Water Intelligence plc

Group Annual Report and Financial Statements
for the Year Ended 31 December 2013

Company number 03923150

Group Annual Report and Financial Statements

for the year ended 31 December 2013

Contents

Company Information

Directors & Advisers

Directors	Patrick DeSouza	Executive Chairman
	Stephen Leeb	Non-Executive Director
	Robert Mitchell	Non-Executive Director
	Michael Reisman	Non-Executive Director
	David Silverstone	Executive Director

Company Secretary and Registered Office
Liam O'Donoghue
201 Temple Chambers
3-7 Temple Avenue
London
EC4Y 0DT

Company number
Registered in England and Wales number 03923150

Nominated adviser and broker
WH Ireland Limited
24 Martin Lane
London
EC4R 0DR

Independent Auditor
Crowe Clark Whitehill LLP
St Brides House
10 Salisbury Square
London
EC4Y 8EH

Registrar
Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Bankers

HSBC Bank plc	Liberty Bank
2 London Road	215 Church Street
Twickenham	New Haven
Middlesex	CT 06510
TW1 3RY	USA

Chairman's Statement

Overview

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

Execution

As noted, during 2013 we focused on our core ALD business, and for the third consecutive year, Water Intelligence improved its revenue and earnings results. Profit before taxes for the Company increased 15% year on year to \$611,800. Adjusted for non-cash amortisation expense, profit before taxes actually increased 17% year on year to \$944,000. Profits grew 70% year on year to \$454,111 translating to an increase in earnings per share to 4.3p from 2.8p in 2012. Moreover, increased profitability did not come at the expense of revenue as we improved marginally to \$6.82 million from \$6.74 million.

American Leak Detection

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

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

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

Qonnectis

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

Balance Sheet Strength

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

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

Outlook

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

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

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

Chairman's Statement

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

Dr. Patrick DeSouza
Executive Chairman

17 June 2014

Business Review and Key Performance Indicators

The Chairman's Statement, on pages 3 to 5, provides an overview of the year and the outlook for the Water Intelligence plc and its subsidiaries, referred to as the Group. The key performance indicators used by the board to monitor the business are the growth in royalty income, the contribution from Corporate-run stores and net debt. These three indicators are reported to the board on a monthly basis and used to assist the board in the management of the business.

Royalty income has grown in all regions of the U.S. compared to 2012 as follows:

	Year ended 31 December 2013 $'000	Year ended 31 December 2012 $'000	Change %
California, Arizona & Nevada	1,294	1,258	2.86%
Rest of USA	3,063	2,828	8.31%
Total USA	4,357	4,086	6.63%
International	253	259	(2.32%)
Total Group Royalty Income	4,610	4,345	6.10%

System-wide franchise royalty growth year-over-year accelerated in 2013 to 6% from 5% when compared with 2012.

Performance of the Corporate-run stores for the year was as follows:

	Year ended 31 December 2013 $'000	Year ended 31 December 2012 $'000
Revenue	1,448	1,453
Contribution	5	65

Revenue from the Corporate-run stores was flat at $1.45 million year on year, with a drop in contribution from $65k to $5k.

Revenue from other activities of $757,990 (2012: $941,764) was predominately revenue from Parts & Equipment Sales.

Net debt has reduced to $1.18 million at December 31, 2013 which represented a reduction to less than half the level existing at December 31, 2012. This result was achieved through a combination of increased operating cash flow and the issuance of ordinary shares in November. Based on its repayment schedule the term loan that existed as of December 31, 2013 would be repaid in 2016. The short term line of credit is repayable annually and has been repaid as of December 31, 2013. As described in note 24, the term loan has been refinanced.

Group	Year ended 31 December 2013 $'000	Year ended 31 December 2012 $'000
6 Year term loan	1,970	2,671
Short term line of credit	–	249
Promissory notes	–	–
	1,970	2,920
Less: Cash		
Held in US Dollars	536	307
Held in £ Sterling	257	76
	793	383
Total Net Debt	1,177	2,537

The Directors also consider that the main non-financial key performance indicator for the Group is the number of franchises operating in the year. The Group had 102 franchises at the end of 2013 which represented an increase. (2012: 100)

Principal Risks and Uncertainties

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

Product Development Risk

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

Market Risk

The Group's activities expose it to the financial risk of changes in foreign currency exchange rates as it undertakes certain transactions denominated in foreign currencies. There has been no change to the Group's exposure to market risks. The Group and the Company had no material foreign exchange transactional exposure at 31 December 2013.

Interest Rate Risk

The Group's interest rate risk arises from its short and term loan borrowings. Borrowings issued at variable rates expose the Group to fair value interest rate risk. The Company does not have any variable rate borrowings.

Credit Risk

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

Liquidity Risk

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

Other Risks

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

Going Concern

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

By order of the Board

Patrick DeSouza
Executive Chairman

17 June 2014

Directors' Report

The Directors present their report on the affairs of Water Intelligence plc (the "Company") and its subsidiaries, referred to as the Group, together with the audited Financial Statements and Independent Auditors' report for the year ended 31 December 2013.

Principal Activities

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

Results

The financial performance for the year, including the Group's Statement of Comprehensive Income and the Group's financial position at the end of the year, is shown in the Financial Statements on pages 17 to 24.

99% of the Group's revenue in the year ended 31 December 2013 (2012: 93%) came from its wholly owned subsidiary American Leak Detection, Inc. ("ALD"), with the remainder from UK operations.

Going Concern

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

Research Design & Development

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

Expenditure on research and development was:

	2013 **$**	**2012** **$**
Third parties	76,148	76,167

Dividends

The Directors do not recommend the payment of a dividend (2012: $nil).

Share Price

On 31 December 2013, the closing market price of Water Intelligence plc ordinary shares was 48 pence. The highest and lowest prices of these shares during the year to 31 December 2013 were 53 pence and 15 pence.

Capital Structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the period are shown in Note 22.

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

Details of the share option scheme are set out in Note 7.

