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Water Intelligence PLC
15 August 2011

Water Intelligence plc (AIM: WATR.L)
("Water Intelligence", the "Group" or the "Company")

Preliminary Results for the year ended 31 December 2010

Water Intelligence is a leading provider of water monitoring products and leak detection and remediation services. The Group was established following completion of the reverse takeover of Qonnectis plc ('Qonnectis') by American Leak Detection Holding Corp. in July 2010. These results constitute 12 months trading by American Leak Detection, Inc, ('ALD'), the Group's principal and wholly-owned operating subsidiary, and five months trading from UK operations, including plc costs.

Financial Highlights

Year ended 31 December	2010	2009
Total revenue	$5,698,024	$5,545,124
Underlying operating profits*	$588,621	$1,375,956
Operating (loss)/profit	($567,298)	$526,489
(Loss) / profit before tax	($869,168)	$142,745
(Loss) / earnings per share (diluted)	(21.9 cents)	1.84 cents

** Underlying operating profits are before non-recurring costs and net finance costs*

Post Year End Highlights

- €€€€€€Integration of ALD and Qonnectis completed, with revenue for the six months to 30 June 2011 approximately 14% higher than in the same period in 2010 including completion of *Leakfrog* product sales order by Thames Water

- €€€€€€Sale of New York franchise and opening of fifth Corporate-run Store (Connecticut).

- €€€€€€South West Water Limited supporting development and commercialisation of *Domestic Reporter* product, a hi-tech device that will allow metered domestic water users to monitor water use and identify when a leak has occurred.

- €€€€€€Prototype testing commenced of *Commercial Reporter*, a product for industrial monitoring of water flow.

The annual accounts for the Group for the year ended 31 December 2010 are expected to be posted to shareholders of the Company shortly, following which it is expected that trading in the Company's shares will be restored on AIM. A further announcement will be made in due course.

Patrick DeSouza, Executive Chairman of Water Intelligence, comments:

"The Group has made considerable steps forward in the last year. I am confident that we can sustain this progress, and build a significant presence in the growing international market for comprehensive water infrastructure solutions, from monitoring of and alerts for leaks to non-invasive leak detection and remediation. Our strategic goal is to become a leading "One Stop Shop" for products and services addressing strong global demand for improved water management."

15 August 2011

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CHAIRMAN'S STATEMENT

July marked the first anniversary of the creation of Water Intelligence plc (WI), through a reverse takeover of Qonnectis plc by American Leak Detection Holding Corp. (ALDHC). Publication of these Accounts for 2010 was unfortunately delayed, as integration of the two businesses took longer than expected. However, we have made changes to our accounting systems to ensure that no such delay happens again, and that future reporting is made in a timely manner.

The management team is now working in a disciplined way towards executing a strong growth profile for our shareholders in year two of our strategic plan. We have begun to see acceleration of revenue growth during the second half of 2010 and the first half of 2011, reaching approximately 14% when comparing revenue for 1H 2010 with 1H 2011 for the Group.

Our vision is to create a vertically-integrated "One Stop Shop" so that customers can find comprehensive solutions throughout the water value chain, from automated metering and alerts to non-invasive water leak detection and remediation. Water loss remains a big issue and we are at the beginning of long-term investment cycle, where the public and private sectors are spending significant sums in order to improve conservation of this precious resource, despite uneven global macroeconomic conditions.

The enlarged group is well-placed to take advantage of this trend by bringing together a suite of products and services through which we can reduce customer acquisition costs and scale operations rapidly. We are discussing with Qonnectis's water utility customers, such as Thames Water, ways to address their needs by bundling a next generation water monitoring product based on Qonnectis designs with non-invasive leak detection services whose proprietary methodology was pioneered at ALD. After launching in the UK, we plan to offer an adapted suite of products and services to the U.S. market through our well-developed franchisee network that already extends through 42 states of the U.S.

In the UK, Ofwat (the Water Services Regulatory Authority for England and Wales) seeks to aggressively reduce water loss from leakage requiring the utilities to find solutions promptly. Similar policies are emerging in the U.S. led by New York City's $250 million investment in smart metering solutions announced by Mayor Bloomberg in March 2011. We are well-positioned to sell solutions in both markets and, were pleased to announce in May 2011 the sale of the New York franchise to a business leader with significant experience in public-private partnerships.

Year-on-year our core ALD services business continued to grow and increased to 5% growth during the second half of 2010 reaching revenue of $5.7 million for the year and 6% growth during the first half of 2011. Further, we were pleasantly surprised in the last quarter of 2010 with the fresh start of the complementary QON product business through sale of *Leakfrogs* to Thames Water (mostly booked for 2011 as products were delivered).

Underlying operating profits, adjusted for non-recurring costs and net financing costs, are analysed in the Business Review section. Underlying operating profits were reduced from $1,375,000 in 2009 to $589,000 in 2010. During 2010, the Company increased its R&D expense to third parties to $155,883 in 2010 from $18,235 in 2009. This increased expense will help sustain growth via our product roadmap in years two and three of our strategic plan. On the other hand, certain losses for 2010 need to be remedied. We showed increased losses in our corporate-run stores, especially in California, reaching $140,000 in 2010 from a loss of $118,000 in 2009. We have now made a management change to focus on execution at our corporate-run stores. We will be monitoring our cost structure and already see improvement in profitability for these corporate-run stores for 2011. Through 1H 2011, the same corporate-run stores which showed losses in 2010 have now turned a small profit.

The underlying operating profits by geography make clear the strategic choice that the Board has made.

