



Water
Intelligence^{plc}



Water Intelligence plc

Group Annual Report and Financial Statements
for the Year Ended 31 December 2014

Company number 03923150

Group Annual Report and Financial Statements

for the year ended 31 December 2014

Contents

Page

2	Company Information
3	Chairman's Statement
5	Strategic Report
8	Directors' Report
12	Corporate Governance Statement
13	Statement of Directors' Responsibilities
14	Report of the Independent Auditor
16	Consolidated Statement of Comprehensive Income
17	Consolidated Statement of Financial Position
18	Company Statement of Financial Position
19	Consolidated Statement of Changes in Equity
20	Company Statement of Changes in Equity
21	Consolidated Statement of Cash Flows
22	Company Statement of Cash Flows
23	Notes to the Financial Statements
53	Notice of Annual General Meeting

Company Information

Directors & Advisers

Directors

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

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

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

Execution

During mid-2014, we closed a refinancing that increased our cash position and lowered our cost of capital. Our cash position increased by 121% to \$1.75 million as of December 31, 2014. Our net debt (page 6) as of December 31, 2014 was reduced by 32% to \$795,000 from \$1.177 million as of December 31, 2013. With creditworthiness established and additional resources available, we increased operating expense by 10.6% to \$5.65 million, largely for more execution headcount. We have grown corporate staff from 42 to 50. Importantly, as part of the increased headcount, we have integrated three general managers with significant operating experience. Each is focused on a key growth objective. Dave Silverstone, a director of the Company, who is CEO of Yale Science Park and former CEO of the Regional Water Authority in Connecticut, is assisting with growing corporate stores. Robert Knell, former owner of our Dallas, Texas franchise, who built a multi-million dollar franchise sales operation, is assisting in growing the franchise system. Steven West, current owner of the successful Columbus, Ohio franchise and former military leader, is assisting with revamping our training system to enable us to deploy service technicians in the field much more quickly.

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

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

Chairman's Statement

continued

Outlook

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

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

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

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

Dr. Patrick DeSouza

Executive Chairman

5 June 2015

Strategic Report

Business Review and Key Performance Indicators

The Chairman's Statement, on pages 2 to 3, 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 profit 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 2013 as follows:

	Year ended 31 December 2014 \$'000	Year ended 31 December 2013 \$'000	Change %
Total USA	4,660	4,357	7%
International	257	253	2%
Total Group Royalty Income	4,917	4,610	7%

System-wide franchise royalty growth year-over-year accelerated in 2014 to 7% from 6% when compared with 2013.

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

	Year ended 31 December 2014 \$'000	Year ended 31 December 2013 \$'000
Revenue	1,461	1,448
(Loss)/Profit	(46)	5

Revenue from the Corporate-run stores increased to \$1.461 million year on year, with a drop in contribution from \$5k to \$(46)k. Such drop may be attributed to the increase in staff to increase corporate store sales in 2015.

Revenue from other activities of \$837,218 (2013: \$757,990) was predominately revenue from Parts & Equipment Sales.

Net debt has reduced to \$795,000 at December 31, 2014 which represented a reduction of 32% from the level existing at December 31, 2013. This result was achieved through a combination of increased operating cash flow and refinancing the Company's existing term loan.

Strategic Report

continued

Group

	Year ended 31 December 2014 \$'000	Year ended 31 December 2013 \$'000
Term loan	2,551	1,970
	2,551	1,970
Less: Cash		
<i>Held in US Dollars</i>	1,722	536
<i>Held in £ Sterling</i>	34	257
	1,756	793
Total Net Debt	795	1,177

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 103 franchises at the end of 2014 which represented an increase of 1 franchise. (2013: 102)

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 2014.

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.

Strategic Report

continued

Going Concern

The Directors have prepared a business plan and cash flow forecast for the period to June 2016. The forecast contains certain assumptions about the level of future sales and the level of gross margins achievable. These assumptions are the Directors' best estimate of the future development of the business. The Directors acknowledge that the Group in the near-term is funded entirely on cash generation by its profitable US-based franchise business, ALD. The 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

5 June 2015

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 2014.

Principal Activities

The Group is the leading provider of leak detection and remediation services. The Group's strategy is to be a "one-stop" shop for solutions (including products) 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 16 to 22.

100% of the Group's revenue in the year ended 31 December 2014 (2013: 99%) came from its wholly owned subsidiary American Leak Detection, Inc. ("ALD"), with no revenue from its wholly-owned ALD International Limited subsidiary. Details regarding future developments and financial risk management are included in the Strategic Report.

Going Concern

The Directors have prepared a business plan and cash flow forecast for the period to June 2016. The forecast contains certain assumptions about the level of future sales and the level of gross margins achievable. These assumptions are the Directors' best estimate of the future development of the business. The Directors acknowledge that the Group in the near-term is funded entirely on cash generation by its profitable US-based franchise business, ALD. The Directors believe that the funding will be available on a case by case basis for different initiatives such that the Group will have adequate cash resources to pursue its growth plan. The Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future and accordingly, continue to adopt the going concern basis in preparing the financial statements.