Subsequent Events

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 borrowing has been increased to $2,750,000 which implies approximately $1,000,000 of new cash. The term of the loan has been reset for 5 years to 2019. Interest on the loan shall be fixed for the first three years at 5.75%. Amortisation shall be approximately $53,000 monthly. Through Q1 2014, amortisation was approximately $70,000 monthly. The term loan is guaranteed by Plain Sight Systems and the Executive Chairman. See Related Party Note 27.The Group has also renewed its commercial line of credit with Liberty Bank. The line is equal to $250,000 and carries with it an interest rate equal to the Wall Street Journal Prime, plus two and three quarter percent. The Group is not drawing on the line of credit at this time.

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

Directors

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

Executive Directors
Patrick DeSouza – Executive Chairman
David Silverstone

Non-Executive Directors
Stephen Leeb
Robert Mitchell
Michael Reisman

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

Directors' emoluments

2013	**Salary & Fees $**	**Benefits $**	**Redundancy $**	**Total $**
Executive Directors				
P DeSouza	243,000	41,110	–	284,110
D Silverstone	20,604	–	–	20,604
Non-Executive Directors				
S Leeb	20,604	–	–	20,604
M Reisman	20,604	–	–	20,604
R Mitchell	20,604	–	–	20,604
	325,416	**41,110**	**–**	**366,526**

2012	**Salary & Fees $**	**Benefits $**	**Redundancy $**	**Total $**
Executive Directors				
P DeSouza	243,000	44,572	–	287,572
Non-Executive Directors				
S Leeb	20,604	–	–	20,604
M Reisman	20,604	–	–	20,604
R Mitchell	20,604	–	–	20,604
D Silverstone	20,604	–	–	20,604
	325,416	**44,572**	**–**	**369,988**

The remuneration for Mr. DeSouza, other than $65,000 paid direct to Mr. DeSouza (2012: $42,000) was paid to Plain Sight Systems Inc. (PSS).

Directors' interests

The Directors who held office at 31 December 2013 had the following direct interest in the ordinary shares of the Company, excluding the shares held by Plain Sight Systems, Inc.:

	Number of shares at 31 December 2013	% held at 31 December 2013
Patrick DeSouza*	2,840,718	26.88%
Michael Reisman*	147,378	1.39%
Stephen Leeb *	73,689	0.70%

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

Share option schemes

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

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

Substantial Shareholders

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

	Number of shares	% held
Plain Sight Systems, Inc.	2,544,051	24.07%
Stanford Berenbaum	800,000	7.57%
Terry Tyrell	681,415	6.45%
Maven Capital Partners LLP	519,137	4.91%
Amati VCT	418,870	3.96%
Amati VCT 2	395,084	3.73%

Corporate Responsibility

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

Employees

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

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

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

Independent Auditors

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

Corporate Governance

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

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

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

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

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

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

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

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

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

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

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

Directors' Responsibilities

Directors' Responsibilities

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

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

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

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

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

Website publication

The Directors are responsible for ensuring the Annual Report and Financial Statements are made available on a website. Financial Statements are published on the Group's website (*www.waterintelligence.co.uk*) in accordance with legislation in the United Kingdom governing the preparation and dissemination of Financial Statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

Statement of disclosure to the Independent Auditor

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's Independent Auditor for the purposes of their audit and to establish that the Independent Auditor is aware of that information. The Directors are not aware of any relevant audit information of which the Independent Auditor is unaware.

By order of the Board

Patrick DeSouza
Executive Chairman

17 June 2014

Report of the Independent Auditor

Independent auditor's report to the members of Water Intelligence plc

We have audited the Group and Parent Company Financial Statements of Water Intelligence plc for the year ended 31 December 2013 (the "Financial Statements"), which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows, together with the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and Auditors

As explained more fully under 'Statement of Directors' Responsibilities' on page 14, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2013 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with the IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

Nigel Bostock
Senior Statutory Auditor

For and on behalf of

Crowe Clark Whitehill LLP
Chartered Accountants
Statutory Auditor

St Brides House
10 Salisbury Square
London
EC4Y 8EH

17 June 2014

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2013

	Notes	Year ended 31 December 2013 $	Year ended 31 December 2012 $
Revenue	4	6,816,008	6,740,567
Cost of sales		(559,171)	(611,084)
Gross profit		6,256,837	6,129,483
Administrative expenses			
– Share-based payments	7	(21,187)	(30,632)
– Impairment of goodwill	12	–	–
– Amortisation of intangibles	13	(332,164)	(279,313)
– Other administrative costs		(5,109,262)	(5,057,445)
Total administrative expenses		(5,462,613)	(5,367,390)
Operating profit	5	794,224	762,093
Finance income	8	23,624	28,093
Finance expense	9	(205,954)	(259,671)
Profit before tax		611,894	530,515
Taxation expense	10	(157,783)	(265,039)
Profit for the year		454,111	265,476
Other Comprehensive Income			
Exchange differences arising on translation of foreign operations		(18,792)	(52,716)
Total comprehensive profit for the year		435,319	212,760
Profit per share		**Cents**	**Cents**
Basic	11	4.3	2.8
Diluted	11	4.1	2.7

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

The accompanying notes on pages 24 to 52 are an integral part of these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2013