Underlying *US-based* adjusted operating profits during 2010 decreased to $1,152,000 from $1,375,000 in 2009. If we succeed in 2011 in addressing the 2010 negative contribution from Corporate-run stores, the underlying operating profit in the US would return to 2009 levels but with higher revenue growth achieved. These measures reflect the stable growth of the US franchise services business.

By comparison, *UK-based* operations, including the plc costs following Admission to AIM in July 2010, produced a loss of $563,000 during 2010. As noted above, we have increased our R&D expense with respect to a UK-based product roadmap to $155,883. As we discuss below, we have expressions of interest from UK water utilities, including existing QON customers, in the new products that we are developing. Our strategy is that with future product sales anticipated for 2012, the UK-based operations will produce significant positive contribution to operating profits that will form an important growth supplement to US-based operating profits. We have begun to see this prospect more clearly with the positive contribution of *Leakfrog* sales during 2011 H1.

In 2011 the Board is closely monitoring the products and services businesses in the UK and US respectively, within our overall "One Stop Shop" model. This approach is designed to better monitor and control operating costs and cashflow in our stable and growing US-based services business and in our potentially rapidly growing UK-based products business.

We expect strong follow-through performance in years two and three of our plan. Based on results for the first half of 2011 in both ALD's service business and QON's products business, we are expecting continued revenue growth for the full year. We look to sell more franchises in 2011 than in 2010, extending our anticipated royalty growth in the near term. Moreover, given our anticipated margins from our new smart water monitoring products, we expect that during 2012 our investment in the QON product portfolio will pay off, especially given the interest of sizeable customers such as South West Water and Thames Water.

In reviewing Year One in more detail, I am pleased to report that we have completed four major post-reverse takeover objectives, namely:

- ~~€€€€€€~~Integration of WI and ALD;
- ~~€€€€€€~~Maintaining steady royalty growth in our core Franchise Business;
- ~~€€€€€€~~Building solid foundations for growth in our Products and Innovation Business; and
- ~~€€€€€€~~Installing a scalable international business model of vertically-integrated Products and Services.

During the year ended 31 December 2010, 99% of our sales came from outside the UK, largely from the US but also from Commonwealth countries such as Canada and Australia. We expect this non-UK dominance to change over the course of the current year, with product sales to UK water utilities. We are on track in terms of our design and production cycle and plan to introduce such products at the end of 2011 / beginning of 2012.

Our existing franchise network, which services municipalities, businesses and residences across the US and seven other countries, forms a natural distribution system for QON's UK-developed products as they are adapted for local differences. Moreover, such wireless metering products should provide additional services opportunities for our franchise system to pinpoint and fix leaks once customers have been alerted to their presence.

We recognise that building a scalable business model of products and services comes in defined stages. Throughout the integration process, a second parallel objective was to ensure that our

ALD franchise services business continued with stable growth, without unnecessary distractions arising from the merger and a choppy US economy. System-wide, sales for our franchises and corporate-run locations approached $50 million. Two performance indicators for management are noteworthy: (a) growth of royalty income; and (b) growth in corporate-run sales.

During 2010 royalty income grew modestly as follows but accelerated during 2H:

Franchisee locations	**2010 US $'000**	**2009 US $'000**	**Change %**
California, Arizona & Nevada	1,154	1,197	- 4%
Rest of US	2,484	2,406	+ 3%
Total US	3,638	3,603	+ 1%
International	238	214	+11%
Group	3,876	3,817	+2%

It is encouraging to note that our franchisees' businesses grew such that royalties in H2 2010 were 5% above the same period in 2009. This has continued, with royalties in H1 2011 being 5.5% above the same period in 2010.

Assisted by the arrival of the new ALD President, Bill Palmer, the ALD management team remains committed to helping franchisees build their businesses and generate a growing royalty base for the Group. The team has already started to introduce various systems to help make our franchisees' businesses more profitable.

In addition, the ALD management team is also focusing on significantly improving the performance of our Corporate-run stores, where the results were:

	2010 US$'000	**2009 US$'000**
Revenue	1,361	1,421
Contribution	(140)	(118)

On the East Coast of the US, our locations in total did produce a small positive contribution, averaging 3% of revenue, during each of 2010 and 2009. Our 2011 opening of locations in Connecticut (Corporate-run) and New York (Franchise sale) seek to take advantage of an improving economy in the northeast region of the US, where franchise royalties grew by 3% in 2010 compared with 2009.

Losses in our Palm Springs and San Bernadino Corporate-run Stores, we believe, stem largely from the Californian economy which has been slower to recover than the rest of the US. During 2011 we are focused on significantly reducing losses at our Californian Corporate-run Stores through a combination of new growth and improved cost controls. Since our management change, we do see improvement with California stores achieving a small profit for H1 2011.

Our third corporate objective in Year One was to start building on our solid services business by exploiting opportunities for additional growth from our innovation and products business.

QON's product business, including its relationship with Thames Water, has proven resilient. In September 2010, shortly after the reverse acquisition, QON announced a £177,000 order to Thames Water of the *Leakfrog* smart metering product. Having recognized £30,000 of revenue in 2010, we completed delivery in March 2011, recognizing £147,000 in revenue during Q1 2011.

We plan to continue to sell *Leakfrogs,* but increasingly we aim to supplement this product with our two next generation smart metering products - *Domestic Reporter* and *Commercial Reporter*. Our current timetable is to have production units of *Commercial Reporter* ready by the end of Q3 2011 and to introduce these products at the end of 2011/ beginning of 2012.

