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

Audited results for the year ended 31 December 2018

Water Intelligence, a leading multinational provider of precision, minimally-invasive leak detection and remediation solutions for both potable and non-potable water, is pleased to present its full, audited results for the year ended 31 December 2018.

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

Results Highlights

- Revenue growth once again strong at 45% year-over-year reaching $25.5 million (2017: $17.6 million)
  - Total System-wide sales (franchisee gross sales and corporate-operated sales) pass $100 million
- Profit before tax growth exceeds revenue growth at 53% year-over-year reaching $1.8 million (2017: $1.1 million)
  - Profit before tax adjusted for non-core costs (non-recurring, amortization, and share-based payments) grows 44% to $2.5 million (2017: $1.7 million)
- Sustained growth and acceleration of financial performance
  - 2016-18 CAGRs: Revenue 45%; PBT 51%
  - 2014-18 CAGRs: Revenue 37%; PBT 32%
- Core business units – American Leak Detection (ALD) and UK-based Water Intelligence International (WII) both grow strongly establishing a Group distribution platform for a broad matrix of residential, commercial and municipal/water utility solutions to address both clean water and wastewater problems
  - ALD revenue grows 45% to $22.6 million (2017: $15.5 million)
    - Royalty income from franchisees grows in absolute terms by 5.7% to $6.3 million (2017: $5.9 million) despite additional franchise reacquisitions
    - Corporate-operated sales grow 70% year-over-year to $10.1 million (2017: $5.9 million)
      - Organic growth from corporate locations held since January 1, 2017 of 34%
      - Corporate locations profit margins triple (2018: 12%; 2017: 4%) driving the Group's increase in PBT while reinvesting for sales growth
  - WII revenue grows 39% to $2.9 million for 2018 (2017: $2.1 million)
    - Maiden PBT of $0.03 million (2017: $(0.16) million)
- Water Intelligence balance sheet strong with net cash: +$2.6 million

Operational and Post-Period Highlights

- Technology reinvestment for initial deployment during 2019 to support future growth: (i) sewer diagnostic tool ("Orca") advancing WII's water utility offerings and (ii) AI-driven video display to enable contextual commerce of consumer products from the video supporting ALD's growing business-to-business insurance channel and advancing ALD's penetration of the "Insuretech" product market
- Confirmation of new Board Member, Bobby Knell, who was the former owner of the highly successful Dallas franchise and has been Managing Director in charge of franchise relations for the last five years

- January to April 2019 starts fast on all fronts: (i) another major US insurance company win; (ii) franchise sale; (iii) corporate-operated organic growth and (iv) three more franchise reacquisitions to fuel 2019-2020 growth; On track to meet market expectations

Dr. Patrick DeSouza, Executive Chairman of Water Intelligence, commented: "We have an exciting opportunity ahead providing solutions for infrastructure problems affecting the world's most precious resource. Global market demand for environmental solutions, especially water-related, as evidenced by initiatives such as the Green New Deal, is growing irrespective of local political and economic conditions; this is good news for the Company and its investors. In three important ways, we have created the operating foundation to scale our business and seize the opportunity: (i) sustained, multi-year, high octane financial performance to gain critical mass as a Company; (ii) an emerging distribution platform with a broad set of offerings to customers on both sides of the Atlantic through our American Leak Detection and UK-based Water Intelligence International subsidiaries; and (iii) reinvestment in new technologies for the fast emerging "Insuretech" and sewer and wastewater markets that advance our profile as a leading technology company in the water infrastructure space. Our leadership team, both corporate and franchise, are unified and on a mission to build a world-class company."

The information communicated within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

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Chairman's Statement

Overview.

We had another remarkable year both in terms of financial and operating performance. We delivered on our annual commitment in these pages for sustainable, multinational growth. Year-over-year, we grew revenue by 45% to $25.5 million (2017: $17.6 million) *and* profit before tax even faster by 53% to $1.8 million (2017: $1.1 million). Further, our shareholders benefited with fully diluted EPS growth of 21.3% to 9.1 cents per share (2017: 7.5 cents per share). Our balance sheet is strong and we have cash required to execute our growth plan. Moreover, as we will discuss below, robust financial performance results over the last five years underscore not only sustained growth but also an acceleration of that growth path. Water Intelligence profits before tax adjusted for non-core costs and non-cash amortization expense at $2.4 million exceeded 2018 market expectations.

Operationally, the foundations have been laid for continued strong performance. We have expanded cross-selling efforts between our American Leak Detection (ALD) and Water Intelligence International (WII) subsidiaries so that we can capture an entire matrix of opportunities – residential, commercial, municipal, clean water and wastewater – as complementary business lines with reduced customer acquisition costs. Further, we have reinvested profits and are launching new proprietary products for each subsidiary to sustain growth in market capture. Yet, before discussing our strong 2018 performance and current momentum, we should underscore that demand from the global marketplace has provided us with a tailwind to deliver a very valuable company for our investors as we continue to scale operations.

Water and infrastructure services, as a global investment category, continues to gain salience because market demand for solutions is anticipated to remain strong irrespective of volatile macroeconomic or political conditions. Market research indicates that total global spending on water and wastewater currently amounts to $771 billion with capital expenditure expected to rise between 2019-2023 by 4.7% compounded annually, which is higher than forecasts of worldwide economic growth. Moreover, the water infrastructure crisis has reached areas typically less visible to the marketplace. On March 7, 2019 the Wall Street Journal published “American Homeowners and Their Insurers Face a Flooding Crisis From Within.” The article indicated that over the last five years, the frequency of water-damage claims is rising affecting 1 in 50 homeowners and posing a $13 billion problem for insurance companies. The article identified a hot new market for innovation called “InsureTech.” Water remains our most precious natural resource around the world and may be considered a safe haven for investors.

The research marketplace is responding to such demand. Columbia University, with whom we have a strong relationship, has recently announced the launch of its “2019: A Year of Water: An Interdisciplinary Investigation.” University of Chicago’s Molecular Engineering Institute, where we are an industrial affiliate, has made water and wastewater a core area of research. We are well-positioned to help with commercialization of such research given our sales and distribution reach, especially given our national insurance channel. For our leadership team, the critical need to conserve water and minimize water-related damage is a call to create a world-class company that can provide cutting-edge solutions for an entire matrix of market opportunities as identified above: residential, commercial, municipal, clean water and wastewater. Because of global market demand and our current operational footprint with sales and distribution across the US and in the UK, Australia and Canada, we are seeing many international opportunities to expand our range of solutions both organically and through acquisition.

We have momentum financially and operationally and we have accelerated our efforts during the first third of 2019 across all business lines that form our strategic plan: We have signed another major insurance company partnership to feed the growth of our franchise royalty base; sold new franchises; closed three strategic reacquisitions of franchises; reaped strong organic growth across corporate locations; expanded of our municipal business, particularly in the U.S.; and unveiled a new proprietary technology product for diagnosing sewer blockages. These wins will reinforce our financial performance not only for 2019 but also for 2020 and beyond. We and our stakeholders are ready for the exciting journey ahead.