	Notes	2013 $	2012 $
ASSETS			
Non-current assets			
Goodwill	12	801,211	801,211
Other intangible assets	13	3,258,101	3,590,976
Property, plant and equipment	14	11,313	16,896
Deferred tax asset	21	–	–
Trade and other receivables	17	19,073	39,640
		4,089,698	4,448,723
Current assets			
Inventories	16	145,293	194,007
Trade and other receivables	17	750,006	812,445
Corporation tax		–	29,433
Cash and cash equivalents	18	792,468	382,525
		1,687,767	1,418,410
TOTAL ASSETS		5,777,465	5,867,133
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent			
Share capital	22	12,732,564	12,716,863
Share premium	22	4,800,610	4,203,812
Capital redemption reserve	22	6,517,644	6,517,644
Merger reserve		8,501,150	8,501,150
Share based payment reserve		110,680	89,493
Other reserves		(60,444)	(41,652)
Reverse acquisition reserve		(27,758,088)	(27,758,088)
Retained loss		(1,941,507)	(2,395,618)
		2,902,609	1,833,604
Non-current liabilities			
Borrowings	24	1,263,111	1,950,489
Promissory notes	24	–	–
Provision for onerous contracts	20	12,901	58,655
Deferred tax liability	21	195,319	149,794
		1,417,331	2,158,938
Current liabilities			
Trade and other payables	19	642,559	908,224
Borrowings	24	706,600	900,275
Promissory notes	24	–	–
Provision for onerous contracts	20	54,366	66,092
		1,403,525	1,874,591
TOTAL EQUITY AND LIABILITIES		5,777,465	5,867,133

These Financial Statements were approved and authorised for issue by the Board of Directors on 17 June 2014 and were signed on its behalf by:

Patrick De Souza
Executive Chairman

The accompanying notes on pages 24 to 52 are an integral part of these financial statements.

Company Statement of Financial Position

as at 31 December 2013

	Notes	2013 $	2012 $
ASSETS			
Non-current assets			
Investment in subsidiaries	15	9,057,544	8,873,680
		9,057,544	8,873,680
Current assets			
Trade and other receivables	17	418,369	538,063
Cash and cash equivalents	18	188,883	56,465
		607,252	594,528
TOTAL ASSETS		9,057,796	9,468,208
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent			
Share capital	22	12,732,564	12,716,863
Share premium	22	4,800,610	4,203,812
Capital redemption reserve	22	6,517,644	6,517,644
Merger reserve		8,501,150	8,501,150
Share based payment reserve		179,349	158,162
Other reserves		379,618	190,573
Retained losses		(24,475,509)	(24,101,006)
		8,635,426	8,187,198
Current liabilities			
Trade and other payables	19	1,029,370	1,281,010
		1,029,370	1,281,010
TOTAL EQUITY AND LIABILITIES		9,664,796	9,468,208

These Financial Statements were approved and authorised for issue by the Board of Directors on 17 June 2014 and were signed on its behalf by:

Patrick De Souza
Executive Chairman

The accompanying notes on pages 24 to 52 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2013

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

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

Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Capital redemption	Non-distributable reserve in relation to cancellation of deferred shares.
Retained losses	Cumulative net losses recognised in the Financial Statements.
Reverse acquisition	Non-distributable amount arising on the reverse acquisition.
Merger acquisition	Non-distributable reserve arising on reverse acquisition.
Other reserves	Exchange differences on translating foreign operations.
Share based payment reserve	Amounts recognised for the fair value of share options granted in accordance with IFRS 2.

The accompanying notes on pages 24 to 52 are an integral part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2013

	Share Capital $	Share Premium $	Capital Redemption Reserve $	Merger Reserve $	Share Based Payment Reserve $	Other Reserves $	Retained Losses $	Total Equity $
As at 1 January 2012	**12,716,863**	**4,203,812**	**6,517,644**	**8,501,150**	**121,454**	**(159,913)**	**(23,964,476)**	**7,936,534**
Share-based payment expense	–	–	–	–	30,632	–	–	30,632
Foreign exchange	–	–	–	–	6,076	–	–	6,076
Total comprehensive profit/(loss)	–	–	–	–		350,486	(136,530)	213,956
As at 31 December 2012	**12,716,863**	**4,203,812**	**6,517,644**	**8,501,150**	**158,162**	**190,573**	**(24,101,006)**	**8,187,198**
As at 1 January 2013	**12,716,863**	**4,203,812**	**6,517,644**	**8,501,150**	**158,162**	**190,573**	**(24,101,006)**	**8,187,198**
Issue of ordinary shares	15,701	596,798	–	–	–	–	–	612,499
Share-based payment expense	–	–	–	–	21,187	–	–	21,187
Foreign exchange	–	–	–	–	–		–	–
Total comprehensive profit/(loss)	–	–	–	–	–	189,045	(374,503)	(185,458)
As at 31 December 2013	**12,732,564**	**4,800,610**	**6,517,644**	**8,501,150**	**179,349**	**379,618**	**(24,475,509)**	**8,635,426**

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 reserve	Non-distributable reserve in relation to cancellation of deferred shares.
Retained losses	Cumulative net losses recognised in the Financial Statements.
Other reserves	Foreign exchange differences on re-translation.
Share based payment reserve	Amounts recognised for the fair value of share options granted in accordance with IFRS 2.
Merger reserve	Non-distributable reserve arising on reverse acquisition.

The accompanying notes on pages 24 to 52 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2013

	Notes	Year ended 31 December 2013 $	Year ended 31 December 2012 $
Net cash generated from operating activities	25	885,299	823,760
Cash flows from investing activities			
Interest received		23,624	28,093
Interest paid		(205,954)	(259,671)
Purchase of plant and equipment		(6,403)	(750)
Purchase of intangible assets		–	(157,095)
Sale of fixed assets		–	–
Net cash used in investing activities		(188,733)	(389,423)
Cash flows from financing activities			
Issue of share capital		15,701	–
Share premium from placing		596,798	–
Proceeds from borrowings		250,000	412,380
Principal payments on long term debt and promissory notes		(1,131,054)	(771,442)
Net cash used in financing activities		(268,555)	(359,062)
Net increase in cash and cash equivalents		428,011	75,275
Cash and cash equivalents at the beginning of year		382,525	364,099
Effect of foreign exchange rate changes		(18,068)	(56,849)
Cash and cash equivalents at end of year		792,468	382,525

The accompanying notes on pages 24 to 52 are an integral part of these financial statements.