A final objective for Year One was to position the Group for a scalable products and services model for accelerated growth in Year Two of the strategic plan. As noted below, the trends on both sides of the Atlantic encourage us to believe in the long-run synergies of our merger, where we can fully meet customer demand throughout the water value chain from providing smart meters that alert customers to the presence of a leak to pinpointing and remediating such leaks.

Strategy
In general, we see the demand for water solutions remaining strong for the foreseeable future, despite global economic conditions. The "Green movement" for economies around the world is here to stay. As we observed at the time of the Admission to AIM in July 2010, and as we continue to appreciate today, water loss from leakage is an important issue for the commercial, municipal, and residential markets.

Our growth plans for both sides of the Atlantic seek to take advantage of market demand for integrated product and services solutions. In the UK, the Office of Water Services (Ofwat) has been assertive in demanding solutions from the water utilities to the problem of leakage.

In this context, we were pleased to announce in June 2011 that South West Water - a major UK water utility serving 1.6 million people - is backing our development and commercialization of *Domestic Reporter*, a new hi-tech device that will allow metered domestic water users to monitor their own water use and identify quickly when a leak has occurred. We expect additional support from other utilities. Moreover, we have begun to test the prototype for our *Commercial Reporter* product, which is geared for industrial monitoring of water flow.

We plan to complement such "water intelligence" derived from our smart meter products with a leak detection and remediation services capability. As previously announced, ALD appointed a UK Master Franchisee in October 2010; whilst not material to the Group's performance in 2010, initial progress in the UK has been slower than the Board's expectations. Accordingly, we are currently working on various actions to improve our service delivery so that we can link our UK services business to the smart meters that, as noted above, we plan to sell towards the end of 2011.

Strategically, we are also seeking to take advantage of similar market conditions in the US for deploying bundled solutions of smart metering and leak detection services. By comparison with the UK, the US franchise system is well-developed. We need to retrofit the products that we are initially developing for the UK markets; the timing for us to meet such market demand is good. In March 2011, New York Mayor Bloomberg announced a $250 million investment in smart, wireless metering for detecting water leaks. This programme is designed to be a model across the US and to create a "first responder" approach for leak remediation services after an alert has been provided.

Our 130 franchise locations across the US can be natural distribution points for our smart metering products as they service annually over 100,000 municipalities, businesses and residences. As noted above, during the second half of 2010 and the first half of 2011, our leak detection services business showed solid growth in most areas of the US. We expect that our services business will grow more strongly as it benefits from smart metering products and the wireless call for services upon being alerted to the presence of a water leak.

After roll-out of our integrated product and services model in the US and UK, we also have growth opportunities in other countries where American Leak has franchise operations, especially Commonwealth countries of Australia and Canada, which are showing rapid growth.

We see such integrated solutions as a long-term trend, reducing customer acquisition costs and increasing scalability of the business. Our vision for WI remains that we create a vertically-integrated "One Stop Shop" for customers to find comprehensive solutions.

Business Review

Since Admission to AIM in July 2010, the Board's priority has been focused on integration, growing a profitable base business providing leak detection services and seeking to open up UK operations to accelerate growth in H2 2011 and 2012 in terms of both water monitoring products and leak detection services.

Under the International Financial Reporting Standards, the acquisition of ALDHC by the Company has been treated as a reverse acquisition. Accordingly, the Group results for the year ended 31 December 2010 constitute 12 months trading by ALD, the Group's principal and wholly-owned operating subsidiary, and five months trading from UK operations, including plc costs.

Certain costs will be non-recurring after 2010. Firstly, the non-recurring costs reflect the costs of the reverse takeover and Admission to AIM. Secondly, the non-recurring costs reflect an amended Commercial Agreement with PSS, a technology company and former majority owner of ALD. Prior to the transaction, the Commercial Agreement provided for a licence fee between $250,000 and $1,500,000. After Admission, the Amended Commercial Agreement provides for a technology license that is royalty-free for the first $5 million of sales and 3% thereafter. It is anticipated that for 2011 there will be no costs to Water Intelligence.

	2010 US$'000	**2009 US$'000**
Revenue	5,698	5,545
The profit after taxation for the year is as follows:		
Underlying profit*	589	1,375
Non-recurring costs:		
Reverse Takeover & Admission to AIM	(682)	-
Commercial agreement with PSS, the majority owner until Admission to AIM in July 2010	(474)	(849)
(Loss)/Profit from operations	(567)	526
Finance expense (net)	(303)	(288)
(Loss)/Profit before taxation	(870)	238
Taxation	1	(95)
(Loss)/Profit after taxation of the Group	(869)	143

Underlying profit from operations may be analysed geographically as follows:

	2010 US$'000	**2009 US$'000**
US based operations	1,152	1,375
UK based operations, including plc costs	(563)	-
	589	1,375

*Underlying operating profits are before non-recurring costs and net financing costs.

99% of the Group's revenue in the year ended 31 December 2010 came from its wholly-owned subsidiary, ALD, with the remainder from UK operations. As noted above, the Board believes that this mix will change with sales from the Company's product business which is based in the UK.

Revenue - ALD

ALD, with offices in Palm Springs and New Haven, provides, through a mix of franchisees and Corporate-run stores, non-invasive water leak detection and remediation services throughout the US, as well as in Australia, Belgium, Canada, Spain, United Kingdom and certain other countries.

