RNS Number : 4696P
Water Intelligence PLC
08 June 2015

Water Intelligence plc (AIM: WATR.L)
("Water Intelligence", the "Group" or the "Company")
Results for the year ended 31 December 2014

Water Intelligence, a leading provider of non-invasive leak detection and remediation services, is pleased to present its full, audited results for the year ended 31 December 2014.

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

Results Highlights

- Revenue increase 6% to $7.22 million
- Cash position increased by 121% to $1.75 million
- Net debt reduced by 32% to $795,000
- Corporate staff growth from 42 to 50
- Very positive start to 2015

Patrick DeSouza, Executive Chairman of Water Intelligence, commented:

"We are pleased with the development of the business, in particular the strengthening of the Company's balance sheet and the further development of our franchise reacquisition programme. Our main objective for this next cycle of corporate development is to sustain accelerated growth so that we can contemplate shareholder dividends without having to sacrifice reinvestment requirements needed to be a growth company."

Water Intelligence plc
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WH Ireland Limited
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Chairman's Statement

Overview

During 2014, we began the next cycle of corporate development, focusing on accelerated growth. I opened last year's Chairman's Statement by indicating that we had just completed a three-year cycle where we achieved our objectives of (i) sustaining execution success and (ii) gaining institutional investor support. These objectives were necessary after making certain personnel and operational changes after coming to the AIM market. However, having reached the next stage with a much stronger balance sheet, I also noted in last year's Chairman's statement that we could loosen the constraints on reinvestment for accelerated growth.

I also noted in last year's Chairman's Statement that we had begun in 2014 to increase spending on additional headcount, especially to build-out an insurance sales channel, and to promote growth for our corporate stores, but that spending would be increased in a disciplined way. I concluded by stating that we hoped to see additional sales growth in 2015 after making these investments in 2014.

In this year's Chairman's Statement, I am proud to say that during 2014 we did what we said we would do. We are now seeing in the first third of 2015 positive signs of accelerated sales growth. Our main objective for this next cycle of corporate development is to sustain accelerated growth so that we can contemplate shareholder dividends without having to sacrifice reinvestment requirements needed to be a growth company. Given the size of addressable market and global demand for solutions to prevent water loss, we have the key requisites to be a top performer on any public market.

Execution

During mid-2014, we closed a refinancing that increased our cash position and lowered our cost of capital. Our cash position increased by 121% to $1.75 million as of December 31, 2014. Our net debt as of December 31, 2014 was reduced by 32% to $795,000 from $1.177 million as of December 31, 2013. With creditworthiness established and additional resources available, we increased operating expense by 10.6% to $5.65 million, largely for more execution headcount. We have grown corporate staff from 42 to 50. Importantly, as part of the increased headcount, we have integrated three general managers with significant operating experience. Each is focused on a key growth objective. Dave Silverstone, a director of the Company, who is CEO of Yale Science Park and former CEO of the Regional Water Authority in Connecticut, is assisting with growing corporate stores. Robert Knell, former owner of our Dallas, Texas franchise, who built a multi-million dollar franchise sales operation, is assisting in growing the franchise system. Steven West, current owner of the successful Columbus, Ohio franchise and former military leader, is assisting with revamping our training system to enable us to deploy service technicians in the field much more quickly.

During 2014, we began to see results from increased investment. Water Intelligence revenue increased by 6% to $7.22 million. To be sure, unadjusted profits before tax were flat as compared with the previous year. Our board was comfortable with this 2014 outcome, recognizing that working capital expenses take effect before revenue and earnings increases and that approximately $125,000 of our expense increase in 2014 were one-time expenses not capitalized such as computer upgrades and office infrastructure changes. As described below in the "Outlook" section, we do see much faster sales growth for the first third of 2015.