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:

	2014	2013
	\$	\$
Third parties	68,437	76,148

Dividends

The Directors do not recommend the payment of a dividend (2013: \$nil).

Share Price

On 31 December 2014, the closing market price of Water Intelligence plc ordinary shares was 32 pence. The highest and lowest prices of these shares during the year to 31 December 2014 were 56 pence and 31 pence.

Capital Structure

Details of the authorised and issued share capital 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.

Directors' Report

continued

Future Developments

Future developments are outlined in the outlook section of the Chairman's Statement on page 4.

Financial Risk Management

Financial risk management is outlined in the principal risks and uncertainties section of the strategic report on page 6.

Subsequent Events

Part of the Group's growth strategy is to reacquire select franchises and to operate them as corporate-run locations adding to a critical mass of revenue and earnings at the Water Intelligence level. On 17 February 2015, the Group reacquired a significant amount of territory from its Miami franchisee, through its wholly owned subsidiary, ALD.

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

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

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

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

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' Report

continued

Directors' emoluments

2014	Salary & Fees \$	Benefits \$	Redundancy \$	Total \$
Executive Directors				
P DeSouza	288,269	36,689	–	324,958
D Silverstone	66,271	–	–	66,271
Non-Executive Directors				
S Leeb	20,604	–	–	20,604
M Reisman	20,604	–	–	20,604
R Mitchell	20,604	–	–	20,604
	416,352	36,689	–	453,041
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

The remuneration for Mr. DeSouza, other than \$116,769 paid direct to Mr. DeSouza (2013: \$65,000) was paid to Plain Sight Systems Inc. (PSS).

Directors' interests

The Directors who held office at 31 December 2014 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 2014	% held at 31 December 2014
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 was completed in 2013.

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

Directors' Report

continued

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%
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 Statement

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 considering, where appropriate, the principles of good governance contained in the UK Governance Code 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.

Statement of Directors' Responsibilities

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with the Companies Act 2006 and for being satisfied that the Financial Statements give a true and fair view. The Directors are also responsible for preparing the Financial Statements in accordance with 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 work carried out by the auditors does not involve the consideration of these matters and, accordingly, and the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website. 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

5 June 2015

Report of the Independent Auditor

Independent Auditors' 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 2014 (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, numbers 1 to 29. 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 13, 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 2014 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; and
- 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

Report of the Independent Auditor

continued

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

5 June 2015

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2014

	Notes	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
Revenue	4	7,215,097	6,816,008
Cost of sales		(525,055)	(559,171)
Gross profit		6,690,042	6,256,837
Administrative expenses			
– Share-based payments	7	–	(21,187)
– Amortisation of intangibles	13	(341,870)	(332,164)
– Other administrative costs	5	(5,639,319)	(5,109,262)
Total administrative expenses		(5,981,189)	(5,462,613)
Operating profit	5	708,853	794,224
Finance income	8	18,154	23,624
Finance expense	9	(141,837)	(205,954)
Profit before tax		585,170	611,894
Taxation expense	10	(209,118)	(157,783)
Profit for the year		376,052	454,111
Other Comprehensive Income			
Items that will or maybe reclassified to Profit & Loss			
Exchange differences arising on translation of foreign operations		(50,622)	(18,792)
Total comprehensive profit for the year		325,430	435,319
Profit per share		Cents	Cents
Basic	11	3.6	4.7
Diluted	11	3.6	4.5

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 23 to 52 are an integral part of these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2014

	Notes	2014 \$	2013 \$
ASSETS			
Non-current assets			
Goodwill	12	801,211	801,211
Other intangible assets	13	3,003,215	3,258,101
Property, plant and equipment	14	57,948	11,313
Trade and other receivables	17	29,076	19,073
		3,891,450	4,089,698
Current assets			
Inventories	16	205,477	145,293
Trade and other receivables	17	830,272	750,006
Cash and cash equivalents	18	1,756,014	792,468
		2,791,763	1,687,767
TOTAL ASSETS		6,683,213	5,777,465
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent			
Share capital	22	12,732,564	12,732,564
Share premium	22	4,800,610	4,800,610
Shares to be issued	22	29,510	–
Capital redemption reserve	22	6,517,644	6,517,644
Merger reserve		8,501,150	8,501,150
Share based payment reserve		–	110,680
Other reserves		(111,066)	(60,444)
Reverse acquisition reserve		(27,758,088)	(27,758,088)
Retained loss		(1,454,775)	(1,941,507)
		3,257,549	2,902,609
Non-current liabilities			
Borrowings	24	2,048,472	1,263,111
Provision for onerous contracts	20	–	12,901
Deferred tax liability	21	195,319	195,319
		2,243,791	1,471,331
Current liabilities			
Trade and other payables	19	667,997	642,559
Borrowings	24	502,029	706,600
Provision for onerous contracts	20	11,847	54,366
		1,181,873	1,403,525
TOTAL EQUITY AND LIABILITIES		6,683,213	5,777,465

These Financial Statements were approved and authorised for issue by the Board of Directors on 5 June 2015 and were signed on its behalf by:

Patrick De Souza
Executive Chairman

The accompanying notes on pages 23 to 52 are an integral part of these financial statements.