	2010 US $'000	**2009 US $'000**	**Change %**
Royalty income from franchisees	3,876	3,817	+2%
Company Stores and other income	1,768	1,728	**+2%**
	5,644	5,545	**+2%**
Royalty income from US franchisees			
H1	1,756	1,815	**-3%**
H2	1,882	1,788	+5%
Year	3,638	3,603	+1%

It is encouraging to note that royalty income from US franchisees was up 5% in the second half of 2010 when compared to the same period in 2009 as the US economy began to recover from the aftermath of the global financial crisis. This followed a decrease of 3% during H1 2010 over the same period in 2009. Meanwhile, international growth remained robust, with royalty income increasing by 11% during 2010.

In the US royalties from franchisees in the southeast region rose by 12%, while royalty income from franchisees in California, Nevada and Arizona decreased by 4%, generally due to the slumping real estate market as well as higher than national average unemployment. As noted above, such localized market slump is one factor for negative contribution for our Corporate-run Stores. The remaining geographical areas in the US in aggregate were generally stable.

ALD has continued to experience regional differences across the US. In the second half of 2010 royalty income from franchisees located in the northeast and southeast of the US rose between 10% and 16% while the remaining areas in the US rose between 1% and 3%.

Internationally, as noted above, there is strong growth. Approximately 7% of ALD's royalty income arose outside the US in H2 2010 and 6% for the year. Royalty income from outside the US grew at 11%, with Australia up 26% for the full year. In light of trends in the global economy, we are comforted that water leakage is a global problem and that we are well-positioned to continue with international expansion to meet strong demand.

Revenue - UK operations

Prior to the reverse takeover, QON had an interesting product portfolio and significant former customers, but lacked working capital to continue as a stand-alone business. ALD has provided QON a fresh start, with a critical mass of resources both financial and personnel. As stated above in September 2010, WI received a significant order for its *'Leakfrog'* product from Thames Water plc for an aggregate purchase price of £177,000 ($265,000 at $1.50: £1.00). There were no other material revenues from UK activities since the reverse takeover in July 2010.

Net Debt - 31 December 2010 & 30 June 2011

The Group has a term loan with the Bank of Southern Connecticut. Originally $4.0m, the loan is being paid down based on a set amortization schedule. Our relationship with the Bank is strong and will be closely managed.

	31 December 2010	30 June 2011
	US$ '000	**US $'000**
	Audited	Unaudited
6 Year Term Loan*	3,718	3,553
Promissory Note	102	59
	3,820	3,612
Less: Cash		
Held in US Dollars	447	440
Held in £ Sterling	159	39
	606	479
Total Net Debt *	3,214	3,133

*** excludes amortized Loan Fees

Board and Management

As noted above, since year end we have made management and Board changes to position the Company for stronger growth in Year Two of our strategic plan.

Stan Berenbaum (formerly CEO) has stepped down from the Board. We are pleased to have Bill Palmer with his operating experience take responsibility since April 2011 for managing the Group's principal operating subsidiary, ALD, and for working with our UK team.

Ric Piper (formerly a non-executive director) has stepped down from the Board for personal reasons. However, I am pleased that he will remain as an adviser to WI, particularly to bridge any execution challenges and to help accelerate development of its business presence in the UK. Given the purchase of *Leakfrogs* by Thames Water, the positive reaction of South West Water to *Domestic Reporter* and the need to match a service capability to such product development, we value his continued contribution as we begin to scale the business.

Harry Offer, who was previously the Chairman of Qonnectis plc and has been a non-executive director of the Company since the reverse takeover, stepped down as a director with effect from the publication of these accounts, to pursue his other business interests. With integration now complete, I thank him for his efforts on behalf of the Company during this transitional period.

I am delighted to announce that Robert Mitchell, a highly experienced UK fund manager in the AIM Market, has been appointed a non-executive director of the Company, with immediate effect. He has a background in helping product innovation companies grow and scale. Given our corporate strategy, we look forward to his participation.

Robert Mitchell and Ric Piper have significant relevant experience to help us achieve our growth trajectory, and to provide support for the management team and our franchise system.

The Board intends to appoint a further non-executive director in the near future.

Outlook

WI has experienced good growth in the royalty income in the first half of the current financial year, when compared to the corresponding period last year and the Board expects increasing levels of growth in its leak detection services business, especially as macro-economic conditions improve in the US and given the large addressable market and franchise revenue growth in international locations. We expect new franchise sales that broaden ALD's footprint both in the US and abroad.

On the product side, we are encouraged by the continued purchase of *Leakfrogs* and strong initial interest from certain UK water utilities for its next generation product suite. In particular, the new domestic monitoring device has drawn interest from both South West Water and Thames Water. These two utilities have a footprint in the millions of households as target end-users for the product. Whilst significant development and testing work remains to be done, the Board anticipates that the new products will deliver revenues by the end of 2011 and that growth should take effect during 2012.

There is still work to do. Progress needs to be made to significantly improve the performance of the Corporate-run Stores, especially the two in California, and develop the WI's UK services business. Steps continue to be taken to manage the Group's overheads now that integration is complete. Moreover, we have begun to develop channel partners in the UK to assist with service delivery.

In addition to sales opportunities in the UK, our well-developed franchisee base of some 130 locations across the US gives us a strong distribution platform for these smart metering products that we are developing with the assistance of UK water utilities such as South West Water. With vertical integration through smart metering products adapted for the US, we believe that there will be additional growth opportunities for our franchisees. After we roll-out the integrated suite of products and services in the UK and US, we plan to leverage our existing international footprint, especially Australia, to scale rapidly.

The Group has made considerable steps forward in the last year. I am confident that we can sustain that progress, and build a significant presence in the growing international market for comprehensive water infrastructure solutions, from monitoring of and alerts for leaks to non-invasive leak detection and remediation. Our strategic goal is to become a leading "One Stop Shop" for solutions to this global issue of water management.