Company Statement of Cash Flows

for the year ended 31 December 2013

	Notes	Year ended 31 December 2013 $	Year ended 31 December 2012 $
Net cash used in operating activities	25	(864,835)	(335,912)
Cash flows from investing activities			
Interest received		–	–
Interest paid		–	(10,256)
Net cash used in investing activities		–	(10,256)
Cash flows from financing activities			
Issue of share capital		15,701	–
Share premium from placing		596,798	–
Dividends received		400,000	400,000
Net cash from financing activities		1,012,499	400,000
Increase in cash and cash equivalents		147,664	53,832
Cash and cash equivalents at the beginning of period		56,465	29,677
Effect of foreign exchange rate changes		(15,246)	(27,044)
Cash and cash equivalents at end of period		188,883	56,465

The accompanying notes on pages 24 to 52 are an integral part of these financial statements.

1 General information

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

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

The Company is listed on AIM of the London Stock Exchange. These Financial Statements were authorised for issue by the Board of Directors on the 17 June 2014.

2 Adoption of new and revised International Financial Reporting Standards

No new IFRS standards, amendments or interpretations became effective in 2013 which had a material effect on these Financial Statements.

At the date of approval of these Financial Statements, the following IFRS Standards and Interpretations, which have not been applied in these Financial Statements, were in issue but not yet effective. These new Standards, Amendments and Interpretations are effective for accounting periods beginning on or after the dates shown below:

Standard	Description	Effective for annual periods beginning on or after:
IFRS 7	Amendment – Transfer of financial assets (not EU adopted)	1 Jul 2011
IFRS 9	Financial instruments not EU Adopted	1 Jan 2015
IFRS 10	Consolidated Financial Statements	1 Jan 2014
IFRS 11	Joint Arrangements	1 Jan 2014
IFRS 12	Disclosure of interests in other entities	1 Jan 2014
IAS 27 (Revised)	Separate Financial Statements	1 Jan 2013
IAS 28	Investments in Associates and Joint Ventures	1 Jan 2013

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.

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.

3 Significant accounting policies continued

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

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

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

Basis of consolidation
The Group financial statements consolidate the accounts of Water Intelligence plc and all of its subsidiary undertakings made up to 31 December 2013. The Consolidated Statement of Comprehensive Income includes the results of all subsidiary undertakings for the period from the date on which control passes. Control is achieved where the Company (or one of its subsidiary undertakings) obtains the power to govern the financial and operating policies of an investee entity so as to derive benefits from its activities.

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

The acquisition of ALDHC in 2011 was, under IFRS3, accounted for as a reverse acquisition. The assets and liabilities revalued at their fair value on acquisition therefore related to the Company. A reverse acquisition reserve was created to enable the presentation of a consolidated statement of financial position which combines the equity structure of the legal parent with the reserves of the legal subsidiary.

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

Parent Company income statement
The Company has taken advantage of Section 408 of the Companies Act 2006 in not presenting its own Statement of Comprehensive Income. The Company's loss for the year ended 31 December 2013 of $374,503 (2012: $136,530). The loss is included within the Consolidated Statement of Comprehensive Income.

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

3 Significant accounting policies continued

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

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

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

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

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

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

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

Foreign currencies

(i) Functional and presentational currency
Items included in the Financial Statements are measured using the currency of the primary economic environment in which each entity operates ("the functional currency") which is considered by the Directors to be Pounds Sterling (£) for the Parent Company and US Dollars ($) for ALDHC. The Financial Statements have been presented in US Dollars which represents the dominant economic environment in which the Group operates and is considered to be the functional currency of the Group. The effective exchange rate at 31 December 2013 was £1 = US$1.6488 (2012: £1 = US$1.6163).

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

3 Significant accounting policies continued

(iii) Group Companies

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

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

(b) the income and expenses are translated at average exchange rates for period; and

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

Leases

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

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

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

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

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

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

Revenue recognition

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

In particular, the Group receives royalties from franchisees in various percentages of their gross monthly sales. Royalties are paid monthly and recognised under the accrual method of accounting. Sales of other goods and products sold by the Group are recognised at fair value of the consideration received or receivable following delivery of the goods or services.

Financial instruments

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

Loans and receivables

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

3 Significant accounting policies continued

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

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

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

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

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

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

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

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

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

The asset's residual values and economic lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Assets that are no longer of economic use to the business are retired.

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

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

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

3 Significant accounting policies continued

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

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

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

The asset's residual values and economic lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses) or gains in the Statement of Comprehensive Income.

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

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

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

Segment reporting
A business segment is a group of assets and operations engaged in providing products or services that is subject to risks and returns that are different from those of other business segments, a geographical segment is engaged in providing products or services within a particular environment that subject to risks and returns that are different from those of segments operating in other economic environments.

Pension contributions
There are no pension schemes in the Group.

3 Significant accounting policies continued

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

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

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

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 2013, 99% (2012 89%) of its revenue came from the US based operations, while the remaining 5% (2012 11%) of its revenue came from either UK or overseas based operations.

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

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

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

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

4 Segmental Information continued

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

Revenue

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

Profit/(Loss) before tax

	Year ended 31 December 2013 $	Year ended 31 December 2012 $
Royalties from franchisees	1,208,652	1,113,604
Corporate-operated Stores	5,302	65,527
Other activities	28,297	(135,783)
Unallocated head office costs	(630,357)	(512,833)
Total	611,894	530,515

Assets

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

Amortisation/impairment

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

4 Segmental Information continued

Depreciation

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

Finance Expense

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

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

Geographic information

Total revenue
Total revenue from activities by geographical area is detailed below:

Revenue by geography

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

Revenue from franchisor activities by geographical area is detailed below.

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

5 Expenses by nature

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

	Note	Year ended 31 December 2013 $	Year ended 31 December 2012 $
Raw materials and consumables used		559,082	632,787
Employee costs	6	2,745,645	2,895,149
Operating lease rentals		3,059	14,429
Depreciation charge		11,972	19,361
Marketing costs		585,935	510,384
R & D		76,148	76,167

	Year ended 31 December 2013 $	Year ended 31 December 2012 $
Auditors remuneration		
Fees payable to the Company's auditor for audit of Parent Company and Consolidated Financial Statements	42,320	39,622
Fees payables to the Company's auditor for other services:	–	–

The Group Auditors are not the auditors of the US subsidiary companies. The fees paid to the auditor of the US subsidiary companies were $54,725 (2012: $ 59,725) for the audit of these companies and $4,000 (2012: $30,000) for other services.