Importantly, each of our revenue segments grew and each is positioned to accelerate in 2015. Royalty income from our franchisees grew by 7% to $4.92 million. Such growth in the franchise system has already shown steady acceleration from 6% year-over-year ending in 2013, up from 5% year-over-year in 2012. Meanwhile, corporate store sales grew by 1% to $1.46 million. While anemic for 2014, we started hiring in 2014 to grow the stores much faster. As described below, accelerated corporate store growth is taking effect in 2015. Finally, "Other Activities," which are comprised of equipment sales and franchise sales, grew 10.5% to $837,000. This "Other Activities" number is noteworthy because equipment purchases from the corporate office is one indicator of reinvestment for growth by our franchisees.

Outlook

During the first third of 2015, we have seen follow-through growth for each of our revenue segments. Our nationwide channels from insurance to property management continue to provide an increasing number of jobs for our franchise system. Furthermore, we have accelerated corporate store growth via reacquisitions of select franchise territories that will now be run as corporate operations. As I have noted in previous Chairman's Statements, our $4.9 million of *current* royalty income implies over $65 million in *current* franchisee sales capture for our American Leak Detection subsidiary. During the first quarter of 2015, we launched corporate locations from formerly underperforming franchise territories in Miami, reacquired subsequent to year end, and New York, reacquired during 2014, respectively. In May 2015, we reacquired a moderately-performing franchise in Detroit. Because of the additions of senior managers, as noted above, we are in a position to sustain growth and push acceleration.

As an unaudited matter, 2015 has started positively. Through the end of April 2015, total revenue has grown 20% compared to the same period in 2014. We see franchise royalty income continuing to grow at approximately 7% compared with the same period in 2014. Our current rate takes into account some foregone royalty income from franchise territories that have been reacquired for corporate operations. Meanwhile, corporate store sales have jumped approximately 40%. Finally, "Other Activities" has grown approximately 80% as franchisees are also investing for future growth by continuing to purchase equipment. During this period, we have maintained our earnings levels compared with the same period in 2014 and reinvested any growth in earnings during this period in additional headcount expenses, especially technicians, and a training program to expand our ability to sustain top-line growth.

Our first four months of 2015, seem to demonstrate the benefits of the increased spending in 2014. We are cautiously optimistic about our trajectory for the remainder of 2015 and beyond. We confident that we have headcount in place to execute our growth plan. We also believe that we will have institutional investment support for our approach of growing organically via national sales channels that leverage our existing footprint *and* growing through reacquisitions of select franchise operations that have already penetrated the market. In this way, we can blend continued growth in higher margin royalty income from indirect franchise-operated sales with a larger critical mass of corporate sales reflected directly on our Water Intelligence accounts.

We are now in the middle of our three-year plan to reach our next corporate development stage as a top-performing growth company. We have begun to consider investment for layering-in international expansion efforts, adding to existing operations in Australia and Canada and launching a Mexico initiative from existing American Leak Detection locations in Texas and South Florida. As we gain confidence in our 2015 growth path and sufficiency of our reinvestment rate, our board will review our dividend policy.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2014

	Year ended 31 December 2014 $	Year ended 31 December 2013 $
Revenue	7,215,097	6,816,008
Cost of sales	(525,055)	(559,171)
Gross profit	6,690,042	6,256,837
Administrative expenses		
- Share-based payments	-	(21,187)
- Amortisation of intangibles	(341,870)	(332,164)
- Other administrative costs	(5,639,319)	(5,109,262)
Total administrative expenses	(5,981,189)	(5,462,613)
Operating profit	708,853	794,224
Finance income	18,154	23,624
Finance expense	(141,837)	(205,954)

Profit before tax	585,170	611,894
Taxation expense	(209,118)	(157,783)
Profit for the year	**376,052**	**454,111**

Other Comprehensive Income		
Items that will or maybe reclassified to Profit & Loss		
Exchange differences arising on translation of foreign operations	(50,622)	(18,792)
Total comprehensive (loss)/profit for the year	**325,430**	**435,319**