Patrick De Souza
Executive Chairman

12 August 2011

Water Intelligence plc

Consolidated Statement of Comprehensive income for the year ended 31 December 2010

	Notes	Year ended 31 December 2010 $	Year ended 31 December 2009 $
Revenue	3	5,698,024	5,545,124
Cost of sales		(355,342)	(273,824)
Gross profit		5,342,682	5,271,300
Share-based payments		(20,399)	(42,109)
Reverse acquisition costs		(681,893)	-
Administrative expenses		(5,207,688)	(4,702,702)
Operating (loss)/ profit		(567,298)	526,489
Finance income		19,103	77,032
Finance costs		(322,631)	(365,159)
(Loss) / Profit before tax		(870,826)	238,362
Taxation credit/ (charge)	4	1,658	(95,617)
(Loss) / Profit for the year		**(869,168)**	**142,745**
Other Comprehensive Income			
Exchange differences arising on translation of foreign operations		(18,833)	-
Total comprehensive (loss)/profit for the year		**(888,001)**	**142,745**
Loss per share		**Cents**	**Cents**
Basic	5	(21.9)	2.04
Diluted	5	(21.9)	1.84

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

Water Intelligence plc

Consolidated Statement of Financial Position as at 31 December 2010

	Notes	2010 $	2009 $
ASSETS			
Non-current assets			
Goodwill	6	2,369,940	876,211
Other intangible assets		3,973,122	4,295,516
Property, plant and equipment		76,729	117,287
Deferred tax asset		186,895	271,501
Trade and other receivables	7	52,439	112,005
		6,659,125	5,672,520
Current assets			
Inventories		242,049	100,702
Deferred tax asset		92,493	41,564
Trade and other receivables		860,822	973,231
Cash and cash equivalents		606,382	369,650
		1,801,746	1,499,780
TOTAL ASSETS		8,460,871	7,172,300
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent			
Share capital		12,716,863	84
Share premium		4,203,812	1,924,895
Capital redemption reserve		6,517,644	-
Merger reserve		8,501,150	-
Other reserves		601	-
Reverse acquisition reserve		(27,758,088)	-
Retained (loss) / profit		(706,171)	162,991
		3,475,805	2,087,970
Non-current liabilities			
Borrowings	8	3,086,408	33,202
Promissory notes		85,222	3,249,099
Provision of onerous contracts		193,218	-
		3,364,848	3,282,301
Current liabilities			
Trade and other payables	9	884,264	305,704
Borrowings		632,439	441,569
Promissory notes		16,880	1,054,756
Provision for onerous contracts		86,635	-

	1,620,218	1,802,029
TOTAL EQUITY AND LIABILITIES	8,460,871	7,172,300

Water Intelligence plc

Consolidated statement of changes in equity for the year ended 31 December 2010

	Share Capital	Share Premium	Capital Redemption Reserve	Reverse Acquisition Reserve	Merger Reserve	Other Reserves	Retained Profit/ (Loss)	Total Equity
	$	$	$	$	$	$	$	$
As at 1 January 2009	**84**	**1,924,895**	**-**	**-**	**-**	**-**	**20,246**	**1,945,225**
Total Comprehensive Income	-	-	-	-	-	-	142,745	142,745
As at 31 December 2009	**84**	**1,924,895**	**-**	**-**	**-**	**-**	**162,991**	**2,087,970**
As at 1 January 2010	**84**	**1,924,895**	**-**	**-**	**-**	**-**	**162,991**	**2,087,970**
Parent company equity reflected on reverse acquisition	18,853,090	2,510,565	-	-	-	-	-	21,363,655
Issue of shares	237,908	-	-	-	-	-	-	237,908
Issue of consideration shares	114,880	-	-	(27,758,088)	8,501,150	-	-	(19,142,058)
Reverse acquisition adjustment	(84)	(1,924,895)	-	-	-	-	-	(1,924,979)
Issue of open offer shares	3,525	260,857	-	-	-	-	-	264,382
Issue of shares to advisers and creditors	1,289	95,337	-	-	-	-	-	96,626
Issue of re sub-underwriting shares	13,748	1,017,341	-	-	-	-	-	1,031,089
Conversion of loan notes	10,067	583,972	-	-	-	-	-	594,039
Cost of raising equity	-	(264,260)	-	-	-	-	-	(264,260)
Cancellation deferred shares	(6,517,644)	-	6,517,644	-	-	-	-	-
Share based payment expense	-	-	-	-	-	19,434	-	19,434
Total comprehensive loss	-	-	-	-	-	(18,833)	(869,168)	(888,001)
As at 31 December 2010	**12,716,863**	**4,203,812**	**6,517,644**	**(27,758,088)**	**8,501,150**	**601**	**(706,177)**	**3,475,805**

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 profit/(losses)	Cumulative net losses recognised in the Financial Statements
Reverse acquisition	Non-distributable amount arising on the reverse acquisition in accordance with IFRS 3.
Other reserves	Amounts recognised for the fair value of share options granted in accordance with IFRS 2 amounting to $19,434 and exchange differences on translating foreign operations amounting to ($18,833).
Merger reserve	Non-distributable reserve arising on reverse acquisition