Financial Performance and Attributes for Scaling Operations

Financial Performance

As noted above, we have reaffirmed our stated objective of sustainable multinational growth. Water Intelligence revenue growth for 2018 was again strong at 45% year-over-year reaching $25.5 million (2017: $17.6 million). Profit before tax grew even faster at 53% year-over-year to $1.8 million (2017: $1.1 million). These results are not atypical. Rather, they reflect a consistent pattern of high performance that is accelerating. From 2014 to 2018, we achieved compound annual growth rates (CAGR) of 37% in terms of revenue and 32% in terms of profit before tax (2014: Revenue of $7.2 million; PBT of $0.6 million). More recently, from 2016 to 2018, we achieved an even higher revenue CAGR of 45% and a higher PBT CAGR of 51% (2016: Revenue of $12.2 million; PBT of $0.8 million). And, of course, these accelerating percentage increases have taken place over a base of numbers that is getting larger each year.

Our extraordinary results are reflected across both ALD and WII subsidiaries. We will discuss various key performance indicators (KPI's) in our Strategic Report and draw on segmental information tables provided herein. Our core ALD business grew strongly year-over-year as consumers continue to face higher water bills in the US and our business-to-business channel delivers more jobs from insurance companies seeking to minimize claims by deploying our minimally invasive leak detection solutions. As conveyed in our segmental tables, ALD revenue grew 45% to $22.6 million (2017: $15.5 million). ALD profit before tax grew 43% to $3.0 million (2017: $2.1 million).

Two comments highlight the success of our business plan. First, given ALD's sales footprint in 46 states of the US, we continue to prioritize our franchise System as our main distribution base of solutions. We will drive this centerpiece of our business strategy even as we unlock shareholder value with selective franchise reacquisitions and conversions into corporate-operated locations. In absolute terms, despite franchise reacquisitions during 2018 that reduced the possible pool of royalty income, we grew royalty income 5.7% to $6.3 million (2017: $5.9 million). We should underscore that our royalty income masks somewhat the scale of the ALD franchise business. Since we derive such royalties from a percentage (6-10%) of the gross sales of our franchisees, the actual sales to end-user customers of our ALD franchisees grew to approximately $85 million. As we have noted, combined with our corporate-operated sales, total sales to third parties from our ALD brand exceed $100 million.

To enlarge the revenue base of the franchise System, we continue to grow our business-to-business insurance channel through which our corporate administration sources residential leak detection jobs from major insurance companies via a central processing system and then feeds the franchise system directly. Sales attributable to the business-to-business channel grew 93% to $5.0 million (2017: $2.6 million). This channel is expected to continue its rapid growth, reinforced by our May 2019 national insurance contract win – our third formal contract with one of the major insurance companies. During 2018 this channel generated approximately 50,000 jobs (2017: 35,000). While the profit margins on such channel sales are lower than margins based on royalty where franchisees source jobs, such as pool leaks, at a local level, the trade-off is sensible as layering-in a big, supplementary business line that expands the ALD brand. The added administration / marketing expense assumed by corporate operations leading to channel sales with 8% margin versus franchise royalty with 20% margin has the collateral benefit of advancing the brand and market capture for an important $13 billion pain point, as noted above, for water-damage insurance claims.

Second, the selective reacquisition of franchises and conversion into corporate-operated locations continues to unlock shareholder value. As a strategic matter, reacquisitions provide regional corporate support for continued franchisees' growth. As a financial matter, total sales from corporate locations grew 70% to $10.1 million (2017: $5.9 million) as corporate staff executed shoulder-to-shoulder with our franchisees in expanding our common ALD brand. In executing corporate operations, we have been able to grow such locations *faster* than they were growing before they became corporate operations. In our Strategic Report, to distinguish organic growth from growth simply through reacquisition, we show that corporate operated locations held before January 1, 2017 have organically grown sales 34%. (2018: $8.0 million; 2017: $5.9 million). Further, margins improve after we reinvigorate the corporate location unlocking significant shareholder value as we detail in the Strategic Report. More generally, profit margins from corporate-operated locations improved to 12% in 2018 from 4% in 2017. Such improvement in margins generated incremental profits during 2018 of $1.0 million (2018: $1.2 million; 2017: $0.2

million) that we could reinvest. Our operating plan for 2019 will be to keep pushing sales growth of corporate locations but continue to increase margins to levels closer to that of franchisees which are typically above 20%. Hence selective reacquisitions can be a driver of the share price reflecting an organic expansion of profits and equity multiple.

We are executing the same process of growth and unlocking shareholder value with our WII subsidiary. It is useful to remember that WII is a relatively new addition, launching in Q4 2016 to take advantage of the growth in infrastructure spending among municipalities in both clean water and wastewater. Because ALD is focused on providing residential and commercial solutions but well known in communities across the US, our goal is to use the municipal expertise of WII to layer-in a supplementary business line leveraging ALD's presence and reputation for excellence across the US. During 2018, WII grew 39% to $2.9 million (2017: $2.1 million); a growth trajectory similar to that of ALD. Moreover, after initial start-up losses during 2017, we are now not only growing sales but also generating profit before taxes. As the segmental information indicates, during 2018 we had a substantial swing of approximately $200,000 in moving from "red" to "black". (2018: $0.03 million; 2017: ($0.16) million). Further, we are pleased with the synergies unlocked among operating units. During 2018, we used municipal wins to support growth in corporate sales both in Sydney, after a franchise reacquisition, and in select locations across the US. During 2019 we are using the same strategy to support corporate sales in Ontario, Canada after a recent franchise reacquisition and municipal work across the US with several new contracts. These efforts supplement the growth of the ALD brand.

Our strong financial performance reinforces our already strong balance sheet. Cash as of December 31, 2018 was approximately $5.0 million and net cash after taking into account all bank debt (short and long-term) was approximately $2.6 million. Moreover, during 2018, we generated free cash flow of $1.1 million in cash from operations (post-tax and working capital movements). This represented an 80% growth in free cash flow year-over-year (2017: $0.6 million). As a result, our business plan and financial capability to execute such plan is on a solid footing.

Attributes for Scaling Rapidly

Our mission has been to create a world-class multinational growth company. The size and importance of the global addressable market for clean water and wastewater solutions affords us a great opportunity to seize. To date, we have executed our plan in disciplined way. With our performance over the last five years, we have put ourselves in position to make good on our long-run ambition. However, in getting from here to there, scaling of operations is always a challenge for every successful company.

In tandem with our financial performance reported above, we would like to communicate to our shareholders that our execution plan has achieved five attributes that reinforce our ability to manage growth and scale operations: (i) a critical mass of existing sales to leverage into more sales (reduced customer acquisition costs); (ii) strong momentum with sales to push through any near-term bumps; (iii) a complementary matrix of product offerings to smooth out growth over the medium term; (iv) a suite of products that improve the long-run microeconomics of the business (i.e. reinforce upselling and cross-selling); and (v) brand differentiation for ready consumer choice at all times. These attributes support our efforts to accelerate execution towards the next milestone of $250 million of total sales (franchise and corporate).

First, we have gained *critical mass* to take advantage of the market opportunity. Under IFRS accounting, Water Intelligence revenue passed $25 million during 2018. However, as noted above, between direct sales and indirect sales to end-users via our franchise system (recorded as royalty income), Water Intelligence has really passed over $100 million in sales to customers of our brand. Coupled with our sales and distribution footprint in 46 states of the US, UK, Australia and Canada, we have a real base of operations and brand recognition from which to reach the next level of $250 million of direct and indirect sales of our solutions. Moreover, geographic distribution of operations in three continents provides us sufficient leverage for market capture. Given the size of the global addressable market for preventing water loss and dealing with wastewater, we can not only expand much deeper in our current geographies but also, at some point, extend operations into Latin America from the US, and into Asia, Middle East and Africa with strategic partners. As noted below, we are already exploring working with a major Japanese company to expand into Asia. Our WII team has operating experience in all of these extended geographies.