Company Statement of Financial Position

as at 31 December 2014

	Notes	2014 \$	2013 \$
ASSETS			
Non-current assets			
Investment in subsidiaries	15	8,532,529	9,057,544
		8,532,529	9,057,544
Current assets			
Trade and other receivables	17	435,168	418,369
Cash and cash equivalents	18	17,329	188,883
		452,497	607,252
TOTAL ASSETS		8,985,026	9,664,796
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent			
Share capital	22	12,732,564	12,732,564
Share premium	22	4,800,610	4,800,610
Shares to be issued	22	29,510	–
Capital redemption reserve	22	6,517,644	6,517,644
Merger reserve		8,501,150	8,501,150
Share based payment reserve		–	179,349
Other reserves		(143,781)	379,618
Retained losses		(24,671,150)	(24,475,509)
		7,766,547	8,635,426
Current liabilities			
Trade and other payables	19	1,218,479	1,029,370
		1,218,479	1,029,370
TOTAL EQUITY AND LIABILITIES		8,985,026	9,664,796

These Financial Statements were approved and authorised for issue by the Board of Directors on 5 June 2015 and were signed on its behalf by:

Patrick De Souza
Executive Chairman

The accompanying notes on pages 23 to 52 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2014

	Share Capital \$	Share Premium \$	Share Redemption Reserve \$	Capital Reserve \$	Reverse Acquisition Reserve \$	Merger Reserve \$	Share based payment reserve \$	Other reserves \$	Retained Losses \$	Total Equity \$
As at 1 January 2013	12,716,863	4,203,812	6,517,644	(27,758,088)	8,501,150	89,493	(41,652)	(2,395,618)	1,833,604	
Issue of Ordinary Shares	15,701	596,798	-	-	-	-	-	-	612,499	
Share-based payment expense	-	-	-	-	-	21,187	-	-	21,187	
Foreign exchange	-	-	-	-	-	-	-	-	-	
Profit for the year	-	-	-	-	-	-	-	-	454,111	
Other comprehensive loss	-	-	-	-	-	-	-	(18,792)	(18,792)	
As at 31 December 2013	12,732,564	4,800,610	6,517,644	(27,758,088)	8,501,150	110,680	(60,444)	(1,941,507)	2,902,609	
As at 1 January 2014	-	-	-	-	-	-	-	-	-	
Issue of Ordinary Shares	29,510	-	-	-	-	-	-	-	29,510	
Share-based payment expense	-	-	-	-	-	-	-	-	-	
Release of share-based payment reserve	-	-	-	-	-	(110,680)	-	-	110,680	
Foreign exchange	-	-	-	-	-	-	-	-	-	
Profit for the year	-	-	-	-	-	-	-	-	376,052	
Other comprehensive loss	-	-	-	-	-	-	-	(50,622)	(50,622)	
As at 31 December 2014	12,762,074	4,800,610	6,517,644	(27,758,088)	8,501,150	-	(111,066)	(1,454,775)	3,257,549	

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

Share capital Amount subscribed for share capital at nominal value. The share capital above includes share capital and shares to be issued relating to the New York franchise reacquisition. These are disclosed separately on the face of the Balance Sheet.

Share premium Amount subscribed for share capital in excess of nominal value.

Capital redemption Non-distributable reserve in relation to cancellation of deferred shares.

Retained losses Cumulative net losses recognised in the Financial Statements.

Reverse acquisition Non-distributable amount arising on the reverse acquisition.

Merger acquisition Non-distributable reserve arising on reverse acquisition.

Other reserves Exchange differences on translating foreign operations.

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

The accompanying notes on pages 23 to 52 are an integral part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2014

	Share Capital \$	Share Premium \$	Capital Redemption Reserve \$	Merger Reserve \$	Share based payment reserve \$	Other reserves \$	Retained Losses \$	Total Equity \$
As at 1 January 2013	12,716,863	4,203,812	6,517,644	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	-	-	-	-	-	-	-	-
Loss for the year	-	-	-	-	-	-	(374,503)	(374,503)
Other comprehensive profit	-	-	-	-	-	189,045	-	189,045
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
As at 1 January 2014	12,732,564	4,800,610	6,517,644	8,501,150	179,349	379,618	(24,475,509)	8,635,426
Issue of ordinary shares	-	-	-	-	-	-	-	-
Shares to be issued	29,510	-	-	-	-	-	-	29,510
Share-based payment expense	-	-	-	-	-	-	-	-
Release of share-based payment reserve	-	-	-	-	(179,349)	-	179,349	-
Foreign exchange	-	-	-	-	-	-	-	-
Loss for the year	-	-	-	-	-	-	(374,990)	(374,990)
Other comprehensive loss	-	-	-	-	-	(523,399)	-	(523,399)
As at 31 December 2014	12,762,074	4,800,610	6,517,644	8,501,150	-	(143,781)	(24,671,150)	7,766,547

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

Share capital	Amount subscribed for share capital at nominal value. The share capital above includes share capital and shares to be issued relating to the New York franchise reacquisition. These are disclosed separately on the face of the Balance Sheet.
Share premium	Amount subscribed for share capital in excess of nominal value.
Capital redemption 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 23 to 52 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2014