Water Intelligence plc

Consolidated statement of cash flows for the year ended 31 December 2010

	Year ended 31 December 2010 $	Year ended 31 December 2009 $
Net cash (used in)/generated from operating activities	**(315,010)**	**864,182**
Cash flows from investing activities		
Interest received	19,103	77,032
Interest paid	(322,631)	(365,159)
Sale of fixed assets	801	-
Purchase of plant and equipment	(7,124)	(1,682)
Capital contributed	-	180,000
Convertible loan note	-	(121,112)
Trade notes received	105,993	36,811
Net cash (used in)/from investing activities	**(203,858)**	**(194,110)**
Cash flows from financing activities		
Proceeds from borrowings	4,000,000	-
Principal payments on long term debt	(4,776,392)	(406,990)
Repayment of loan note funding	-	(450,512)
Repayment of obligations under finance leases	(16,617)	(21,947)
Proceeds from long term debt	-	199,401
Proceeds from issue of shares	1,295,471	-
Fees associated with share issue capitalised	(264,260)	-
Proceeds from issue of convertible loan notes	452,883	-
Net cash from/(used in) financing activities	**691,085**	**(680,048)**
Net decrease in cash and cash equivalents	**172,217**	**(9,976)**
Cash and cash equivalents at the beginning of year	**369,650**	**379,626**
Cash acquired on Reverse acquisition	83,348	-
Effect of foreign exchange rate changes	(18,833)	-
Cash and cash equivalents at end of year	**606,382**	**369,650**

Water Intelligence plc

Notes to the Financial Statement for the year ended 31 December 2010

1. General information

The Group is a leading provider of water monitoring products, leak detection equipment and remediation services. The Group's strategy - which underpins the creation in July 2010 of Water Intelligence plc through the Reverse Acquisition of Qonnectis plc by ALDHC - is to focus on providing a critical mass of water management products and services and to be a "one-stop" shop for leak alerts, precision, non-invasive leak detection and remediation.

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 St Johns Innovation Centre, Cowley Road, Cambridge CB4 0WS, England.

The Company is listed on AIM of the London Stock Exchange Financial Statements were authorised for issue by the Board of Directors on 12 August 2011.

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 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.

Basis of consolidation

On 29 July 2010 the Company acquired via a share for share exchange 91.57% of the issued share capital of ALDHC and its wholly owned subsidiary ALD. On 27 August 2010 the Company acquired the remaining issued share capital of ALDHC.

Under IFRS 3 Business Combinations this ALDHC share exchange has been accounted for as a reverse acquisition.

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. The following accounting treatment has been applied in respect of the reverse acquisition.

- The assets and liabilities of the legal subsidiary, ALDHC are recognised and measured in the Consolidated Financial Statements at their pre combination carrying amounts, without restatement to their fair value;

- The retained reserves recognised in the Consolidated Financial Statements reflect the retained reserves of ALDHC to 31 December 2009. However in accordance with IFRS 3 Business Combinations the equity structure appearing in the Consolidated Financial Statements reflects the equity structure of the legal parent WI, including the equity instruments issued under the share exchange to effect the business combination;

- A reverse acquisition reserve has been created to enable the presentation of a consolidated statement of financial position which combines the equity structure of the legal parent with the non-statutory reserves of the legal subsidiary;

- Comparative numbers are based upon the Consolidated Financial Statements of the legal subsidiary, ALDHC for the year ended 31 December 2009 apart from the equity structure which reflects that of the parent; and

- ALDHC reported under US GAAP for the year ended 31 December 2009, these figures were adjusted to IFRS prior to the reverse acquisition taking place.

- The following accounting treatment has been applied in respect of the acquisition of WI:

    The assets and liabilities of WI are recognised and measured in the Financial Statements at their fair value at the date of acquisition;

    The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred for assumed at the date of the exchange, plus costs directly attributable to the acquisition.

    Identifiable assets acquired and liabilities assumed in a business combination are initially measured at their fair values, irrespective of the extent of any minority interest. The excess of the cost of the acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. If the costs of the acquisition is less than the fair value of the net assets of the subsidiary acquired the difference is recognised directly in the income statement.

3. Operating segments

In the opinion of the Directors, the operations of the Group currently comprise one operating segment, being the provision of water monitoring products, leak detection equipment and remediation services.

The Group mainly operates in the US, with nascent operations in the UK and certain other countries. In 2010 94% of its revenue came from the US based operations, the remaining 6 % 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.

Segment information

The Group adopted IFRS Operating Segments with effect from 1 July 2008. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group. Prior to the Reverse Acquisition 29 July 2010, IFRS 8 was applied retrospectively to the comparative figures of ALDHC as of 1 January 2009.

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
- Corporate-operated stores
- Other activities

The following is an analysis of the Group's revenues:

Revenue	**Year ended 31 December 2010**	**Year ended 31 December 2009**
	$	**$**
Royalties from franchisees	3,876,047	3,817,071
Corporate-operated Stores	1,361,324	1,421,579
Other activities	460,653	306,474
Total	**5,698,024**	**5,545,124**

Information is also provided to the Group's Chief Operating Decision Maker on the Corporate-operated Stores' performance:

Profit/(loss) before tax	**Year ended 31 December 2010**	**Year ended 31 December 2009**
	$	**$**
Royalties from franchisees	585,242	356,500
Corporate-operated Stores	(139,679)	(118,138)
Other activities	(1,316,389)	-
Total	**(870,826)**	**238,362**

Assets	**Year ended 31 December 2010**	**Year ended 31 December 2009**
	$	**$**
Royalties from franchisees	5,315,158	6,772,904
Corporate-operated Stores	431,631	399,396
Other activities	2,714,082	-

Total	**8,460,871**	**7,172,300**

Corporate-operated Stores	**Year ended 31 December 2010**	**Year ended 31 December 2009**
	$	**$**
Revenue	1,361,324	1,421,579
Contribution	(139,679)	(118,136)

For the purpose of monitoring segmental performance, no assets or 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 2010**	**Year ended 31 December 2009**
	$	**$**
US	5,367,232	5,332,548
International	330,792	212,576
Total	**5,698,024**	**5,545,124**

Revenue from franchisor activities by geographical area is detailed below.