Second, as discussed above, we have *strong momentum* from which to take advantage of having critical mass. From 2016-18, we have achieved a revenue CAGR of 45% and a profit before tax CAGR of 51%; and that horizon shows acceleration from 2014-18 which yielded a 37% revenue CAGR and 31% profit before tax CAGR. Our team already has a good feel for digesting strong growth.

Third, we have established a *platform with a suite of solutions* that provides a matrix of complementary offerings for customers: (i) products and services for leak detection and repair of both clean water and wastewater pipes; (ii) applications and experience in delivering for consumers, businesses and municipalities; and (iii) two operating subsidiaries for execution focus – one on each side of the Atlantic. Such a platform provides structure for taking advantage of critical mass and momentum from complementary business lines.

Fourth, our broad solutions matrix enables lower customer acquisition costs and, correspondingly, increased margins from reduced marketing and delivery expenses. Scale always requires improving the microeconomics of market capture to enable greater efficiencies and reinvestment. Our complementary business lines enable us to provide solutions all along the water value chain from monitoring to pinpoint leak detection to repair to prevention. Our range of solutions provide customers with ready means of addressing all of their problems in a comprehensive way and our technicians with opportunities for efficient upselling since they are already on-site. Moreover, our two complementary subsidiaries – ALD for residential and commercial solutions and WII for municipal solutions – enable cross-selling opportunities reducing customer acquisition costs. Such upsales and cross-sales opportunities transform the economics available for Water Intelligence. For example, we gain customer leads for municipal contracts based on our reputation in providing solutions for homeowners in residential communities and vice versa. Additionally, once we pinpoint the water leak, customers prefer for us to also finish the job with repair thus creating operating efficiencies and value for customers. Beyond these operating efficiencies, it must be remembered that our core value proposition of leak detection and repair with minimal invasion enables Water Intelligence to maintain its pricing margins.

Finally, we have strengthened our brand by creating a products and services matrix that is distinguishable because of its use of proprietary and third-party technologies to enable precision detection and repair of pipes to produce minimally-invasive outcomes. Moreover, while we have been achieving high financial performance, we have not forgotten to reinvest in our technology profile. For our WII business, during 1H we are rolling-out our proprietary sewer diagnostic product. We provided a first public viewing in February at the Worldwide Water and Wastewater Technology and Equipment Show in Indianapolis and received strong interest from both potential customers and distribution partners. We are currently reviewing a licensing structure given the proprietary nature of our product. Meanwhile, to further activate our ALD distribution platform with the broader offering of home services solutions, we are developing an e-commerce and video display technology to advance direct-to-consumer product sales to help with water-related problems such as water quality. In March 2019 we provided demonstrations in Tokyo with a major Japanese corporation with whom we would like to sell Water Intelligence solutions in Asia.

First Third of 2019 and Outlook

We have taken advantage of these attributes to accelerate the pace of execution during the first third of 2019. We have achieved wins for every part of our business plan. First, we have continued to expand the core ALD franchise business and our royalty income base by closing our third major insurance company partnership to feed our business-to-business channel. Second, after making our franchise System more valuable through reacquisitions, we have begun to sell franchises again thus adding high gross margin revenue and profits. Third, we have continued to unlock shareholder value through the strategic re-acquisition of franchises: Ontario, Canada; South Atlanta; and Orlando, Florida. As indicated, reacquired corporate-operated locations continue to achieve strong organic growth. Our WII subsidiary has won additional strategic municipal contracts to help grow the upper northeastern part of North America: Eastern Michigan; Upstate New York; Ontario, Canada. These wins during the first third of the year will add critical mass and momentum to the development of our operating platform. As we roll-out our new technologies during Q2 and Q3, we will be reinforcing our brand definition setting the stage for further acceleration as we head into 2020.

We are excited by the prospects for 2019. Our products and solutions cultivate a technology profile for the marketplace. We see ourselves in this light and not in traditional analyst categories such as "support services." To date, water management has lagged behind other aspects of the smart home such as information, gas and electric. We aim to change that and seek to capitalize on the "Insuretech" opportunity. Our technology profile and recurring income from royalty and business-to-business channels enable us to navigate towards a higher valuation multiple based on our asset characteristics.

We remain confident about delivering on our vision to create a world-class water infrastructure services company. The addressable market is huge and technology is transforming the nature of solutions. We are in a great position to help lead change with respect to a natural resource that is precious and inspires passion.

Dr. Patrick DeSouza
Executive Chairman

8 May 2019

Strategic Report

Business Review and Key Performance Indicators

The Chairman's Statement provides an overview of the year and the outlook for Water Intelligence plc and its subsidiaries, referred to as the "Group". The business indicators offered below are meant to capture for the Board not only the state of performance but also the evolution of our business model to a platform company that is a "One-stop Shop" for customers through the cross-sale of solutions across our business units and the up-sale of technology products to our installed base of customers.

The Water Intelligence platform has two wholly-owned subsidiaries: American Leak Detection (ALD) and Water Intelligence International (WII). These business units are distinguished by the degree of franchise-operated and corporate-operated locations and their respective priorities on residential, business-to-business and municipal customers. ALD, our core business, is largely a franchise business with strategic corporate-operated locations. ALD is a leader in using technology to pinpoint and repair water leaks without destruction. Solutions target both residential and business-to-business customers, such as insurance companies, which value our minimally invasive value proposition. ALD has approximately $100 million of sales to end-users of the brand that is expressed through direct sales via corporate-operated locations and indirect sales measured by royalty income from franchisees, which, in turn, is based on franchisee gross sales to end-users. With its installed and growing base of residential customers, ALD can also upsell technology home services products to meet growing consumer demand for solutions to water loss and water quality. Meanwhile, WII, our UK-based operation that the Group acquired in Q4 2016, focuses on municipal solutions given the world-wide problem of failing water infrastructure. WII's solutions are also technology-centered. It is exclusively a corporate-run unit that will lead the Group's international expansion. WII does have the capability to execute ALD service offerings and is currently doing so at our corporate-operated location in Sydney. WII also cross-sells complementary municipal offerings to ALD.

The Group's strategy includes both organic growth from ALD and WII solutions, as well as, unlocking sales growth and shareholder value through acquisition, especially by selectively converting ALD franchises to corporate-operated locations. In doing so, some amount of the $85 million in indirect sales via our franchise System can be converted from royalty income to the Group's direct P&L (currently approximately $20 million of direct sales). One measure of unlocking value for shareholders from such reacquisitions is based on our ability to grow converted corporate locations faster than would be the case under franchisee operation. As a byproduct of such acquisition-led growth, it is important to separate continuing operating costs from non-core costs related to transactions that are executed as part of the Group's growth plan. Finally, because of the recurring nature of royalty income from the franchise business, the Group is able to be efficient in its capital formation using both equity and debt. As a result, it is important that the Group manage to the right balance in capital formation by monitoring the level of net borrowings.

Six key performance indicators (KPIs) are used by the board to monitor the above described business model: (i) growth in ALD franchise royalty income, (ii) growth in ALD franchise-related activities that include both business to business sales and sales of parts and equipment, (iii) growth in ALD corporate-operated locations in the United States, (iv) growth in WII corporate activities located outside the United States, (v) non-core costs and (vi) net borrowings. These six indicators are reported to the Board on a monthly basis and used to assist the board in the management of the business.