Profit per share	**Cents**	**Cents**
Basic	3.6	4.7
Diluted	3.6	4.5

Consolidated Statement of Financial Position as at 31 December 2014

	2014	**2013**
	$	**$**
ASSETS		
Non-current assets		
Goodwill	801,211	801,211
Other intangible assets	3,003,215	3,258,101
Property, plant and equipment	57,948	11,313
Trade and other receivables	29,076	19,073
	3,891,450	4,089,698
Current assets		
Inventories	205,477	145,293
Trade and other receivables	830,272	750,006
Cash and cash equivalents	1,756,014	792,468
	2,791,763	1,687,767
TOTAL ASSETS	6,683,213	5,777,465
EQUITY AND LIABILITIES		
Equity attributable to holders of the parent		
Share capital	12,732,564	12,732,564
Share premium	4,800,610	4,800,610
Shares to be issued	29,510	-
Capital redemption reserve	6,517,644	6,517,644
Merger reserve	8,501,150	8,501,150
Share based payment reserve	-	110,680
Other reserves	(111,066)	(60,444)
Reverse acquisition reserve	(27,758,088)	(27,758,088)
Retained loss	(1,898,464)	(1,941,507)
	3,257,549	2,902,609

Non-current liabilities		
Borrowings	2,048,472	1,263,111
Provision for onerous contracts	-	12,901
Deferred tax liability	195,319	195,319
	2,243,791	1,417,331
Current liabilities		
Trade and other payables	667,997	642,559
Borrowings	502,029	706,600
Provision for onerous contracts	11,847	54,366
	1,181,873	1,403,525
TOTAL EQUITY AND LIABILITIES	6,683,213	5,777,465

Consolidated statement of changes in equity for the year ended 31 December 2014

	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 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	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	454,111	454,111
Other comprehensive loss	-	-	-	-	-	-	(18,792)	-	(18,782)
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**
As at 1 January 2014									
Issue of Ordinary Shares	-	-	-	-	-	-	-	-	-
Shares to be issued	29,510	-	-	-	-	-	-	-	29,510
Share-based payment expense	-	-	-	-	-	-	-	-	-
Release of share-based payment reserve	-	-	-	-	-	(110,680)	-	110,680	-
Foreign exchange	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	376,052	376,052
Other comprehensive loss	-	-	-	-	-	-	(50,622)	-	(50,622)
As at 31 December 2014	**12,762,074**	**4,800,610**	**6,517,644**	**(27,758,088)**	**8,501,150**	**-**	**(111,066)**	**(1,380,313)**	**3,257,549**

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

Share capital	Amount subscribed for share capital at nominal value. The share capital above includes share capital and shares to be issued relating to the New York franchise reacquisition. These are disclosed separately on the face of the Balance Sheet.
Share premium	Amount subscribed for share capital in excess of nominal value.
Capital redemption	Non-distributable reserve in relation to cancellation of deferred shares.
Retained losses	Cumulative net losses recognised in the Financial Statements.
Reverse acquisition	Non-distributable amount arising on the reverse acquisition.
Merger acquisition	Non-distributable reserve arising on reverse acquisition.
Other reserves	Exchange differences on translating foreign operations.

Share based payment reserve   Amounts recognised for the fair value of share options granted in accordance with IFRS 2.

Consolidated statement of cash flows for the year ended 31 December 2014

	Notes	Year ended 31 December 2014 $	Year ended 31 December 2013 $
Net cash generated from operating activities	25	**702,838**	**885,299**
Cash flows from investing activities			
Purchase of plant and equipment		(56,589)	(6,403)
Purchase of intangible assets		(88,000)	-
Net cash used in investing activities		**(144,589)**	**(188,733)**
Cash flows from financing activities			
Issue of share capital		-	15,701
Share premium from placing		-	596,798
Interest received		18,154	23,624
Interest paid		(141,837)	(205,954)
Proceeds from borrowings		1,000,0000	250,000
Principal payments on long term debt and promissory notes		(419,209)	(1,131,054)
Net cash used in financing activities		**457,108**	**(268,555)**
Net increase in cash and cash equivalents		**1,015,357**	**428,011**
Cash and cash equivalents at the beginning of year		**792,468**	**382,525**
Effect of foreign exchange rate changes		(51,811)	(18,068)
Cash and cash equivalents at end of year		**1,756,014**	**792,468**

Notes to the Financial Statements for the year ended 31 December 2014

1 General information

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

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

The Company is listed on AIM of the London Stock Exchange. These Financial Statements were authorised for issue by the Board of Directors on the 5 June 2015.