6 Employees and Directors

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

	Year ended 31 December 2013 $	Year ended 31 December 2012 $
Directors fees, salaries and benefits	284,110	369,988
Wages and Salaries	1,993,674	2,313,299
Social Security Costs	176,674	181,230
Share based payments	21,187	30,632
	2,475,645	2,895,149

Information regarding Directors emoluments are as follows:

	Year ended 31 December 2013 $	Year ended 31 December 2012 $
Directors' fees	82,416	82,416
Salaries and benefits	284,110	287,572
Social Security Costs	11,700	10,902
	378,226	380,890

The highest paid Director received emoluments of $284,110 (2012: $287,572).

6 Employees and Directors continued

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

	Year ended 31 December 2013	Year ended 31 December 2012
Directors (executive and non-executive)	5	5
Management	8	7
Field Services	14	15
Franchise Support	13	9
Administration	2	4
	42	40

7 Share options

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

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

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

	Number of share options 2013	Weighted average exercise price ($) 2013	Number of share options 2012	Weighted average exercise price ($) 2012
Outstanding at beginning of year	263,669	1.85	293,669	1.86
Granted during the year	367,000	1.26	–	–
Forfeited/lapsed during the year	(6,143)	(22.68)	(30,000)	(1.89)
Exercised during the year	–	–	–	–
Outstanding at end of the year	624,526	1.74	263,669	1.85
Exercisable at end of the year	624,526	1.74	263,669	1.85

7 Share options continued

Fair value of share options

The weighted average fair value of the exercise price of the share options granted in the financial year was 1.27 (2012: $nil).

The calculation of the fair value of options issued during the year required the use of estimates as outlined in the table below. Expected volatility has been estimated based on similar sized companies listed on the AIM market of the London Stock Exchange. It is assumed that all options will be exercised.

	Weighted average exercise price ($)
Weighted average share price	0.4949
Weighted average exercise price	1.2669
Expected volatility	7%
Expected life	3 years
Risk free rate	10%
Expected dividend yields	Nil

As the share options granted during the year were at a premium to the share price at the date they were granted, Black Scholes calculation resulted in a charge of $nil.

A charge of $21,187 (2012: $30,632) relating to share-based payments has been recognised in the year and is included in the Consolidated Statement of Comprehensive Income. The Company has recognised a charge of $21,187 (2012: $30,632) relating to share-based payments in the year.

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

Scheme	**2013**	**2012**	**Date of Grant**	**Exercise price**	**Exercise period From**	**To**
Unapproved	–	6,143	23/04/2008	$22.68	23/04/2008	22/04/2013
	70,000	70,000	16/07/2010	$0.99	16/07/2010	16/07/2014
	187,526	187,526	28/07/2010	$1.18	28/07/2010	28/07/2014
	67,000	–	12/09/2013	$1.18	12/09/2013	12/09/2016
	50,000	–	01/12/2013	$1.14	01/12/2013	01/12/2023
Directors*	250,000	–	01/08/2013	$1.30	01/08/2013	01/08/2023
Total	624,526	263,669				

All share options are equity settled on exercise.

Under ALDHC's 2006 Employee, Director and Consultant Stock Plan ("ALDHC Option Plan"), certain directors and employees of ALD, were granted options to acquire an aggregate of 738,750 shares in ALDHC with an exercise price of $1.14 per share. Of these grants, the Executive Chairman had been granted an option to purchase 250,000 shares. Following Admission, all options under the ALDHC Option Plan were to be cancelled or waived in return for the grant of options over New Ordinary Shares with the same economic value as existing options under the ALDHC Option Plan. The conversion to options over 434,500 New Ordinary Shares in respect of these options has been completed in 2013, the balance being attributable to leavers between 2010 and 2013 or options that have not been taken up.

In recognition of three years of deferred compensation and additional services rendered, each member of the board, after consultation with the NOMAD, received an option to purchase 50,000 New Ordinary Shares pursuant to the Option Plan in 2013. The Director options have an exercise price of $1.30 per share or 51% above than the highest share price for 2013.

7 Share options continued

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

8 Finance income

	Year ended 31 December 2013 $	Year ended 31 December 2012 $
Interest income	23,624	28,093

9 Finance expense

Interest payable

	Year ended 31 December 2013 $	Year ended 31 December 2012 $
Bank loans	205,954	249,846
Other interest	–	9,825
	205,954	259,671

10 Taxation

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

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

Profit/(Loss) before tax on ordinary activities	611,894	530,515
Tax calculated at domestic rate applicable profits in respective countries	235,579	242,421
Tax effects of:		
Non-deductible expenses	5,254	22,404
State taxes net of federal benefit	–	77,229
Depreciation less than capital allowances	(74,765)	(12,072)
Short term timing differences	6,528	4,433
Other differences	–	2,372
Addition for research and development		–
Tax losses (relieved)/unrelieved	(14,813)	(15,850)
Prior year taxation	–	(55,898)
Taxation expense recognised in income statement	157,783	265,039

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

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

11 Earnings per share

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

Basic

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

12 Goodwill

	Goodwill $	Owned and Operated stores $	Franchisor activities $	Totals $
Cost				
At 1 January 2012	1,493,729	239,500	636,711	2,369,940
Additions	–	–	–	–
At 31 December 2012	1,493,729	239,500	636,711	2,369,940
Additions	–	–	–	–
At 31 December 2013	1,493,729	239,500	636,711	2,369,640
Impairment				
At 1 January 2012	1,493,729	75,000	–	1,568,729
Impairment in year	–	–	–	–
At 31 December 2012	1,493,729	75,000	–	1,568,729
Impairment in year	–	–	–	–
At 31 December 2013	1,493,729	75,000	–	1,568,729
Carrying amount				
At 31 December 2012	–	164,500	636,711	801,211
At 31 December 2013	–	164,500	636,771	801,211