2018 Conclusions Drawn From 6 KPIs:

i. ALD Franchise System is expanding as indicated by royalty growth reinforcing our "One-Stop Shop" distribution platform
ii. ALD Business-to-Business Channel led by insurance jobs is expanding Franchise System
iii. ALD Corporate-operated locations add to critical mass of Group revenue and profits and selective reacquisitions from expanding our franchise System unlocks Group's shareholder equity value
iv. WII has achieved early traction and contributes complementary international municipal sales to ALD brand
v. Non-core costs, largely legal transactions costs, are an acceptable tradeoff relative to the operating benefits
vi. Net-borrowing position is favorable for Group's continued growth and business plan

(i) Franchise Royalty Income.
The continued growth of the core ALD franchise business is the foundation for the business strategy of the Group. ALD is the centerpiece of the Group's distribution strategy as a "One-Stop Shop" platform because of its sales footprint in 46 states of the US and multiple locations in Australia and Canada. Moreover, because of the recurring nature of its royalty stream, the Group is able to increase shareholder value in its capital formation with a mix of debt and equity. As System-wide franchisee sales increase, the Board can decide whether to selectively reacquire franchises and convert them to corporate operated locations adding critical mass of revenue and earnings to the Group or to keep adding high margin royalty income. Royalty income in 2018 grew in absolute terms by 6% compared with 2017 despite significant reacquisitions during 2018 which had the effect of reducing the eligible pool of royalty income. Such royalty growth is attributable in part to the benefits arising from the Group's insurance channel which expands the franchise System. Profits before tax from this business line grew by 1% as the Group reinvested by adding staff expenses to further develop business-to-business partnerships to fuel future royalty growth. The Group has 105 franchises at the end of 2018 which represents a decrease of 4 franchises (2017: 109). The decreases were the results of reacquisition and conversion into corporate-run locations. Performance from royalty income is as follows:

	Year ended 31 December 2018 $'000	Year ended 31 December 2017 $'000	Change %
Total USA	6,087	5,688	7%
International	178	237	(25)%
Total Group Royalty Income	6,265	5,924	6%
Profit before tax (see note 4)	1,448	1,428	1%

(ii) Franchise-related Activities.

US franchise-related activities provide supporting evidence for strength of the core ALD business. Parts and equipment sales are an indication of franchisee reinvestment in growth of their respective operations. Business-to-Business channels, such as insurance and property management represent national customers and are an indication that these customers value ALD's nationwide sales footprint – an important aspect of competitive strategy. Jobs for franchisees are sourced by the Group from insurance companies using a centralized processing system. The jobs are then dispatched to franchisees from corporate administration. Finally, sales of franchise units represent the decision to develop a new territory through a franchisee. This line item, correspondingly, is also a reflection of the Group's priority with respect to adding corporate-operated locations in order to develop a territory. Revenue from franchise-related activities grew by 69% compared to 2017 largely because of the growth of the Group's business to business channel. Profits before tax grew 54% compared with 2017. Performance from franchise-related activities are as follows:

	Year ended 31 December 2018 $'000	Year ended 31 December 2017 $'000	Change %
Parts and equipment sales	1,076	1,039	4%
Business-to-Business sales	5,023	2,601	93%
Sales of Franchise Units	55	10	453%
Total Revenue from US Other Activities	6,154	3,649	69%
Profit before tax (see note 4)	484	315	54%

(iii) U.S. Corporate Operated Locations.

Corporate-run locations support the franchise System with marketing and execution support in further developing territories. Performance of the US corporate-run locations is an indication of the success of the Group's strategy to selectively reacquire ALD franchises and open new locations to meet increasing market demand for our minimally invasive leak detection and repair solutions. Corporate-operated locations supplement royalty income and add a critical mass of revenue and profits directly to the Group accounts. The Group directly operates 15 territories, an increase of 4 territory (2017: 11). Sales growth from corporate-operated locations grew strongly both organically and from reacquisitions when compared with 2017.

This KPI table has been redesigned for 2018 to add information for the Board. We have begun to measure the difference between corporate growth through reacquisitions of franchisees and corporate-operated organic growth. We have included a line item for corporate locations owned during the comparison years. Holding aside 2018 franchise reacquisitions, sales growth from corporate-operated locations owned prior to 2017 grew 34% to $8 million. Profit before taxes also grew both in absolute terms and, importantly in terms of margin (2018:12%; 2017: 4%) despite increased reinvestment expense for accelerated sales growth.

Table (iii) also enables us to assess the trade-off between franchise royalty growth and corporate-operated growth by examining yield in terms of Group profit before tax. Corporate store profit before tax amount to $1.2 million. By comparison, ALD corporate-operated 2018 sales of $10.1 million would have produced only approximately $0.28 million of profit before tax for the Group if such $10.1 million of sales to end-users had originated from franchisees subject to a 7.25% royalty to the Group. ($10.1 million of sales multiplied by 7.25% royalty equals approximately $0.73 million; and $0.73 million is then multiplied by 23% profit margin of royalty income - see KPI #1 – to yield $0.28 million). The incremental profit of approximately $0.9 to 1 million of profits when derived from corporate operations ($1.21 million vs. $0.28 million) adds valuation to the Group at its trading multiple. On the other hand, as a risk adjusted matter, recurring royalty revenue is especially valuable for optimal capital formation through non-dilutive bank finance. The Board will use this KPI to evaluate the trade-offs. Performance from corporate-operated locations is as follows:

	Year ended 31 December 2018 $'000	Year ended 31 December 2017 $'000	Change %

Revenue	10,141	5,948	70%
Full Year 2018 and 2017	*7,961*	*5,948*	*34%*
New locations	*2,180*	*-*	*N/A*
Profit before tax (see note 4)	1,213	350	247%

(iv) International Corporate Operated Locations.
The Group continues to strengthen its multinational presence through its UK-based WII subsidiary. WII was established during Q4 2016 with the acquisition of NRW Utilities Ltd. WII expanded its operational scope by managing the corporate location established in Sydney, Australia after the reacquisition of a former ALD franchisee.

The objective was for UK-based WII to lead the Group's international expansion. Sales have grown strongly at 39% during 2018 to $2.9 million. (2017: $2.1 million). Most importantly, within a year of operations WII has had a sizeable swing of $0.2 million in moving from start-up losses to profits while still achieving strong sales growth. Moreover, while still leading the Group's international growth strategy, WII is working during 2019 to accelerate the pace of cross-selling to the US, Australian and Canadian operations of ALD unlocking shareholder value. Performance from Water Intelligence International is as follows:

	Year ended 31 December 2018 $'000	**Year ended 31 December 2017 $'000**	**Change %**
Water Intelligence International	1,628	1,398	16%
Sydney	1,279	696	83%
Total Revenue from International Corporate Activities	2,907	2,094	39%
(Loss)/Profit before tax (see note 4)	31	(157)	Into profit

(v) Non-Core Costs.
During 2018, the Group incurred what are considered to be non-core costs relating to (i) legal costs relating to transactions executed for the future growth of the business and (ii) a prepayment issue for a service that had not been performed at year end. As discussed herein, understanding non-core costs, as distinct from continuing operating costs, enables the Board to evaluate capital allocation choices made to accelerate operations organically and to scale through acquisition. In 2018, there were $287,000 of non-core costs. During 2017, there were $198,000 of non-core costs. Please see table below for details:

	Year ended 31 December 2018 $'000	**Year ended 31 December 2017 $'000**
Product development legal costs	60	-
Corporate store extraordinary legal and post-acquisition	32	-
Pre-payment provision	60	-
Share reorganization and capital raising	-	141

Legal costs of acquisitions	-	19
Other legal costs	135	38
Total	**287**	**198**

(vi) Net Borrowings.
Management of financial resources is important for making various decisions regarding the rate of growth of operations. As noted herein, the recurring income from franchise royalty provides the Group with attractive attributes for using bank debt to complement equity sources of capital. In the current macroeconomic environment, bank debt is a relatively cheaper cost of capital than equity. Despite the growth of annual royalty income to $6.2 million which far exceeds the yearly amortization of the debt the Board takes a conservative approach to capital formation. During 2018 net debt was eliminated through a combination of an equity issuance and growth of cash from operations. Net *cash* is currently approximately $2.6 million.