	Notes	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
Net cash generated from operating activities	25	673,328	885,299
Cash flows from investing activities			
Purchase of plant and equipment		(56,589)	(6,403)
Purchase of intangible assets		(58,490)	–
Net cash used in investing activities		(115,079)	(6,403)
Cash flows from financing activities			
Issue of share capital		–	15,701
Share premium from placing		–	596,798
Interest received		18,154	23,624
Interest paid		(141,837)	(205,954)
Proceeds from borrowings		1,000,000	250,000
Principal payments on long term debt and promissory notes		(419,209)	(1,131,054)
Net cash used in financing activities		457,108	(450,885)
Net increase in cash and cash equivalents		1,015,357	428,011
Cash and cash equivalents at the beginning of year		792,468	382,525
Effect of foreign exchange rate changes		(51,811)	(18,068)
Cash and cash equivalents at end of year		1,756,014	792,468

The accompanying notes on pages 23 to 52 are an integral part of these financial statements.

Company Statement of Cash Flows

for the year ended 31 December 2014

	Notes	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
Net cash used in operating activities	25	(202,680)	(864,835)
Cash flows from financing activities			
Issue of share capital		–	15,701
Share premium from placing		–	596,798
Dividends received		–	400,000
Net cash from financing activities		–	1,012,499
(Decrease)/Increase in cash and cash equivalents		(202,680)	147,664
Cash and cash equivalents at the beginning of period		188,883	56,465
Effect of foreign exchange rate changes		31,126	(15,246)
Cash and cash equivalents at end of period		17,329	188,883

The accompanying notes on pages 23 to 52 are an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2014

1 General information

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

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

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

2 Adoption of new and revised International Financial Reporting Standards

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

At the date of approval of these Financial Statements, the directors have considered IFRS Standards and Interpretations, which have not been applied in these Financial Statements, were in issue but not yet effective.

The Group has not early adopted these amended standards and interpretations. The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's Financial Statements in the periods of initial application, however, the directors' review of the potential impact of IFRS 15, has yet to be concluded.

3 Significant accounting policies

Basis of preparation

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

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

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

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

Going concern

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

The Directors have prepared a business plan and cash flow forecast for the period to June 2016. The forecast contains certain assumptions about the level of future sales and the level of gross margins achievable. These assumptions are the Directors' best estimate of the future development of the business. The Directors acknowledge that the Group in the near-term is funded entirely on cash generation by its profitable US-based franchise business, ALD. The Directors believe that the funding will be available on a case by case basis for different initiatives such that the Group will have adequate cash resources to pursue its growth plan.

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

Notes to the Financial Statements

continued

3 Significant accounting policies *continued*

Basis of consolidation

The Group financial statements consolidate the accounts of Water Intelligence plc and all of its subsidiary undertakings made up to 31 December 2014. The Consolidated Statement of Comprehensive Income includes the results of all subsidiary undertakings for the period from the date on which control passes. Control is achieved where the Company (or one of its subsidiary undertakings) obtains the power to govern the financial and operating policies of an investee entity so as to derive benefits from its activities.

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

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

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

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 2014 of \$374,990 (2013: \$374,503). 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.

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 contract 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.

Notes to the Financial Statements

continued

3 Significant accounting policies *continued*

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 2014 was £1 = US\$1.5332 (2013: £1 = US\$1.6488).

(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.

(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.

Notes to the Financial Statements

continued

3 Significant accounting policies *continued*

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, in particular corporate run stores, are sold by the Group and 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 a going concern 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.

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.

Notes to the Financial Statements

continued

3 Significant accounting policies *continued*

Trade and other payables

Trade and other payables are classified according to the substance of the arrangement entered into.

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.

Notes to the Financial Statements

continued

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
Territory servicing rights	10

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.

Notes to the Financial Statements

continued

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. Please see relevant notes for these areas.

4 Segmental Information

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

The Group mainly operates in the US, with operations in the UK and certain other countries. In 2014, 100% (2013 99%) of its revenue came from its franchise business, American Leak Detection, which includes royalties from franchisees and corporate-owned stores.

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

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

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

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

Notes to the Financial Statements

continued

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

Profit/(Loss) before tax

	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
Royalties from franchisees	826,265	1,208,652
Corporate-operated Stores	(45,991)	5,302
Other activities	275,843	28,297
Unallocated head office costs	(470,947)	(630,357)
Total	585,170	611,894

Assets

	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
Royalties from franchisees	6,790,773	5,505,396
Corporate-operated Stores	422,193	268,885
Other activities	(529,753)	3,184
Total	6,683,213	5,777,465

Amortisation/impairment

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

Notes to the Financial Statements

continued

4 Segmental Information *continued*

Depreciation

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

Finance Expense

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

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

Geographic information

Total revenue

Total revenue from activities by geographical area is detailed below:

Revenue by geography

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

Revenue from franchisor activities by geographical area is detailed below.