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

12 Goodwill continued

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

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

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

13 Other intangible assets

	Product development	Covenants not to compete $	Customer Lists $	Trademarks $	Patents $	Total $
Cost						
At 1 January 2012	–	270,000	217,500	5,293,817	23,692	5,805,009
Additions	157,095	–	–	–	–	157,095
Exchange differences	4,438					4,438
At 31 December 2012	161,533	270,000	217,500	5,293,817	23,692	5,966,542
Additions	–	–	–	–	–	–
Exchange differences	3,347	–	–	–	–	3,347
At 31 December 2013	164,880	270,000	217,500	5,293,817	23,692	5,969,889
Accumulated amortisation						
At 1 January 2012	–	270,000	217,500	1,586,530	21,919	2,095,949
Amortisation expense	15,849	–	–	261,691	1,773	279,313
Exchange difference	304					304
At 31 December 2012	16,153	270,000	217,500	1,848,221	23,692	2,375,566
Amortisation expense	71,320	–	–	261,691	–	330,011
Exchange differences	3,211	–	–	–	–	3,211711
At 31 December 2013	90,684	270,000	217,500	2,109,912	23,692	2,711,788
Carrying amount						
At 31 December 2012	145,380	–	–	3,445,596	–	3,590,976
At 31 December 2013	74,196	–	–	3,183,905	–	3,258,101

All intangible assets have been acquired by the Group.

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

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

13 Other intangible assets continued

For Trademarks, for the purpose of impairment testing, the intangible assets are reviewed against the entire business of ALD as they support the whole business. The cash generating units to which intangible assets have been allocated are tested for impairment annually. If the recoverable amount carrying value of the ALD business were to be less than its carrying amount, the impairment loss would be allocated first to the carrying amount of any trademarks. An impairment loss recognised for other intangible assets is not recovered in a subsequent period.

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

Had the estimated cost of capital used in determining the discount rate been 5% higher than management's estimates, the Group would still not have incurred any impairment.

In addition had the estimated revenues been 5% lower than management's estimates, the Group would still not have incurred any impairment on the intangible assets.

There was a change in the amortisation policy of product development, with the opening carrying value at 1 January 2013 being amortised in full over 2 years, spread evenly in 2013 and 2014. The remaining carrying value at 31 December 2013 is supported by on projected sales of the Domestic Reporter in 2014 and 2015, indicating there is no evidence of impairment.

14 Property, plant and equipment

	Equipment & displays $	Motor vehicles $	Leasehold improvements $	Total $
Cost				
At 1 January 2012	473,448	324,900	123,418	921,766
Additions	750	–	–	750
Exchange differences	318	–	–	318
Disposals	(636)	(60,622)	–	(61,258)
At 31 December 2012	473,880	264,278	123,418	861,576
Additions	6,403	–	–	6,403
Exchange differences	–	–	–	–
Disposals	–	(77,189)	–	(77,189)
At 31 December 2013	480,283	187,089	123,418	790,790
Accumulated depreciation				
At 1 January 2012	443,526	319,130	123,418	886,074
Eliminated on disposals	(423)	(60,622)	–	(61,045)
Depreciation expense	13,591	5,770	–	19,361
Exchange differences	290	–	–	290
At 31 December 2012	456,984	264,278	123,418	844,680
Eliminated on disposals	–	(77,189)	–	(77,189)
Depreciation expense	11,972	–	–	11,972
Exchange differences	14	–	–	14
At 31 December 2013	468,970	187,089	123,418	779,477
Carrying amount				
At 31 December 2012	16,896	–	–	16,896
At 31 December 2013	11,313	–	–	11,313

14 Property, plant and equipment continued

The calculation of depreciation on property, plant and equipment requires the use of estimates and judgement, related to the expected useful lives of the assets. The depreciation expense in the year to 31 December 2013 is not material to the accounts, and therefore any change in estimate related to expected useful lives would not have a material effect on the Financial Statements.

The value of the assets charged as security for the bank debt is $11,313 (2012: $16,896).

15 Investment in subsidiary undertakings

Company	Subsidiary undertaking $
Cost	
At 31 December 2012	15,274,586
Exchange difference	183,864
At 31 December 2013	15,458,450
Impairment	
At 31 December 2012	6,400,906
Exchange difference	–
At 31 December 2013	6,400,906
Carrying amount	
At 31 December 2012	8,873,680
At 31 December 2013	9,057,544

The Directors annually assess the carrying value of the investment in the subsidiary and in their opinion no impairment provision is currently necessary. See notes 14 and 15 for the assumptions and sensitivities in assessing the carrying value of the investment.

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

The principal subsidiary undertakings during the year were as follows:

		County of incorporation	Interest held %
MyUtility Limited (business to business internet – dormant in the year)	*	England and Wales	100%
Qonnectis Group Limited (intermediate holding company)	*	England and Wales	100%
Qonnectis Networks Limited (remote data communications)		England and Wales	100%
Qonnectis Technologies Limited (dormant)		England and Wales	100%
American Leak Detection Holding Corp. (holding company)	*	US	100%
American Leak Detection, Inc (leak detection services)		US	100%

* Subsidiaries owned directly by the Parent Company.

16 Inventories

	Group 31 December 2013 $	31 December 2012 $
Group inventories	145,293	194,007

The Company does not hold inventory. During the year ended 31 December 2013 an expense of $nil (2012: $nil) was recognised in the Consolidated Statement of Comprehensive Income related to a write down of inventories.

17 Trade and other receivables

Non-current

	Group		Company	
	31 December 2013 $	31 December 2012 $	31 December 2013 $	31 December 2012 $
Trade notes receivable	19,073	39,640	–	–

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

Current

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

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

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

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

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

17 Trade and other receivables continued

Ageing of past due but not impaired receivables

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

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

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

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

18 Cash and cash equivalents

	Group		Company	
	31 December 2013 $	31 December 2012 $	31 December 2013 $	31 December 2012 $
Cash at bank and in hand	792,468	382,525	188,883	56,465

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

19 Trade and other payables

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

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs and are payable within 3 months. The average credit period taken for trade purchases is 25 days (2012: 71 days).