Group

	Year ended 31 December 2018 $'000	**Year ended 31 December 2017 $'000**
Lines of credit: acquisition and working capital	1,616	813
Term loan	822	1,217
	2,438	2,030
Less: Cash		
Held in US Dollars	3,569	601
Held in £ Sterling	1,239	397
Held in AU Dollars	208	59
	5,016	1,057
Total Net Borrowings/(Cash)	(2,578)	973

Principal Risks and Uncertainties

The Group's objectives, policies and processes for measuring and managing risk are described in note 23. The principal risks and uncertainties to which the Group is exposed include:

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 monitors exposure to foreign exchange rate changes on a daily basis by a daily review of the Group's cash balances in the US, UK and Australia.

Interest Rate Risk

The Group's interest rate risk arises from its short and term loan borrowings.

Whilst borrowing issued at variable rates would expose the Group to cash flow risks, as at year-end, 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 and R&D will not lead to the sales growth. The Group is reliant on a small number of skilled managers. Further, the Group is reliant on effective relationships with its franchisees, especially in the US.

By order of the Board

Patrick DeSouza
Executive Chairman

8 May 2019

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 2018.

Principal Activities

The Group is a leading provider of minimally-invasive 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.

2018 was marked by sustained and balanced multinational growth for both ALD and WII – ideal for scaling of operations. Total revenue grew 45% and profit before tax grew 53% when compared with 2017. Our ALD subsidiary grew revenue 45% and profit before tax 43% when compared with 2017. Our WII subsidiary grew revenue 39% and turned sharply from start-up losses in 2017 to profits alongside its revenue growth in 2018. More generally, Water Intelligence 2018 results are consistent with its 2016-18 CAGR of 45% revenue growth and 51% profit before tax growth and faster than its 2014-18 CAGR of 37% revenue growth and 32% profit before tax growth. The splits between ALD and WII revenue remained consistent with 2017 with approximately 88.6% of total revenue attributable to ALD and 11.4% of total sales attributable to WII.

Going Concern

The Directors have prepared a business plan and cash flow forecast for the period to April 2020. The forecast contains certain assumptions about the level of future sales and the level of 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 mainly on cash generation by its profitable US-based franchise business, ALD. However, the Directors also note that the Group has net cash of $2.6 million on its balance sheet as of December 31, 2018 and have diversified its operations further with WII. Moreover, after an oversubscribed capital raise in March 2017, the Directors believe that funding will be available on a case-by-case basis for different additional initiatives. The Directors conclude that the Group will have adequate cash resources both to pursue its growth plan and to accelerate execution if it so chooses. 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

Expenditure on research and development, all of which was undertaken by third parties not related to the Group, was $64,285 (2017: $10,752). The Group's focus is currently on reinvestment for commercialization of products not pure R&D; however, Group is committed to anticipate market demands and has spent money on product development during the year, which has been capitalised.

Dividends

The Directors do not recommend the payment of a dividend (2017: $nil).

Share Price

On 31 December 2018, the closing market price of Water Intelligence plc ordinary shares was 233.0 pence. The highest and lowest prices of these shares during the year to 31 December 2018 were 450.0 pence and 171.5 pence respectively.

Capital Structure

Details of the authorised and issued share capital are shown in Note 21. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Future Developments

Future developments are outlined in the Outlook section of the Chairman's Statement.

Financial Risk Management

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

Subsequent Events

On 17 January 2019, the Company announced that Bobby Knell would replace John Weigold as a director on the Board of the Company, pending regulatory checks. This confirmation of this appointment was announced on 12 March 2019. Bobby had been serving as a managing director at Water Intelligence responsible for franchise relations for the last four years. Prior to this role, Mr. Knell founded and grew the Dallas franchise of American Leak Detection into a multimillion dollar operation; an operation now run by his son.

On 5 February 2019, the Company announced a series of corporate activity, including the acquisition of Ontario (Niagara) franchise, expanding the Group's corporate presence into Canada and upstate New York; the sale of a new franchise territory for Youngstown, Ohio and financial support to a franchisee in Idaho, accelerating its expansion into municipal offerings. In addition, the formal launch of the ORCA municipal sewer product into the United States was announced.

On 7 March 2019, the Company announced the acquisition of its South Atlanta and Southern Georgia franchise. This territory will be used to create a regional corporate presence to help accelerate development of southeastern franchises. In addition, the franchise owner has agreed to stay with American Leak Detection and open a new corporate location given his experience.

On 28 March 2019, the Company announced the acquisition of its Orlando, Florida franchise. The acquisition enables the Group to set up another regional office in Florida to support the growth of the ALD business throughout the southeast United States. Together, Orlando and Miami provide a critical mass of operating personnel to grow the entire southeast United States providing residential, commercial and municipal solutions. During 2H, the Company will be opening a Water Intelligence International office in either Miami or Orlando in order to advance the Group's municipal line of business.

On 4 April 2019, the Company announced the sale of a territory in Southern Georgia. This territory was undeveloped and used to be part of the franchise acquired by the Company on 7 March 2019. This transaction allows for optimization of franchise territory in the region and could be a model across the US enabling more sales coverage in support of our national channels and incentivizing ever greater collaboration among corporate and franchise operations towards execution of our growth plan.

On 4 April 2019 the Board granted 475,000 options with an exercise price of 475p and a four-year vesting requirement to employees and directors to incentivized continued high performance. In addition, a further 50,000 options with an exercise price of 350p and a four-year vesting requirement were issued to vendors of reacquired franchises in 2019 and who are remaining in the employment of the Group.

On 25 April 2019, the Company announced five new municipal contracts in the US to be launched in Q2 by WII to underscore its value-add in cross-selling to territories being developed by ALD.

On 1 May 2019, the Company announced the launch of its third national insurance contract with a major US insurance company and the expansion of its business-to-business channel.