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

Assets by geography

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

Notes to the Financial Statements

continued

5 Expenses by nature

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

	Note	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
Raw materials and consumables used		573,709	559,082
Employee costs	6	2,916,350	2,558,061
Operating lease rentals		3,593	3,059
Depreciation charge		12,161	11,972
Marketing costs		611,433	585,935
R & D		68,437	76,148
Foreign exchange loss/(gain)		756	(44,324)
One-time costs		126,516	–

In 2014, there was \$126,516 of one-time costs. Please see table below for details:

	Year ended 31 December 2014 \$
Sage accounting software upgrade	18,000
Computer upgrades/additions	15,000
Transition cost of NY franchise buyback	33,449
Legal cost for new director of franchisees relations	10,642
QN Closing cost	49,425
Total	126,516

	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
Auditors remuneration		
Fees payable to the Company's auditor for audit of Parent Company and Consolidated Financial Statements	42,162	42,320
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 \$65,033 (2013: \$54,725) for the audit of these companies and \$nil (2013: \$4,000) for other services.

Notes to the Financial Statements

continued

6 Employees and Directors

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

	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
<i>Short-Term employee benefits</i>		
Directors fees, salaries and benefits	453,041	366,526
Wages and Salaries	2,266,148	1,993,674
Social Security Costs	197,161	176,674
<i>Long-Term employee benefits</i>		
Share based payments	–	21,187
	2,916,350	2,558,061

Information regarding Directors emoluments are as follows:

	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
Directors' fees	82,416	82,416
Salaries and benefits	370,625	284,110
Social Security Costs	17,721	11,700
	470,762	378,226

The highest paid Director received emoluments of \$324,959 (2013: \$284,110).

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

	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
Directors (executive and non-executive)	5	5
Management	11	8
Field Services	17	14
Franchise Support	15	13
Administration	2	2
	50	42

Notes to the Financial Statements

continued

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. These are accounted for as equity settled options. 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 2014	Weighted average exercise price (\$) 2014	Number of share options 2013	Weighted average exercise price (\$) 2013
Outstanding at beginning of year	992,026	1.74	263,669	1.85
Granted during the year	–	–	734,500	1.26
Forfeited/lapsed during the year	(257,526)	1.85	(6,143)	(22.68)
Exercised during the year	–	–	–	–
Outstanding at end of the year	734,500	1.26	992,026	1.74
Exercisable at end of the year	734,500	1.26	992,026	1.74

Fair value of share options

No share options were granted during the year. The weighted average fair value of the exercise price of the share options granted in the prior financial year was 1.26.

As the share options granted during the prior year were at a premium to the share price at the date they were granted, the Black Scholes calculation resulted in a charge that was not material and has not been recognised (2013: \$21,187).

The weighted average remaining contractual life of the Share Options is 8.36 years (2013: 9.36 years).

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

Scheme	2014	2013	Date of Grant	Exercise price	Exercise period	
					From	To
	–	70,000	16/07/2010	\$0.99	16/07/2010	16/07/2014
	–	187,526	12/09/2013	\$1.18	28/07/2010	28/07/2014
Third Party	67,000	67,000	12/09/2013	\$1.18	12/09/2013	12/09/2016
ALDHC Plan ⁽¹⁾	417,500	417,500	01/12/2013	\$1.14	01/12/2013	01/12/2023
Directors ⁽²⁾	250,000	250,000	01/08/2013	\$1.30	01/08/2013	01/08/2023
Total	734,500	992,026				

All share options are equity settled on exercise.

(1) 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 417,500 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. These Options have all vested in full.

(2) 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 67% above the highest share price for 2013. These Options have all vested in full.

Notes to the Financial Statements

continued

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		

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

8 Finance income

	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
Interest income	18,154	23,624

9 Finance expense

Interest payable

	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
Bank loans	141,837	205,954
	141,837	205,954

Notes to the Financial Statements

continued

10 Taxation

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

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

Profit/(Loss) before tax on ordinary activities	585,170	611,894
Tax calculated at domestic rate applicable profits in respective countries (2014: 34.5% versus 2013: 38%)	198,958	235,579
Tax effects of:		
Non-deductible expenses	26,697	5,254
State taxes net of federal benefit	50,244	–
Depreciation less than capital allowances	–	(74,765)
Short term timing differences	–	6,528
Deferred tax not recognised	(66,781)	–
Tax losses (relieved)/unrelieved	–	(14,813)
Taxation expense recognised in income statement	209,118	157,783

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

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

Notes to the Financial Statements

continued

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

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

12 Goodwill

Group

	Goodwill \$	Owned and Operated stores \$	Franchisor activities \$	Totals \$
Cost				
At 1 January 2013	1,493,729	239,500	636,711	2,369,940
Additions	–	–	–	–
At 31 December 2013	1,493,729	239,500	636,711	2,369,940
Additions	–	–	–	–
At 31 December 2014	1,493,729	239,500	636,711	2,369,940
Impairment				
At 1 January 2013	1,493,729	75,000	–	1,568,729
Impairment in year	–	–	–	–
At 31 December 2013	1,493,729	75,000	–	1,568,729
Impairment in year	–	–	–	–
At 31 December 2014	1,493,729	75,000	–	1,568,729
Carrying amount				
At 31 December 2013	–	164,500	636,711	801,211
At 31 December 2014	–	164,500	636,711	801,211

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

Notes to the Financial Statements

continued

12 Goodwill continued

The assumptions used for the corporate owned and operated stores are based on the forecast cash flows for 2015 and that cash flows thereafter are assumed to increase by 2% per annum and a discount rate of 10% has been used to value the future cash flows. A terminal value has been estimated after 5 years of discounted cash flows. The terminal value also assumes a growth rate of 2% per annum and has been calculated at a discount rate of 25%. This has resulted in no impairment charge being required in 2014 (2013: \$nil).