2 Adoption of new and revised International Financial Reporting Standards

No new IFRS standards, amendments or interpretations became effective in 2014 which had a material effect on these Financial Statements.

At the date of approval of these Financial Statements, the directors have considered IFRS Standards and Interpretations, which have not been applied in these Financial Statements, were in issue but not yet effective. The Group has not early adopted these amended standards and interpretations. The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's Financial Statements in the periods of initial application, however, the directors' review of the potential impact of IFRS 15, has yet to be concluded.

3 Significant accounting policies

Basis of preparation

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

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

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

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

Going concern

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

The Directors have prepared a business plan and cash flow forecast for the period to June 2016. 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 Directors believe that the funding will be available on a case by case basis for different initiatives such that the Group will have adequate cash resources to pursue its growth plan.

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

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 2014. The Consolidated Statement of Comprehensive Income includes the results of all subsidiary undertakings for the period from the date on which control passes. Control is achieved where the Company (or one of its subsidiary undertakings) obtains the power to govern the financial and operating policies of an investee entity so as to derive benefits from its activities.

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

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

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

4 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 2014, 100% (2013 99%) of its revenue came from its franchise business, American Leak Detection, which includes royalties from franchisees and corporate-owned stores.

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 2014**	**Year ended 31 December 2013**
	$	**$**
Royalties from franchisees	4,916,984	4,610,363
Corporate-operated Stores	1,460,895	1,447,655
Other activities	837,218	757,990
Total	**7,215,097**	**6,816,008**

Profit/(Loss) before tax	**Year ended 31 December 2014**	**Year ended 31 December 2013**

	$	$
Royalties from franchisees	826,265	1,208,652
Corporate-operated Stores	(45,991)	5,302
Other activities	275,843	28,297
Unallocated head office costs	(470,947)	(630,357)
Total	**585,170**	**611,894**

Assets	**Year ended 31 December 2014**	**Year ended 31 December 2013**
	$	**$**
Royalties from franchisees	6,790,773	5,505,396
Corporate-operated Stores	422,193	268,885
Other activities	(529,754)	3,184
Total	**6,683,212**	**5,777,465**

Amortisation/impairment	**Year ended 31 December 2014**	**Year ended 31 December 2013**
	$	**$**
Royalties from franchisees	268,690	261,691
Other activities	73,180	70,473
Total	**341,870**	**332,164**

Depreciation	**Year ended 31 December 2014**	**Year ended 31 December 2013**
	$	**$**
Royalties from franchisees	11,994	11,482
Other activities	167	490
Total	**12,161**	**11,972**

Finance Expense	**Year ended 31 December 2014**	**Year ended 31 December 2013**
	$	**$**
Royalties from franchisees	141,837	205,954
Total	**141,837**	**205,954**

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 2014	Year ended 31 December 2013
	$	$
US	6,932,950	6,452,396
International	282,147	363,612
Total	**7,215,097**	**6,816,008**

Revenue from franchisor activities by geographical area is detailed below.

	Year ended 31 December 2014	Year ended 31 December 2013
	$	$
US	4,660,227	4,357,523
International	256,757	252,840
Total	**4,916,984**	**4,610,363**

Assets by geography

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

5 Taxation

	Year ended 31 December 2014	Year ended 31 December 2013
Group	$	$
Current tax:		
Current tax on profits in the year	209,118	112,258
Prior year over provision	-	-
Total current tax	**209,118**	**112,258**
Deferred tax current year	-	45,525
Deferred tax prior year	-	-
Deferred tax charge (note 21)	**-**	**45,525**
Income tax expense	**209,118**	**157,783**

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	585,170	611,894
Tax calculated at domestic rate applicable profits in respective countries (2014: 34.5% versus 2013: 38%)	198,958	235,579
Tax effects of:		
Non-deductible expenses	26,697	5,254
State taxes net of federal benefit	50,244	-

Depreciation less than capital allowances	-	(74,765)
Short term timing differences	-	6,528
Deferred tax not recognised	(66,781)	-
Tax losses (relieved)/unrelieved	-	(14,813)
Taxation expense recognised in income statement	209,118	157,783

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

The effective rate for tax for 2014 is 36% (2013: 26 %).