The provisional fair values of the acquisitions subsequent to year end are detailed below:

	Ontario	**Orlando**	**Atlanta**	**Totals**
	$'000	**$'000**	**$'000**	**$'000**
Fair value of assets and liabilities acquired				
Equipment	41,224	27,800	-	69,024
Vehicles	51,435	46,300	-	97,735
Other	125,140	-	-	125,140
Net assets acquired	217,799	74,100	-	291,899
Consideration				
Cash	665,134	673,000	250,000	1,588,134
Deferred consideration – discounted to present	76,000	471,698	175,000	722,698
Total consideration	741,134	1,144,698	425,000	2,310,832
Intangible asset arising on acquisition	523,335	1,070,598	425,000	2,018,933

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

John Weigold (Resigned 16 January 2019)

Bobby Knell (Appointed 12 March 2019)

Non-Executive Directors

Laura Hills (Appointed 6 March 2018)

Michael Reisman

David Silverstone

Robert Mitchell (Resigned 6 March 2018)

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

Directors' emoluments

2018	Salary, Fees & Bonus	Benefits	Redundancy	Total
	$	$	$	$
Executive Directors				
P DeSouza	479,417	22,455	-	501,872
J Weigold	125,000	-	-	125,000
Non-Executive Directors				
D Silverstone	21,000	-	-	21,000
L Hills	20,000	-	-	20,000
M Reisman	20,000	-	-	20,000
	665,417	**22,455**		**687,872**

2017	Salary, Fees & Bonus	Benefits	Redundancy	Total
	$	$	$	$
Executive Directors				
P DeSouza	450,000	-	-	450,000
Non-Executive Directors				
D Silverstone	21,000	-	-	21,000
R Mitchell	103,645	-	-	103,645
M Reisman	21,000	-	-	21,000
J Weigold	15,000	-	-	15,000
	610,645	**-**	**-**	**610,645**

Directors' interests

The Directors who held office at 31 December 2018 and subsequent to year end had the following direct interest in the ordinary shares of the Company at 31 December 2018 and at the date of this report, excluding the shares held by Plain Sight Systems, Inc.:

	Number of shares at 31 December 2018	% held at 31 December 2018	Number of shares at 8 May 2019	% held at 8 May 2019
Patrick DeSouza*	4,192,110	27.52	4,192,110	27.52
Michael Reisman*	173,466	1.14	173,466	1.14
David Silverstone	-	-	-	-
Jon Weigold	-	-	-	-
Laura Hills	89,331	0.59	89,331	0.59

*Included in the total above, Patrick DeSouza received (i) 600,000 Partly Paid Shares during 2016 and (ii) 750,000 in March 2018. These will not be admitted to trading or carry any economic rights until fully paid.

*Patrick DeSouza and Michael Reisman 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 award stock options. Details of the current scheme are set out in Note 7.

Substantial Shareholders

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

	Number of shares	% held
Plain Sight Systems, Inc.	2,430,000	19.98
State Street Nominees Limited	984,752	7.09
Amati AIM VCT	814,200	5.34
George D. Yancopoulos	656,166	4.31
Oryx International Growth Fund Limited	604,500	3.97

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. An 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 UK 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.

Statement of disclosure to the Independent Auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware; and

- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

By order of the Board

Patrick DeSouza
Executive Chairman

8 May 2019

Corporate Governance Report

As a Board, we believe that practising good Corporate Governance is essential for building a successful and sustainable business in the long-term interests of all stakeholders. Water Intelligence's shares are listed on AIM, a market operated by the London Stock Exchange.

With effect from September 2018, Water Intelligence has adopted the QCA Corporate Governance Code. The Company has adopted a share dealing code for the Board and employees of the Company which is in conformity with the requirements of Rule 21 of the AIM Rules for Companies. The Company takes steps to ensure compliance by the Board and applicable employees with the terms of such code.

The following pages outline the structures, processes and procedures by which the Board ensures that high standards of corporate governance are maintained throughout the Group.

Further details can be found on our website at www.waterintelligence.co.uk/corporate-board-and-governance.

Takeovers and Mergers

The Company is subject to The City Code on Takeovers and Mergers.

Board

The Board, chaired by Patrick DeSouza, comprises two executive and three non-executive directors and it oversees and implements the Company's corporate governance programme. As Chairman, Dr. DeSouza is responsible for the Company's approach to corporate governance and the application of the principles of the QCA Code. Michael Reisman and Laura Hills are the Company's independent directors. The Board is supported by two committees: audit and remuneration. The Board does not consider that it is of a size at present to require a separate nominations committee, and all members of the Board are involved in the appointment of new directors.

Each Board member commits sufficient time to fulfill their duties and obligations to the Board and the Company. They are required to attend at least 4 Board meetings annually and join Board calls that take place between formal meetings and offer availability for consultation when needed.

Board papers are sent out to all directors in advance of each Board meeting including management accounts and accompanying reports from those responsible.

Meetings held during the period between 1 January 2018 and 31 December 2018 and the attendance of directors is summarised below:

	Board meetings	**Audit committee**	**Remuneration committee**
	Possible (attended)	**Possible (attended)**	**Possible (attended)**
Patrick DeSouza	6/6		
John Weigold	6/6		
Michael Reisman	6/6		1/1
David Silverstone	6/6	2/2	

Laura Hills (appointed 6 March 2018)	4/4	2/2	1/1
Robert Mitchell (resigned 6 March 2018)	2/2		

Board Committees

The Board has established an Audit Committee and a Remuneration Committee with delegated duties and responsibilities.

(a) Audit Committee

Laura Hills, Non-Executive Director, is Chairman of the Audit Committee. The other member of the Committee is David Silverstone. The Audit Committee is responsible for ensuring that the financial performance, position and prospects for the Company are properly monitored, controlled and reported on and for meeting the auditors and reviewing their reports relating to accounts and internal controls.

(b) Remuneration Committee

Michael Reisman, Non-Executive Director, is Chairman of the Remuneration Committee. The other member of the Committee is Laura Hills. The Remuneration Committee is responsible for reviewing performance of Executive Directors and determining the remuneration and basis of service agreement with due regard for the Combined Code. The Remuneration Committee also determines the payment of any bonuses to Executive Directors and the grant of options.

The Company has adopted and operates a share dealing code for directors and senior employees on the same terms as the Model Code appended to the Listing Rules of the UKLA.

Board Experience

All five members of the board bring complementary skill sets to the Board. One director is female and four are male. The board believes that its blend of relevant experience, skills and personal qualities and capabilities is sufficient to enable it to successfully execute its strategy. In addition, the Board receives regular updates from, amongst others, its nominated adviser, legal counsel and company secretary in relation to key rule changes and corporate governance requirements, as well as regular liaison with audit firms both in the UK and the US in respect of key disclosure and accounting requirements for the group, especially as accounting standards evolve. In addition, each new director appointment is required to receive AIM rule training from the Company's nominated adviser at the time of their appointment.

Patrick J. DeSouza, Executive Chairman

Term of office: Appointed as Executive Chairman in July 2010.

Background and suitability for the role: Dr. DeSouza was Chief Executive Officer of American Leak Detection prior to its reverse merger to create Water Intelligence plc. He is a graduate of Columbia College, the Yale Law School and Stanford Graduate School. He has 25 years of operating and advisory leadership experience with both public and private companies in the defence, software/Internet and asset management industries. Over the course of his career, Dr. DeSouza has had significant experience in corporate finance and cross-border mergers and acquisition transactions. He has practised corporate and securities law as a member of the New York and California bars. Dr. DeSouza has also worked at the White House as Director for Inter-American Affairs on the National Security Council. He is the author of Economic Strategy and National Security (2000) and has been a visiting lecturer at Yale Law School.

Bobby Knell, Executive Director

Term of office: Appointed March 2019.

Background and suitability for the role: Bobby has been serving as a managing director at Water Intelligence responsible for franchise relations for the last four years. Prior to this role, Bobby founded and grew the Dallas franchise of American Leak Detection into a multimillion dollar operation; an operation now run by his son. His appointment allows the alignment of interests between corporate operations and the growing American Leak Detection franchise business to continue growing strongly.