Royalties from franchisees	**Year ended 31 December 2010**	**Year ended 31 December 2009**
	$	**$**
US	3,638,047	3,603,000
International	238,000	214,071
Total	**3,876,047**	**3,817,071**

4. Taxation

	Year ended 31 December 2010	**Year ended 31 December 2009**
	$	**$**
Current tax:		

Current tax on (losses)/profits in the year	(35,335)	18,927
Total current tax	(35,335)	18,927
Deferred tax	33,677	76,690
Income tax (credit)/expense	(1,658)	95,617

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:

(Loss)/profit before tax on ordinary activities	(870,826)	238,362
Tax calculated at domestic rate applicable profits in respective countries	(463,601)	81,043
Tax effects of:		
Non deductible expenses	160,496	2,323
State taxes net of federal benefit	1,000	12,251
Depreciation in excess of capital allowances	1,199	
Deduction for research and development	(30,515)	
Tax losses unrelieved	329,763	
Taxation (credit)/expense recognised in income statement	(1,658)	95,617

The Group is subject to income taxes in two jurisdictions. Significant judgement 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.

5.Loss per share

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

Basic	**Year ended 31 December 2010**	**Year ended 31 December 2009**
Earnings attributable to shareholders of the Company ($)	(869,168)	142,745
Weighted average number of ordinary shares	3,962,211	7,000,000
(Loss)/Profit per share (cents)	**(21.9)**	**2.04**
Diluted (loss) /profit per share (cents)	**(21.9)**	**1.84**

The Company issued share options in 2010. The diluted loss per share has been kept the same as the basic loss per share as the conversion of share options decreases the basis loss per share, thus being anti-dilutive.

6. Goodwill

	Goodwill	Owned and Operated franchises	Franchisor activities	Totals
	$	$	$	$
Cost				
At 1 January 2009	-	239,500	636,711	876,211
Additions	-	-	-	-
At 31 December 2009	**-**	**239,500**	**636,711**	**876,211**
Additions	1,493,729	**-**	**-**	**1,493,729**
At 31 December 2010	**1,493,729**	**239,500**	**636,711**	**2,369,940**
Carrying amount				
At 31 December 2009	**-**	239,500	636,711	876,211
At 31 December 2010	**1,493,729**	**239,500**	**636,711**	**2,369,940**

An impairment review has taken place 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 cash generating units expected to benefit from the synergies of the combination. Cash generating units to which good will 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 good will 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 each cash generating units' recoverable amount requires the use of estimates, with regards to forecast cash flows and discount rates. No impairment charge was recognised in the year to 31 December 2010 as the recoverable amount of the cash generating units exceeded the carrying amount. If the estimated cost of capital used in determining the discount rate used in these calculations had been 3% higher than management's estimates, the Group would still not have incurred any impairment.

On 29 July 2010 the controlling interest in the parent Company was exchanged for 91.57% of the issues share capital of ALDHC a Company registered in the United States of America, under the rules of a reverse acquisition and prescribed by IFRS 3 Business Combinations. On 27 August 2010 the Company acquired the remaining issued share capital of ALDHC. Under this standard and for accounting purposes the subsidiary ALDHC (the legal parent) has been deemed to have acquired the parent, Water Intelligence plc (formerly Qonnectis plc). The net assets of Water Intelligence plc have been recognised at their predomination carrying amounts and the goodwill arising has been recognised.

The net assets of the acquired and the goodwill are as follows:

	$
Purchase consideration as fair value of the shares issued	534,527
Fair value of net liabilities acquired	959,202
Goodwill acquired	**1,493,729**

The fair value of assets and liabilities as of the 29 July 2011 arising from the acquisition is as follows:

	Book and fair value
	$
Property, plant and equipment	20,891
Trade and other receivables	718,574
Cash and cash equivalents	83,348
Trade and other payables	(936,672)
Provision for onerous contracts	(323,240)
Borrowings	(522,103)
Net assets acquired	**(959,202)**

7. Trade and other receivables

Non-current

	31 December 2010	**31 December 2009**
	$	**$**
Trade notes receivable	**52,439**	**112,005**

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

Current	**31 December 2010**	**31 December 2009**
	$	**$**
Trade receivables	163,684	100,036
Prepayments	89,067	53,463
Accrued royalties receivable	303,826	320,198
Loans receivable	80,119	121,112
Trade notes receivable	27,680	33,024
Other receivables		
Due from related party	145,805	360,031
R & D Tax Credit due	35,335	-
VAT debtor	15,306	-

Current portion	**860,822**	**987,864**

Trade receivables disclosed above are classified as loans and receivables and are therefore measures 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 (2009: 26 days).
All trade sales are made through the Group's subsidiaries.

