to 2019. Interest on the loan shall be fixed for the first three years at 5.75%. Amortisation shall be approximately $53,000 monthly. Through Q1, amortisation was approximately $70,000 monthly. The Group has also renewed its Revolver with Liberty Bank. The line is equal to $250,000 and carries with it am interest rate equal to the Wall Street Journal Prime, plus 2.75%. The Group is not drawing on the line of credit at this time. The term loan is guaranteed by Plain Sight Systems and the Executive Chairman. See Related Party Note infra.

Group	Year ended 31 December 2013	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2012
	Current		Non-current	
Financial Instruments	**$**	**$**	**$**	**$**
Term loan	706,600	651,727	1,263,111	1,950,849
Revolving credit facility	-	248,548	-	-
Total	**706,600**	**900,275**	**1,263,111**	**1,950,849**

The Company had no borrowings during the year (2012 $nil).

11. Subsequent events

On June 17, 2014, the Group finalised its refinancing of its term loan agreement with Liberty Bank. The borrowing has been increased to $2,750,000 or approximately $1,000,000 of new cash. The term of the loan has been reset for 5 years to 2019. Interest on the loan shall be fixed for the first three years at 5.75%. Amortisation shall be approximately $53,000 monthly. Through Q1 2014, amortisation was approximately $70,000 monthly. The Group has also renewed its commercial line of credit with Liberty Bank. The line is equal to $250,000 and carries with it am interest rate equal to the Wall Street Journal Prime, plus two and three quarter percent. The Group is not drawing on the line of credit at this time.

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

12. Publication of announcement and the report and accounts

A copy of this announcement will be available at the Company's registered office (201 Temple Chambers, 3-7 Tempe Avenue, London, EC4Y 0DT) 14 days from the date of this announcement and on its website - www.waterintelligence.co.uk.

This announcement is not being sent to shareholders. The Annual Report will be posted to shareholders in the near future and will be made available on the website.