Michael Reisman, Independent Non-executive Director

Term of office: Appointed as a non-executive director on 30 July 2010.

Background and suitability for the role: Professor Reisman currently serves as Myres S. McDougal Professor of International Law at the Yale Law School, where he has been on the faculty since 1965 and has previously been a visiting professor in Tokyo, Berlin, Basel, Paris, Geneva and Hong Kong. He is a graduate of Yale Law School. Professor Reisman is the President of the Arbitration Tribunal of the Bank for International Settlements and a member of the Advisory Committee on International Law of the Department of State. He has served as arbitrator and counsel in many international cases. He was also President of the Inter-American Commission on Human Rights of the Organization of American States. Because of his experience and the international character of the Company, Professor Reisman leads matters of governance and remuneration.

Laura Hills, Independent Non-executive Director

Term of office: Appointed as a non-executive director on 6 February 2018.

Background and suitability for the role: Laura has more than 30 years' experience as a legal professional, having spent 10 years working for the Overseas Private Investment Corporation (OPIC), where she served as Associate General for the agency's finance program, supervising a team of lawyers on all finance transactions ranging from micro-lending and small business to multi-creditor infrastructure project financing in emerging market countries. Prior to this, she spent time in Argentina where she served as a foreign associate to various practices, with a focus on international trade, tax and domestic antitrust issues. Since 2002, Ms. Hills has worked at Hills, Stern & Morley LLP, an emerging markets legal boutique based in Washington D.C. Given her background in finance and transactions, Laura heads the Audit Committee. Laura holds undergraduate, graduate and law degrees from Stanford University. Laura brings considerable expertise in negotiating on infrastructure and renewables related transactions globally.

David Silverstone, Independent Non-executive Director

Term of office: Appointed as a non-executive director on 6 February 2018, having previously been an Executive Director since November 2011.

Background and suitability for the role: David has been involved in water issues since the early 1970s. He served as Connecticut's first consumer advocate on utility issues from 1974 to 1977. He then practiced law focusing on utility issues representing water, electric and gas utilities, consumer groups, large consumers and small power producers until 1999. From 1999 to 2000 he was Group Vice-President and Chief Administrative Officer of The Southern Connecticut Gas Company, a local gas distribution company. From 2001 until his retirement in 2008 he was Chief Executive Officer of the South Central Connecticut Regional Water Authority based in New Haven, Connecticut. The Authority has over 400,000 consumers, 1600 miles of pipe, and an annual operating budget of over $75 million. Since his retirement he has been Chairman and Chief Executive Officer of Science Park Development Corporation, a non-profit company charged with the redevelopment of commercial space adjacent to Yale University into a high tech/bioscience mixed use development. Mr. Silverstone graduated from Lehigh University with a B.A, and from Columbia University School of Law with a J.D. David's experience in the water sector provides the Board with additional insight and knowledge as to how to work with the wider water industry

The Group has a non-Board Chief Financial Officer, Pat LaMarco, who reports regularly to the Executive Directors and assist in the preparation of Board materials and in reviewing the budget and ongoing performance.

The Company Secretary is responsible for ensuring that Board procedures are followed and that all applicable rules and regulations are complied with. Adrian Hargrave currently performs the role of Company Secretary, providing an advisory role to the Board. The Company Secretary is supported and guided in this role by the Company's legal advisors.

The Directors have access to the Company's CFO, NOMAD, Company Secretary, lawyers and auditors as and when required and are able to obtain advice from other external bodies when necessary.

Board Performance and Effectiveness

The performance and effectiveness of the Board, its committees and individual Directors is reviewed by the Chairman and the Board an ongoing basis. Training is available should a Director request it, or if the Chairman feels it is necessary. The performance of the Board is measured by the Chairman and Michael Reisman, one of the non-executive directors, with reference to the Company's achievement of its strategic goals.

Risk Management

The Directors recognise their responsibility for the Group's system of internal control and have established systems to ensure that an appropriate and reasonable level of oversight and control is provided. The Group's systems of internal control are designed to help the Group meet its business objectives by appropriately managing, rather than eliminating, the risks to those objectives. The controls can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Executive Chairman with the assistance of the Company Secretary and the Chief Financial Officer manages a risk register for the group that identifies key risks in the areas of corporate strategy, financial, clients, staff, environmental and the investment community. The Governance Committee of the board are provided with a copy of the register. The register is reviewed periodically and is updated as and when necessary.

Within the scope of the annual audit, specific financial risks are also evaluated in detail, including in relation to foreign currency, interest rates, debt covenants, taxation and liquidity.

The annual budget is reviewed and approved by the Board. Financial results, with comparisons to budget and latest forecasts are reported on a monthly basis to the Board together with a report on operational achievements, objectives and issues encountered. Significant variances from plan are discussed at Board meetings and actions set in place to address them.

Approval levels for authorisation of expenditure are at set levels throughout the management structure with any expenditure in excess of pre-defined levels requiring approval from the Executive Chairman and the Chief Financial Officer.

Measures continue to be taken to review and embed internal controls and risk management procedures into the business processes of the organisation and to deal with areas of improvement which come to the management's and the Board's attention. We expect the internal controls for the business to change as the business expands both geographically and in terms of product development.

The Company's auditors are encouraged to raise comments on internal control in their management letter following their audit, and the points raised and actions arising are monitored through to completion by the Audit Committee.

Corporate Culture

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. There is a professional Human Resources Director, Ann Tennero. Ms.Tennero reports to David Silverstone who is responsible at the Board level. Mr. Silverstone ensures that the Group's policies are upheld and providing the necessary resources. All members of the Board have significant experience in matters of public policy.

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 an employee handbook that is provided to all employees upon starting their employment within the Group.

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.

In addition, all directors and senior employees are required to abide by the Group's share dealing code, which was updated in 2016 to reflect changes made to legislation following the introduction of the Market Abuse Regulation.

Audit Committee Annual Review

The role of the Audit Committee is to monitor the quality of internal controls and check that the financial performance of the Group is properly assessed and reported on. It receives and reviews reports from the Chief Financial Officer, other members of management and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The members of the Audit Committee are Laura Hills (Chairman) and David Silverstone.

The Executive Chairman and Chief Financial Officer are invited to attend parts of meetings, with other senior financial managers required to attend when necessary. The external auditors attend meetings to discuss the planning and conclusions of their work and meet with the members of the Committee. The Committee is able to call for information from management and consults with the external auditors directly as required.

The objectivity and independence of the external auditors is safeguarded by reviewing the auditors' formal declarations, monitoring relationships between key audit staff and the Company and tracking the level of non-audit fees payable to the auditors.

The Committee met twice during the year, to review the 2017 annual accounts and the interim accounts to 30 June 2018. The Committee reviewed with the independent auditor its judgements as to the acceptability of the Company's accounting principles.

In particular, the Committee discussed the application of the new accounting standards, IFRS9 and IFRS15, and the future application of IFRS16. The Committee reviewed and discussed the auditor's comments on improvements which could be made to the internal controls. In addition, the Committee monitors the auditor firm's independence from Company management and the Company.

Remuneration Committee Annual Review

The Remuneration Committee convenes not less than once a year and during the year it met on one occasion. The Committee comprises Michael Reisman and Laura Hills, with Michael Reisman as Chairman. The Remuneration Committee is responsible for reviewing the performance of Executive Directors and determining the remuneration and basis of service agreement. The Remuneration Committee also determines the payment of any bonuses to Executive Directors and the grant of options. Where appropriate the Committee consults the Executive Chairman regarding its proposals. No Director plays a part in any discussion regarding his or her own remuneration.