As at the 31 December 2010, trade receivables of $12,800 (2009: $8,920) were past due but not impaired. These relate to a number of customers for whom there is no history of default. The aging analysis of these trade receivables is as follows:

Ageing of past due but not impaired receivables

	Year ended 31 December 2010	**Year ended 31 December 2009**
	$	**$**
60-90 days	7,563	1,940
90+ days	5,237	6,980
	12,800	**8,920**
Average age (days)	112	385

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

	Year ended 31 December 2010	**Year ended 31 December 2009**
	$	**$**
US Dollar	637,166	973,231
UK Pound	223,656	-
	860,822	**973,231**

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. Borrowings

Bank Loan

On the 7 June 2010, ALDHC entered into a binding commitment letter with The Bank of Southern Connecticut, under which the Promissory Notes are to be refinanced and replaced with bank debt over a six-year term at an initial rate of 8 per cent per annum. On 16 July 2010 ALDHC drew down a loan of US$4.0 million from the Bank of Southern Connecticut. The proceeds were used by ALDHC to repay loan notes originally issued in connection with ALDHC's purchase of ALD in 2006.

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

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

Promissory Notes
In addition to the Bank Loan, there are two Promissory Notes in place at 31 December 2010 to finance the acquisition of trade assets.
The Promissory Notes to CSC Ops LLC and to Dewayne Reynolds will be repaid in fully by 31 December2011 and 1 April 2012 respectively.

	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2009
	Current		Non-current	
Financial Instruments	**$**	**$**	**$**	**$**
Borrowings	632,439	441,569	3,086,408	33,202
Promissory notes	16,880	1,054,756	85,222	3,249,099
Total current liabilities	**649,319**	**1,496,325**	**3,171,630**	**3,282,301**

9. Trade and other payables

	31 December 2010	31 December 2009
	$	**$**
Trade payables	194,156	70,527
Other payables	4,638	16,617
Accruals	447,790	218,560
Deferred Income	237,679	-
	884,264	**305,704**

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 30 days (2009: 30 days).

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

10. Related party transactions

Under the terms of a Letter Agreement on Commercial Relations dated 28 February 2006 ("the Commercial Relations Agreement"), PSS licensed to ALD the patent portfolio owned by PSS. The Commercial Relations Agreement contained provisions for licence fees payable at a minimum of $250,000 but not to exceed $1,500,000 per annum, royalties from future development of PSS products sold by ALD payable quarterly at an amount to be determined, and professional fees for PSS personnel payable monthly. During the year ended 31 December 2010, PSS charged fees pursuant to the Commercial Relations Agreement amounting to $474,026 (2009: $572,950) which have been included under research and development expenses.

Fees charged by PSS under the Letter of Agreement were:

	Year ended 31 December 2010 $	Year ended 31 December 2009 $
R&D licence fees	474,026	572,950
Other administrative fees	-	276,515
Total	**474,026**	**849,465**

The Commercial Relations Agreement was amended on 4 April 2010 by a letter agreement under which PSS provided ALD with an exclusive right to use the patents in the field of water supply and water metering. The license is worldwide in scope and was in perpetuity from the date of the letter agreement. The license is royalty-free for the first $5,000,000 of any product sales which include intellectual property under license and a fee of 3% is paid on any further sales.

As set forth in Note 25, on 7 June 2010, the Bank of Southern Connecticut ("the Bank") agreed to lend ALDHC $4.0 million to pay off financing associated with ALDHC's purchase of ALD in 2006. The loan is secured over, inter alia, all of ALD's plant and machinery, inventory and accounts receivable. In addition, PSS, inter alia, granted assignments over contents and intellectual property and entered into agreements of guarantee and surety ship with the Bank guaranteeing the obligations of ALDHC under the loan agreement. The guarantee has been joined by a significant shareholder, the Executive Chairman. Subsequent to the year end, on 1 July 2011, ALDHC agreed to pay a guarantee fee to PSS of 0.75% per annum on the outstanding balance on the loan, calculated at the end of each month.

During the normal course of operations there are inter-company transactions with PSS; since 30 July 2010 being the date of Admission to AIM, all such transactions have been on arm's length terms and approved by the independent Directors. At 31 December 2009, the inter-company balance due by PSS to the ALDHC Group was $360,031. Primarily due to payments received from PSS during the year ended 31 December 2010, the balance due from PSS to ALD at 31 December 2010 was $145,776.

Subsequent to the year end, under the terms of an agreement dated 11 August 2011 the parties have agreed that any outstanding balance shall be due by 31 January 2014 after adjusting for any amounts detailed in the next paragraph. With effect from 1 July 2011 the outstanding balance will incur monthly interest at the same rate as that charged by the Bank (currently 8% per annum).

To the extent that any amount is payable by ALD pursuant to the Commercial Relations Agreement or for any services (for example, technology and innovation) provided by PSS to ALD or for the guarantee provided by PSS, then such amounts will be deducted from the outstanding balance due by PSS. In addition, PSS has agreed that if it sells any shares in the Company before 31 December 2013, then 50% of the net proceeds will be utilised to reduce the balance due by PSS to the ALDHC Group. ALD and PSS have agreed that if any outstanding balance remains at 31 December 2013 it shall be repayable by 31 January 2014 in cash.

Harry Offer, the only independent director of the Company, having consulted with Merchant Securities Limited, the Company's nominated adviser, considers that the terms of the agreement dated 11 August 2011 are fair and reasonable insofar as the shareholders of the Company are concerned.

11. Status of financial information

The financial information set out above does not comprise the Company's statutory accounts for the periods ended 31 December 2010 or 31 December 2009. Statutory accounts for 31 December 2009 have been delivered to the Registrar of Companies and those for 31 December 2010 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their report was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis of matter without qualifying their report and did not contain statements under section 498(2) or (3) of the Companies Act 2006 in respect of the accounts for 2010 or for 2009.

12. Publication of announcement and the report and accounts

A copy of this announcement will be available at the Company's registered office (St John's Innovation Centre, Cowley Road, Cambridge CB4 0WS) 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.