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

20 Provision for Onerous Contracts

	$
Balance at 31 December 2012	124,747
Provisions utilised	(57,480)
Balance at 31 December 2013	67,267
Current	12,901
Between two and five years	54,366
Balance at 31 December 2013	67,267

The provision for onerous contracts relates to the provision for ongoing services under 5 year contracts where the costs of providing those services outweighs the revenue generated. The last of the contracts will expire in March 2015. The onerous contract provision has not been discounted, as in the opinion of the directors, this would not be material.

21 Deferred Tax

The analysis of deferred tax assets is as follows:

Group

	2013 $	**2012 $**
Deferred tax (liability)/assets	(195,319)	(149,794)

The movement in deferred tax assets is as follows:

2013

	Opening balance $	**Recognised in the income statement $**	**Closing balance $**
Temporary differences:			
Net operating profit (loss) (non-current)	49,126	(49,126)	–
Short term timing differences	(198,920)	3,601	(195,319)
	(149,794)	(45,525)	(195,319)

2012

	Opening balance $	**Recognised in the income statement $**	**Closing balance $**
Temporary differences:			
Net operating profit (loss) (non-current)	112,000	(62,874)	49,126
Short term timing differences	(56,782)	(142,138)	(198,920)
	55,218	(205,012)	(149,794)

Deferred income tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets relating to carried forward tax losses of $8,550,000 (2012: $8,000,000) arising in the UK as there is insufficient evidence that the asset will be recovered. The deferred income tax asset relating to these losses is $1,966,500 (2012: $1,860, 000).

22 Share capital

The issued share capital in the year was as follows:

Company	Ordinary Shares Number	Deferred Shares Number
At 31 December 2013	10,567,650	808,450,760
At 31 December 2012	9,604,417	808,450,760

Company	Share Capital $	Share Premium $	Capital Redemption $
At 31 December 2013	12,732,564	4,800,610	6,517,644
At 31 December 2012	12,716,863	4,203,812	6,517,644

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

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

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

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

23 Obligations under operating leases

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

2013

	Land & Buildings $	Other $	Total $
No later than one year	–	44,338	44,338
Later than one year, and not later than five years	–	124,139	124,139
Total	–	168,477	168,477

2012

	Land & Buildings $	Other $	Total $
No later than one year	–	10,698	10,698
Later than one year, and not later than five years	–	5,383	5,383
Total	–	16,081	16,081

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

24 Financial instruments

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

i. Market risk

ii. Foreign currency risk

iii. Interest rate risk

iv. Credit risk

v. Liquidity risk

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

The Directors determine, as required, the degree to which it is appropriate to use financial instruments or other hedging contracts or techniques to mitigate risk. The main risk affecting such instruments is foreign currency risk which is discussed below. Throughout the year ending 31 December 2013 no trading in financial instruments was undertaken (2012: none) and the Group did not have any derivative or hedging instruments.

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

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

In particular the Group does not employ forward foreign currency contracts. The Disclosures given below do not include short – term debtors and creditors.

Fair value of financial assets and financial liabilities

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

Credit risk

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

Exposure to credit risk

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

Ageing of past due but not impaired receivables

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

24 Financial instruments continued

Categories of financial instruments

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

Borrowings

Bank Loan

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

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

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

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

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

24 Financial instruments continued

Group

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

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

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

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

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

Market risk
There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Foreign currency risk management
The Group undertakes transactions denominated in foreign currencies (other than the functional currency of the Company and its UK operations, being £ Sterling), with exposure to exchange rate fluctuations. These transactions relate predominately to royalties receivable in the US denominated in currencies other than US$ being Canadian Dollars, Australian Dollars and Euro; royalties from such sources in 2013 were $363,611 (2012: $260,468). No foreign exchange contracts were in place at 31 December 2013 (2012: Nil).

24 Financial instruments continued

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

	Group		Company	
	31 December 2013 $	31 December 2012 $	31 December 2013 $	31 December 2012 $
Assets				
Sterling	296,526	154,426	998,841	594,528
Liabilities				
Sterling	209,647	560,062	1,029,370	1,272,391

As shown above, at 31 December 2013 the Group had Sterling denominated monetary net assets of $86,879. (2012: $405,636 net liabilities) If Sterling strengthens by 10% against the US dollar, this would decrease assets by $8,688 (2012: $37,564) with a corresponding impact on reported losses.

Interest rate risk management

The Group is exposed to interest rate risk because the Group borrows and deposits funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate cash deposits and borrowings.

Interest rate sensitivity analysis

The Group's borrowings are at fixed rates. All of the borrowings at 31 December 2013 was a bank loan of $2,260,515. The bank loan was repayable in full on or before 16 July 2016 with monthly repayments of principal and interest at 8% per annum until the principal balance is reduced to US$2.0 million when the interest rate becomes 2% above "Wall Street Journal Prime" adjusted annually. On 10 June 2014, the bank loan was refinanced with Liberty Bank. Borrowings were increased to $2,750,000. The loan is repayable in full on or before 10 June 2019 with monthly repayments of principal and interest at 5.75% for the first three years and thereafter 2% above "Wall Street Journal Prime" adjusted annually.

The losses recorded by both the Group and the Company for the year ended 31 December 2013 would not materially change if market interest rates had been 1% higher/lower throughout 2013 and all other variables were held constant.

Credit risk management

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

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

Liquidity risk management

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

The Directors have prepared a business plan and cash flow forecast for the period to 30 June 2015. The forecast contains certain assumptions about the level of future sales and the level of gross margins achievable. These assumptions are the Directors' best estimate of the future development of the business. The Directors acknowledge that the Group in the near-term trading is reliant on cash generation from its predominantly US-based royalty income.