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

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

13 Other intangible assets

	Product development \$	Covenants not to compete \$	Customer Lists \$	Trademarks \$	Patents \$	Territory servicing rights \$	Total \$
Cost							
At 1 January 2013	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
Additions	–	–	–	–	–	88,000	88,000
Exchange differences	–	–	–	–	–	–	–
At 31 December 2014	164,880	270,000	217,500	5,293,817	23,692	88,000	6,057,889
Accumulated amortisation							
At 1 January 2013	16,153	270,000	217,500	1,848,221	23,692	–	2,375,566
Amortisation expense	71,320	–	–	261,691	–	–	333,011
Exchange difference	3,211	–	–	–	–	–	3,211
At 31 December 2013	90,684	270,000	217,500	2,109,912	23,692	–	2,711,788
Amortisation expense	73,180	–	–	261,690	–	7,000	341,870
Exchange differences	1,016	–	–	–	–	–	1,016
At 31 December 2014	164,880	270,000	217,500	2,371,602	23,692	7,000	3,054,674
Carrying amount							
At 31 December 2013	74,196	–	–	3,183,905	–	–	3,258,101
At 31 December 2014	–	–	–	2,922,215	–	81,000	3,003,215

All intangible assets have been acquired by the Group.

Notes to the Financial Statements

continued

13 Other intangible assets *continued*

The addition to other intangible assets, Territory Servicing rights, arises from the reacquisition of the New York Franchise on 24 February 2014.

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.

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 2015 and that cash flows thereafter are assumed to increase by 2% per annum and a discount rate of 10% has been used to value the future cash flows. A terminal value has been estimated after 5 years of discounted cash flows. This has resulted in no impairment charge being required in 2014, or in prior years.

Had the estimated cost of capital used in determining the discount rate 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.

In the prior year, there was a change in the amortisation policy of product development, with the opening carrying value at 01 January 2013 being amortised in full over 2 years, spread evenly in 2013 and 2014. At 31 December 2014, product development has been fully amortised.

Notes to the Financial Statements

continued

14 Property, plant and equipment

	Equipment & displays \$	Motor vehicles \$	Leasehold improvements \$	Total \$
Cost				
At 1 January 2013	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
Additions	36,655	19,934	–	56,589
Exchange differences	2,168	–	–	2,168
Disposals	(74,822)	(49,242)	–	(124,064)
At 31 December 2014	444,284	157,781	123,418	725,483
Accumulated depreciation				
At 1 January 2013	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
Eliminated on disposals	(74,822)	(49,242)	–	(124,064)
Depreciation expense	8,839	3,322	–	12,161
Exchange differences	(39)	–	–	(39)
At 31 December 2014	402,948	141,169	123,418	667,535
Carrying amount				
At 31 December 2013	11,313	–	–	11,313
At 31 December 2014	41,336	16,612	–	57,948

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 2014 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 \$57,948 (2013: \$11,313).

Notes to the Financial Statements

continued

15 Investment in subsidiary undertakings

Company	Subsidiary Undertakings \$
Cost	
At 31 December 2013	15,458,450
Exchange difference	(525,015)
At 31 December 2014	14,933,435
Impairment	
At 31 December 2013	6,400,906
Exchange difference	–
At 31 December 2014	6,400,906
Carrying amount	
At 31 December 2013	9,057,544
At 31 December 2014	8,532,529

The Directors annually assess the carrying value of the investment in the subsidiary and in their opinion no impairment provision is currently necessary. See notes 12 and 13 for the assumptions and sensitivities in assessing the carrying value of the 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%
Qconnectis Group Limited (intermediate holding company)	*	England and Wales	100%
ALD International Limited (remote data communications)		England and Wales	100%
Qconnectis 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.

The two dormant entities, MyUtility Limited and Qconnectis Technologies Limited were struck off at Companies House during the year.

Notes to the Financial Statements

continued

16 Inventories

	Group	
	31 December 2014 \$	31 December 2013 \$
Group inventories	205,477	145,293

During the year ended 31 December 2014 an expense of \$nil (2013: \$nil) was recognised in the Consolidated Statement of Comprehensive Income related to a write down of inventories. The Company does not hold inventory.

17 Trade and other receivables

Non-current

	Group		Company	
	31 December 2014 \$	31 December 2013 \$	31 December 2014 \$	31 December 2013 \$
Trade notes receivable	29,076	19,073	–	–

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

Current

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

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

The average credit period taken on sales is 29 days (2013: 26 days).