6 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 2014**	**Year ended 31 December 2013**
Profit for the year attributable to shareholders of the Company ($)	376,052	454,111
Weighted average number of ordinary shares	10,567,650	9,695,917
Diluted weighted average number of ordinary shares	10,567,650	10,150,028
Profit per share (cents)	**3.6**	**4.7**
Diluted profit per share (cents)	**3.6**	**4.5**

There is no diluted impact from the share options on the basis that the exercise price is above the current market value.

7 Goodwill

Group	**Goodwill**	**Owned and Operated stores**	**Franchisor activities**	**Totals**
	$	**$**	**$**	**$**
Cost				
At 1 January 2013	1,493,729	239,500	636,711	2,369,940
Additions	-	-	-	-
At 31 December 2013	**1,493,729**	**239,500**	**636,711**	**2,369,940**
Additions	-	-	-	-
At 31 December 2014	**1,493,729**	**239,500**	**636,711**	**2,369,940**
Impairment				
At 1 January 2013	1,493,729	75,000	-	1,568,729

Impairment in year	-	-	-	-
At 31 December 2013	**1,493,729**	**75,000**	**-**	**1,568,729**
Impairment in year	-	-	-	-
At 31 December 2014	**1,493,729**	**75,000**	**-**	**1,568,729**
Carrying amount				
At 31 December 2013	-	164,500	636,711	801,211
At 31 December 2014	**-**	**164,500**	**636,711**	**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 2015 and that cash flows thereafter are assumed to increase by 2% per annum and a discount rate of 10% has been used to value the future cash flows. A terminal value has been estimated after 5 years of discounted cash flows. The terminal value also assumes a growth rate of 2% per annum and has been calculated at a discount rate of 25%. This has resulted in no impairment charge being required in 2014 (2013: $nil).

The assumptions used for the franchisor activities are based on the forecast cash flows for 2015 and that cash flows thereafter are assumed to increase by 2% per annum and a discount rate of 10% has been used to value the future cash flows. A terminal value has been estimated after 5 years of discounted cash flows. This has resulted in no impairment charge being required in 2014 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.

8 Trade and other receivables

Non-current	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	$	$	$	$
Trade notes receivable	29,076	19,073	-	-

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

	Group		Company	

Current	31 December 2014 $	31 December 2013 $	31 December 2014 $	31 December 2013 $
Trade receivables	96,730	61,973	-	-
Prepayments	460,421	425,311	5,201	24,157
Due from Group undertakings	-	-	428,764	391,588
Accrued royalties receivable	113,258	94,428	-	-
Trade notes receivable	34,877	28,567	-	-
Other receivables				
Due from related party	114,315	124,728	-	-
VAT debtor	10,671	14,999	1,203	2,624
Current portion	830,272	750,006	435,168	418,369

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 29 days (2013: 26 days).
As at the 31 December 2014, trade receivables of $14,300 (2013: $37,958) were past due but not impaired. These relate to a number of customers for whom there is no history of default. The ageing analysis of these trade receivables is as follows:

Ageing of past due but not impaired receivables

	Year ended 31 December 2014 $	Year ended 31 December 2013 $
60-90 days	9,357	27,338
90+ days	4,943	10,620
	14,300	37,958
Average age (days)	92	95

Due to the current net liability position of ALD International Limited, an impairment provision of $391,588 (2013: $391,588) was made in FY14 against part of the receivable due from ALD International Limited to Water Intelligence Plc (company). This provision has no impact on the consolidated results for the year.