24 Financial instruments continued

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

Group

	0-6 months $	6-12 months $	>12 months $	Total $
2013				
Fixed interest rate instruments principal	412,670	412,670	1,376,924	2,202,264
2012				
Fixed interest rate instruments principal	661,218	412,670	2,202,264	3,276,152

The Company has no non-derivative financial liabilities.

Derivatives
The Group and Company have no derivative financial instruments.

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

25 Notes to the statement of cash flows

	Year ended 31 December 2013 $	Year ended 31 December 2012 $
Cash flows from operating activities		
Group		
Profit before interest and taxation	794,224	762,093
Adjustments for:		
Depreciation of plant and equipment	11,972	19,361
Amortisation of intangible assets	332,164	279,313
Impairment	–	–
Loss/(gain) on disposal of fixed asset	–	212
Share based payments	21,187	30,632
Provision for bad debts	–	–
Operating cash flows before movements in working capital	1,159,547	1,091,611
Decrease/(Increase) in inventories	48,714	(102,737)
Decrease/(Increase) in trade and other receivables	83,007	(8,337)
Decrease in trade and other payables	(323,144)	(130,042)
Cash generated by operations	968,124	850,495
Income taxes	(82,825)	(26,735)
Net cash generated from operating activities	885,299	823,760

25 Notes to the statement of cash flows continued

	Year ended 31 December 2013 $	Year ended 31 December 2012 $
Cash flows from operating activities		
Company		
Loss before interest and taxation	(754,076)	(526,274)
Adjustments for:		
Share based payment expense	21,187	30,632
Impairment of Intercompany Receivable	391,588	–
Operating cash flows before movements in working capital	(341,301)	(495,642)
Increase in trade and other receivables	(271,894)	(331,996)
(Decrease)/Increase in trade and other payables	(251,640)	491,726
Cash used by operations	(864,835)	(335,912)
Income taxes	–	–
Net cash used in operating activities	(864,835)	(335,912)

26 Contingent liabilities

The Directors are not aware of any material contingent liabilities.

27 Related party transactions

PSS was the former owner of ALDHC and ALD until the reverse merger in 2010 that created Water Intelligence. PSS is now an affiliate of Water Intelligence and hence is a related party. PSS provides a technology license to Water Intelligence and ALD on terms favorable to Water Intelligence and ALD. The license is royalty-free for the first $5 million of sales for products developed with PSS technology. PSS also guarantees the bank debt of Water Intelligence as described below. On the other hand, PSS owes an amount to ALD specified below. During the normal course of operations, there are inter-company transactions among PSS, Water Intelligence plc, ALDHC and ALD. The financial results of these related party transactions are reviewed by an independent director of Water Intelligence plc, the parent of ALDHC and ALD so that they are on arms-length terms.

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

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

27 Related party transactions continued

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

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

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

QN

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

ALD

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

ALDH

	$
Dividend received	400,000

28 Subsequent events

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

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

29 Control

The Company is under the control of its shareholders and not any one party.

Notice of Annual General Meeting

Water Intelligence plc

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

Weil, Gotshal & Manges, 110 Fetter Lane, London EC4A 1AY at 10 a.m. on 10 July 2014.

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

Ordinary resolutions

1. THAT the Company's annual accounts for the financial year ended 31st December 2013, together with the last directors' report and the auditor's report on those accounts and the directors' report, be received and adopted.
2. To reappoint Crowe Clark Whitehill LLP as the Company's auditors to hold office from the conclusion of this meeting until the conclusion of the next meeting at which accounts are laid before the Company.
3. To authorise the directors to agree the remuneration of the auditors.
4. To re-appoint, as a director, David Silverstone who retires by rotation in accordance with the Articles of Association.
5. To re-appoint, as a director, Stephen Leeb who retires by rotation in accordance with the Articles of Association.
6. THAT, in substitution for any existing and unexercised authorities, the Directors be and they are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the "**Act**") to exercise all the powers of the Company to allot equity securities (as defined in section 560(1) of the Act) provided that this authority shall be limited to the allotment of equity securities to any person or persons up to an aggregate nominal amount of £10,000.

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

Special resolution

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

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

b. the allotment of equity securities (otherwise than in sub-paragraph a above) to any person or persons up to an aggregate nominal amount of £5,000,

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

BY ORDER OF THE BOARD

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

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

Dated: 17 June 2014

Notes:

1. Shareholders entitled to attend and vote at the AGM ("Shareholders") may appoint a proxy or proxies to attend and speak and, on a poll, vote on their behalf. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form enclosed. A proxy need not be a member of the Company. A Shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that Shareholder. Investors who hold their shares through a nominee may wish to attend the AGM as a proxy, or to arrange for someone else to do so for them, in which case they should discuss this with their nominee or stockbroker. Shareholders are invited to complete and return the enclosed proxy form. To appoint more than one proxy you may photocopy the proxy form. Completion of the proxy form will not prevent a Shareholder from attending and voting at the AGM if subsequently he/she finds they are able to do so. To be valid, completed proxy forms must be received at the offices of the Company's registrars, Capita Asset Services, PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF by not later than 10 a.m. on 8 July 2014 (being 48 hours prior to the time fixed for the AGM, excluding weekends and public holidays) or, in the case of an adjournment, as at 48 hours prior to the time of the adjourned AGM (weekends and public holidays excluded).
2. Any corporation which is a member can appoint one or more corporate representatives who may exercise on it's behalf all of it's powers as a member provided that they do not do so in relation to the same shares.
3. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those holders of ordinary shares in the capital of the Company registered in the register of members of the Company at 6 pm on 8 July 2014 or, in the case of an adjournment, as at 48 hours prior to the time of the adjourned AGM (weekends and public holidays excluded).
4. The Register of Directors' Interests, together with the Directors' service agreements, the letters of appointment of non-executive directors and a copy of the Company's Articles of Association, will be available for inspection at the Company's registered office during usual business hours on any weekday (weekends and public holidays excluded) until the date of the AGM and also at the AGM from 9.30 a.m. on the day of the AGM until the conclusion of the AGM.

Printed by Michael Searle & Son Limited