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

Ageing of past due but not impaired receivables

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

Notes to the Financial Statements

continued

17 Trade and other receivables *continued*

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

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

	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
US Dollar	816,841	710,093
UK Pound	13,431	39,913
	830,272	750,006

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

18 Cash and cash equivalents

	Group		Company	
	31 December 2014 \$	31 December 2013 \$	31 December 2014 \$	31 December 2013 \$
Cash at bank and in hand	1,756,014	792,468	17,329	188,883

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

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs and are payable within 3 months. The average credit period taken for trade purchases is 25 days (2013: 25 days).

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

Notes to the Financial Statements

continued

20 Provision for Onerous Contracts

	\$
Balance at 31 December 2013	67,267
Provisions utilised	(55,420)
Balance at 31 December 2014	11,847
Current	11,847
Between two and five years	–
Balance at 31 December 2014	11,847

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

	2014 \$	2013 \$
Deferred tax (liability)/assets	(195,319)	(195,319)

The movement in deferred tax assets is as follows:

2014

	Opening balance \$	Recognised in the income statement \$	Closing balance \$
Temporary differences:			
Net operating profit (loss) (non-current)			
Short term timing differences	(195,319)	–	(195,319)
	(195,319)	–	(195,319)

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)

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 \$8,985,000 (2013: \$8,550,000) 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 \$1,797,000 (2013: \$1,966,500).

Notes to the Financial Statements

continued

22 Share capital

The issued share capital in the year was as follows:

Group & Company

	Ordinary Shares Number	Deferred Shares Number
At 31 December 2014	10,567,650	808,450,760
At 31 December 2013	10,567,650	808,450,760

Group & Company

	Share Capital \$	Share Premium \$	Capital Redemption \$
At 31 December 2014	12,732,564	4,800,610	6,517,644
At 31 December 2013	12,732,564	4,800,610	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. The payment of the amount due (if any) on any other classes of share capital of the Company are paid 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.

The shares to be issued balance of \$29,510 relates to the reacquisition of the New York franchise on 24 February 2014. The 50,000 shares were admitted to AIM on the 30 March 2015.

23 Obligations under operating leases

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

2014

	Land & Buildings \$	Other \$	Total \$
No later than one year	–	48,990	48,990
Later than one year, and not later than five years	–	154,548	154,548
Total	–	203,538	203,538

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

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

Notes to the Financial Statements

continued

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 2014 no trading in financial instruments was undertaken (2013: 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.

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

Notes to the Financial Statements

continued

24 Financial instruments continued

Categories of financial instruments

	Group		Company	
	31 December 2014 \$	31 December 2013 \$	31 December 2014 \$	31 December 2013 \$
Loans and receivables				
Cash and cash equivalents	1,756,014	792,468	17,329	188,883
Trade and other receivables – current	830,272	750,006	435,168	418,369
Corporation tax recoverable	–	–	–	–
Trade and other receivables – non-current	29,076	19,073	–	–
Financial Liabilities measured at amortised cost				
Trade and other payables	679,844	709,827	1,218,479	1,029,370
Borrowings – current	502,029	706,600	–	–
Borrowings – non-current	2,048,472	1,263,111	–	–

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 17, 2014.

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 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 is approximately \$53,000 monthly. The Group has also renewed its Revolver with Liberty Bank. The line is equal to \$250,000 and carries with it an interest rate equal to the Wall Street Journal Prime, plus 2.75%. The Group is not drawing on the line of credit at this time. The term loan is guaranteed by Plain Sight Systems and the Executive Chairman. See Related Party Note.

Group

Financial Instruments	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
	Current		Non-current	
Term loan	502,029	706,600	2,048,472	1,263,111
Total	502,029	706,600	2,048,472	1,263,111

The Company had no borrowings during the year (2013 \$nil).

Notes to the Financial Statements

continued

24 Financial instruments continued

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.

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 2014 were \$282,147 (2013: \$363,611). No foreign exchange contracts were in place at 31 December 2014 (2013: Nil).

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

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	\$	\$	\$	\$
Assets				
Sterling	47,482	296,526		998,841
Liabilities				
Sterling	119,645	209,647		1,029,370

As shown above, at 31 December 2014 the Group had Sterling denominated monetary net liabilities of \$72,163. (2013: \$86,879 net assets) If Sterling weakens by 10% against the US dollar, this would decrease assets by \$7,216 (2013: \$8,688) 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

On 17 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. All of the borrowings at 31 December 2014 was \$2,551,000.

The losses recorded by both the Group and the Company for the year ended 31 December 2014 would not materially change if market interest rates had been 1% higher/lower throughout 2014 and all other variables were held constant.

Notes to the Financial Statements

continued

24 Financial instruments continued

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 2016. The forecast contains certain assumptions about the level of future sales and the level of gross margins achievable. These assumptions are the Directors' best estimate of the future development of the business. The Directors acknowledge that the Group in the near-term trading is reliant on cash generation from its predominantly US-based royalty income.