Relations with Shareholders

The Company is available to hold meetings with its shareholders to discuss objectives and to keep them updated on the Company's strategy, Board membership and management.

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

Statement of 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 responsibly 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 there.

Independent Auditors' report to the members of Water Intelligence plc

Opinion

We have audited the financial statements of Water Intelligence plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2018, which comprise:

- the Group statement of comprehensive income for the year ended 31 December 2018;
- the Group and parent company statements of financial position as at 31 December 2018;
- the Group and parent company statements of cash flows for the year then ended;
- the Group and parent company statements of changes in equity for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- The directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be $165,000, based on a measure of profit before taxation. We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with management to report all identified errors in excess of $5,000. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

The Group and its UK subsidiaries are accounted for from a location in the UK, whilst its material US subsidiaries and Australian subsidiary are accounted for from the US. Our audit was conducted from the main operating location in the UK and component auditors were used to carry the audit work in the US. We visited the US to carry out our review of component auditor working papers as well as meet with group and local management.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	***How the scope of our audit addressed the key audit matter***

Revenue recognition Revenue is recognised in accordance with the accounting policy set out in the financial statements. This includes the transition to IFRS 15 – Revenue from contracts with customers. The accounting policy contains a number of judgements, particularly in recognising when the risks and rewards of ownership have passed to the buyer. This is determined with reference to the underlying contract with the purchaser.	Our audit procedures consisted of: Reviewing management's assessment of the impact of IFRS 15 on the revenue streams in the business and the accounting policies Validating that revenue is recognised in accordance with the accounting policies through testing an appropriate sample of income from each revenue stream. Assessing the appropriateness of the related disclosures in the financial statements.
Impairment of intangible assets The carrying value of intangible assets relates to trademarks, franchisor activities, goodwill on acquisitions and owned stores goodwill and indefinite life intangible assets. There is a risk that the carrying value could be impaired as a result of reduced activity.	We reviewed management's assessment of the carrying value of the group's intangible assets. In considering this assessment, we evaluated: • The discounted cash-flow forecasts for the group and the relevant cash generating units. This assessment included consideration of the key assumptions, which principally included discount rate and growth rates. • Board minutes, budgets and other operational plans • Discussion with management over plans and intentions for the group

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- 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; and
- the directors' report and strategic report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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.

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 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 company's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Glasby (Senior Statutory Auditor)
for and on behalf of
Crowe U.K. LLP
Statutory Auditor
St Brides House
10 Salisbury Square
London
EC4Y 8EH

8 May 2019

Consolidated Statement of Comprehensive Income for the year ended 31 December 2018

	Notes	Year ended 31 December 2018 $	Year ended 31 December 2017 $
Revenue	4	25,466,651	17,615,178
Cost of sales		(5,669,616)	(3,334,101)
Gross profit		19,797,035	14,281,077
Administrative expenses			
– Other Income		48,027	33,671
– Share-based payments	7	(104,652)	(62,397)
– Amortisation of intangibles	13	(327,201)	(317,259)
– Other administrative costs		(17,450,905)	(12,668,525)
Total administrative expenses		(17,834,731)	(13,014,510)
Operating profit		1,962,304	1,266,567
Finance income	8	28,003	13,928
Finance expense	9	(235,957)	(135,461)
Profit before tax		1,754,350	1,145,034
Taxation expense	10	(468,624)	(286,330)
Profit for the year		1,285,726	858,704
Attributable to:			
Equity holders of the parent		1,294,701	913,250
Non-controlling interests		(8,975)	(54,546)
		1,285,726	858,704
Other Comprehensive Income			
Exchange differences arising on translation of foreign operations	24	(439,517)	(39,038)
Total comprehensive profit for the year		846,209	819,666

Attributable to:			
Equity holders of the parent		855,184	874,212
Non-controlling interests		(8,975)	(54,546)
		846,209	819,666

Profit per share attributable to equity holders of Parent		**Cents**	**Cents**
Basic	11	9.7	8.0
Diluted	11	9.1	7.5

The results reflected above relate to continuing activities.

Consolidated Statement of Financial Position as at 31 December 2018

	Notes	2018	2017
		$	$
ASSETS			
Non-current assets			
Goodwill and indefinite life intangible assets	13	6,254,967	3,304,506
Other intangible assets	13	2,423,565	2,398,192
Property, plant and equipment	14	1,732,527	762,459
Trade and other receivables	17	618,005	59,075
		11,029,064	6,524,232
Current assets			
Inventories	16	451,465	359,973
Trade and other receivables	17	4,211,981	2,820,315
Cash and cash equivalents	18	5,016,406	774,767
		9,679,852	3,955,055
TOTAL ASSETS		20,708,916	10,479,287
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent			
Share capital	21	101,915	65,305
Share premium	21	6,887,739	980,436
Shares held in treasury	21	-	(210,150)
Merger reserve		1,001,150	1,001,150
Share based payment reserve		239,740	135,088
Foreign exchange reserve		(743,198)	(303,681)
Reverse acquisition reserve	21	(27,758,088)	(27,758,088)
Retained earnings		33,246,277	32,021,892
		12,975,535	5,931,952
Equity attributable to Non-Controlling interest			
Non-controlling Interest		100,499	39,158

Non-current liabilities			
Borrowings	23	1,448,303	1,635,311
Deferred consideration	12	879,307	374,600
Deferred tax liability	20	316,221	115,233
		2,643,831	2,125,144
Current liabilities			
Trade and other payables	19	2,550,280	1,428,509
Borrowings	23	989,736	394,525
Deferred consideration	12	1,449,035	559,999
		4,989,051	2,383,033
TOTAL EQUITY AND LIABILITIES		20,708,916	10,479,287

The financial statements of Water Intelligence plc, company number 03923150, were approved by the board of Directors and authorised for issue on the 8 May 2019. They were signed on its behalf by:

Patrick De Souza
Executive Chairman

The accompanying notes are an integral part of these financial statements

Company Statement of Financial Position as at 31 December 2018

	Notes	2018 $	2017 $
ASSETS			
Non-current assets	15	6,971,382	7,411,412
		6,971,382	7,411,412
Current assets			
Trade and other receivables	17	4,818,232	1,750,787
Cash and cash equivalents	18	48,164	76
		4,866,396	1,750,863
TOTAL ASSETS		11,837,778	9,162,275
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent			
Share capital	21	101,915	65,305
Share premium	21	6,887,739	980,436
Shares held in treasury	21	-	(210,150)
Merger reserve		1,001,150	1,001,150
Share based payment reserve		239,740	135,088
Foreign exchange reserve		(2,013,369)	(1,472,274)
Retained earnings		5,360,880	6,055,205

		11,578,055	6,554,760
Current liabilities			
Trade and other payables	19	259,723	2,607,515
		259,723	2,607,515
TOTAL EQUITY AND LIABILITIES		11,837,778	9,162,275

The loss for the financial year in the financial statements of the parent Company was $694,325 (2017: costs $601,301), which related entirely to Plc costs.

The financial statements of Water Intelligence plc, company number 03923150, were approved by the board of Directors and authorised for issue on the 8 May 2019. They were signed on its behalf by:

Patrick De Souza
Executive Chairman