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

	Year ended 31 December 2014 $	Year ended 31 December 2013 $

US Dollar	816,841	710,093
UK Pound	13,431	39,913
	830,272	750,006

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.

9 Trade and other payables

	Group			Company
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	$	$	$	$
Trade payables	176,342	169,340	30,114	33,671
Accruals and other payables	491,655	473,219	46,210	40,586
Due to Group undertakings	-	-	1,142,155	955,113
	667,997	642,559	1,218,479	1,029,370

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 (2013: 25 days).

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

10 Related party transactions

Plain Sight Systems ("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 the 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 term of the loan was reset for 5 years to 2019. The principal amount outstanding at December 31, 2014 is $2,550,501. As of December 31, 2014 interest on the loan was 5.75% annually. For 2014, monthly instalments of principal and interest amount to $52,959 per month. The Group 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 did not draw on the line of credit during 2014.

Liberty Bank has required that the refinanced term loan and commercial line of credit be guaranteed by PSS and the Executive Chairman. For the PSS guarantee, ALD pays 0.75% per annum based on the outstanding balance of the loan calculated at the end of each month. For the guarantee of the Executive Chairman, the board has agreed to award the Executive Chairman options for ordinary shares. For 2014, the Board awarded the Executive Chairman an option to acquire 50,000 ordinary shares at an exercise price of 45p. The expense charge for the Executive Chairman's guarantee is 0.07%, which will be expensed in 2015 as the options were granted subsequent to year end, bringing the total charge for guarantees to 0.82% for 2014. 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 $7,060 and $10,040 for the years December 31, 2014 and 2013, respectively. The guarantee fee expense for the PSS guarantee amounted to $16,500 and $17,323 for the years ended December 31, 2014 and December 31, 2013 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 $114,315 and $124,728 at December 31, 2014 and 2013, respectively.

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

QN

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Balance at 31 December 2013	**391,588**
Net loans to subsidiary	(22,998)
VAT transferred under group registration	46,576
Other expenses recharged and exchange differences	13,598
Balance at 31 December 2014	**428,764**

ALD

	$
Balance at 31 December 2013	**(955,113)**
Loans to WI	(200,000)
Loans transferred to ALDH*	1,000,000
Other expenses recharged and exchange differences	(61,002)
Balance at 31 December 2014	**(216,115)**

ALDHC

	$
Loans to WI*	**(1,000,000)**

***During 2014, ALDHC paid ALD $1,000,000 on behalf of Water Intelligence as repayment for amounts the ALD advanced to Water Intelligence in previous and current years.

11 Subsequent events

On 17 February 2015, the Group reacquired a significant amount of territory from its Miami franchisee, through its wholly owned subsidiary, ALD.

On 25 March 2015, the Group announced the completion of its reacquisition of its New York franchisee, also through ALD, with the issuance of 50,000 ordinary shares of 1p each in the Group to the former owner. The 50,000 shares were admitted to AIM on the 30 March 2015, with a total of 10,617,650 ordinary shares in issue following admission. As the issuance of these shares was part of the purchase agreement dated 24 February 2014, the increase in share capital has been accrued as deferred consideration at year end.

On 6 May 2015, the Group reacquired its Detroit / Eastern Michigan franchisee through its wholly-owned subsidiary ALD. Such acquisition will be accretive to sales for 2015.

On 5 June 2015, the Group granted of 317,500 Share Options to the Executive Chairman and David Silverstone, both directors of the Company, and to certain Employees, all with an exercise price of 45p. 100,000 of these Share Options relate to the Executive Chairman's compensation and an additional 50,000 of these Share Options relate to the Executive Chairman's personnel guarantee of the loan with Liberty Bank in 2014. 40,000 of these Share Options relate to compensation payable to David Silverstone. Therefore the total Share Options outstanding at the date of this report is 1,052,000.

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

12 Annual General Meeting

The AGM of the Company will be held at the office of CMS Advisory Group Limited, 201 Temple Chambers, 3-7 Temple Avenue, London, EC4Y 0DT at 11 a.m. on 30 June 2015.

13 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