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

Group	0-6 months \$	6-12 months \$	>12 months \$	Total \$
2014				
Fixed interest rate instruments principal	317,754	317,754	2,277,254	2,912,767
2013				
Fixed interest rate instruments principal	412,670	412,670	1,376,924	2,202,264

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.

Notes to the Financial Statements

continued

25 Notes to the statement of cash flows

	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
Cash flows from operating activities		
Group		
Profit before interest and taxation	708,853	794,224
Adjustments for:		
Depreciation of plant and equipment	12,161	11,972
Amortisation of intangible assets	341,870	332,164
Share based payments	–	21,187
Operating cash flows before movements in working capital	1,062,884	1,159,547
(Increase)/decrease in inventories	(60,184)	48,714
(Increase)/decrease in trade and other receivables	(90,269)	83,007
Decrease in trade and other payables	(29,985)	(323,144)
Cash generated by operations	882,446	968,124
Income taxes	(209,118)	(82,825)
Net cash generated from operating activities	673,328	885,299
	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
Cash flows from operating activities		
Company		
Loss before interest and taxation	(374,990)	(754,076)
Adjustments for:		
Share based payment expense	–	21,187
Impairment of Intercompany Receivable	–	391,588
Operating cash flows before movements in working capital	(374,990)	(341,301)
Increase in trade and other receivables	(16,799)	(271,894)
Increase/(Decrease) in trade and other payables	189,109	(251,640)
Cash used by operations	(202,680)	(864,835)
Income taxes	–	–
Net cash used in operating activities	(202,680)	(864,835)

26 Contingent liabilities

The Directors are not aware of any material contingent liabilities.

Notes to the Financial Statements

continued

27 Related party transactions

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

On June 17, 2014, the Group finalised the refinancing of its term loan agreement with Liberty Bank of Connecticut, the successor to the Bank of Southern Connecticut with whom the Group had its existing credit relationship. The term of the loan was reset for 5 years to 2019. The principal amount outstanding at December 31, 2014 is \$2,550,501. As of December 31, 2014 interest on the loan was 5.75% annually. For 2014, monthly instalments of principal and interest amount to \$52,959 per month. The Group also renewed its commercial line of credit with Liberty Bank. The line is equal to \$250,000 and carries with it an interest rate equal to the Wall Street Journal Prime, plus two and three quarter percent. The Group did not draw on the line of credit during 2014.

Liberty Bank has required that the refinanced term loan and commercial line of credit be guaranteed by PSS and the Executive Chairman. For the PSS guarantee, ALD pays 0.75% per annum based on the outstanding balance of the loan calculated at the end of each month. For the guarantee of the Executive Chairman, the board has agreed to award the Executive Chairman options for ordinary shares. For 2014, the Board awarded the Executive Chairman an option to acquire 50,000 ordinary shares at an exercise price of 45p. The expense charge for the Executive Chairman's guarantee is 0.07%, which will be expensed in 2015 as the options were granted subsequent to year end, bringing the total charge for guarantees to 0.82% for 2014. The charge for the guarantees will be eliminated should the guarantees no longer be required by Liberty Bank.

In order to obtain PSS's consent to extend the duration of its current guarantee, the boards of both PSS and Water Intelligence, reviewed by its respective independent directors, have agreed to extend the time period for repayment of amounts currently owed by PSS to ALD to match the term of the new loan. Interest owed on the PSS receivable will match the interest rate charged by the bank. The monthly charge for the PSS guarantee would be offset against amounts owed by PSS. Interest income related to the PSS receivable amounted to \$7,060 and \$10,040 for the years December 31, 2014 and 2013, respectively. The guarantee fee expense for the PSS guarantee amounted to \$16,500 and \$17,323 for the years ended December 31, 2014 and December 31, 2013 respectively.

During the normal course of operations there are inter-company transactions among PSS, Water Intelligence plc, ALD and ALDHC. In previous years, PSS charged administrative fees to the Company to cover activities taken on behalf of company business. The related receivable/ prepaid balance remaining was \$114,315 and \$124,728 at December 31, 2014 and 2013, respectively.

Notes to the Financial Statements

continued

27 Related party transactions *continued*

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

QN

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

ALD

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

ALDHC

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

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

28 Subsequent events

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

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

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

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

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

29 Control

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

Notice of Annual General Meeting

Water Intelligence plc

(the "Company")

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

201 Temple Chambers, 3-7 Temple Avenue, London, EC4Y 0DT at 11 a.m. on 30 June 2015.

The AGM will be held in order to consider and if thought fit, pass resolutions 1 to 5 below as ordinary resolutions and resolution 6 below as a special resolution.

Ordinary resolutions

1. THAT the Company's annual accounts for the financial year ended 31st December 2014, 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, Michael Reisman who retires by rotation in accordance with the Articles of Association.
5. 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 £20,000.

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

6. THAT, subject to and conditional upon the passing of Resolution 5, 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

Notice of Annual General Meeting

continued

- 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 £15,000,

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

Dated: 5 June 2015

Registered Office:

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

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 11 a.m. on 26 June 2015 (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 its behalf all of its 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 p.m. on 26 June 2015 or, in the case of an adjournment, as at 48 hours prior to the time of the adjourned AGM (weekends and public holidays excluded).

