Water Intelligence
Interim Results
RNS Number : 0428O
Water Intelligence PLC
30 September 2019

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Water Intelligence plc (AIM: WATR.L)

(“Water Intelligence”, “Group”, or the “Company”)

Interim Results

Water Intelligence plc (AIM: WATR.L) (“Water Intelligence”, “Group”, or the “Company”), a leading multinational provider of precision, minimally-invasive leak detection and remediation solutions for both potable and non-potable water is pleased to provide its Interim Results for the six months ended 30 June 2019.

Results are ahead of market expectations for annual revenue and comfortably in-line with expectations for profit before tax. The Company continues to perform strongly on its growth plan based on key performance indicators (“KPIs”) identified in more detail in the Strategic Report to the Annual Accounts with 1H KPI results discussed herein.

Financial Highlights

- Total revenue for the period increased 34% to $15.87 million (1H 2018: $11.80 million)
    - Three-year 1H CAGR (compounded annual sales growth) of 42% (1H 2016: $5.57 million)
    - Major revenue streams growing strongly and consistently with over $50 million in sales in 1H to third parties (direct sales from corporate operations and gross sales to customers from which franchise royalty income is derived)

- Profit before tax comfortably in-line with analyst expectations
    - Statutory profit before tax up 20% to $1.51 million (1H 2018: $1.26 million)
    - Profit before tax adjusted for non-core and share-based payments up 29% to $2.02 million (1H 2018: $1.57 million)
    - Continued investment in hiring and technology R&D

- EPS Growth

    - Adjusted 1H EPS up 17% to 10.6 cents (1H 2018: 9 cents)
    - Statutory 1H EPS up 8% to 7.9 cents (1H 2018: 7.3 cents)

- Balance sheet strong
    - Cash and equivalents remain strong at $6.03 million (1H 2018: $6.15 million)
    - Net Cash at $2.17 million (cash minus borrowings)

Interim Consolidated Statement of Changes in Equity
For the six months ended 30 June 2019

	Share Capital	Share Premium	Shares held in treasury	Reverse Acquisition Reserve	Merger Reserve	Share based payment reserve	Other Reserves	Retained Profit	Total	Non-controlling interest	Total Equity
	$	$	$	$	$	$	$	$	$	$	$
As at 1 January 2018	**65,305**	**980,436**	**(210,150)**	**(27,758,088)**	**1,001,150**	**135,088**	**(303,681)**	**32,021,892**	**5,931,952**	**39,158**	**5,971,110**
Issue of ordinary shares	36,610	5,913,316	210,150						6,160,076		6,160,076
Share based payment expense	-	-	-	-	-	48,195	-	-	48,195	-	48,195
Profit for the period	-	-	-	-	-	-	-	950,242	950,242	(3,669)	946,573
Purchase of non-controlling interest										(29,684)	(29,684)
Equity contributions										100,000	100,000
Other comprehensive income	-	-	-	-	-	-	(359,023	-	(359,023)	-	(359,023)
As at 30 June 2018 (unaudited)	**101,915**	**6,893,752**	**-**	**(27,758,088)**	**1,001,150**	**183,283**	**(662,704)**	**32,972,134**	**12,731,442**	**105,805**	**12,837,247**
Issue of ordinary shares	-	(6,013)	-	-	-	-	-	-	(6,013)	-	(6,013)
Purchase of non-controlling interest	-	-	-	-	-	-	-	(70,316)	(70,316)	-	(70,316)
Share-based payment expense	-	-	-	-	-	56,457	-	-	56,457	-	56,457
Profit for the period	-	-	-	-	-	-	-	344,459	344,459	(5,306)	339,153
Other comprehensive loss	-	-	-	-	-	-	(80,494)	-	(80,494)	-	(80,494)
As at 31 December 2018 (audited)	**101,915**	**6,887,739**	**-**	**(27,758,088)**	**1,001,150**	**239,740**	**(743,198)**	**33,246,277**	**12,975,535**	**100,499**	**13,076,034**
Issue of ordinary shares	11,237	2,682,249	-	-	-	-	-	-	2,693,486	-	2,693,486
Share based payment expense	-	-	-	-	-	81,713	-	-	81,713	-	81,713
Purchase of non-controlling interest	-	-	-	-	-	-	-	-	-	-	-
Equity contributions	-	-	-	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	-	1,115,460	1,115,460	207	1,115,667
Other comprehensive income	-	-	-	-	-	-	(19,106)	-	(19,106)	-	(19,106)
As at June 2019 (unaudited)	**113,152**	**9,569,988**	**-**	**(27,758,088)**	**1,001,150**	**321,453**	**(762,304)**	**34,361,737**	**16,847,086**	**100,706**	**16,947,792**

Interim Consolidated Statement of Cash Flows
For the six months ended 30 June 2019

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	$	$	$
	Unaudited	Unaudited	Audited
Cash flows from operating activities			
Profit before tax	1,512,617	1,262,097	1,754,350
Adjustments for non-cash/non-operating items:			
Depreciation of plant and equipment	257,940	146,448	355,897
Amortisation of intangible assets	159,475	162,380	327,201
Share based payments	81,657	48,195	104,652
Interest paid	135,277	103,532	235,957
Interest received	(31,871)	(11,906)	(28,003)
Operating cash flows before movements in working capital	2,115,094	1,710,746	2,750,054
(Increase)/Decrease in inventories	7,562	(117,523)	(91,492)
Increase in trade and other receivables	(1,836,453)	(987,917)	(1,950,597)
Decrease in trade and other payables	(33,318)	(150,349)	682,256
Cash generated by operations	252,885	454,957	1,390,221
Income taxes	(12,793)	-	(267,636)
Net cash generated from operating activities	240,092	454,957	1,122,585
Cash flows from investing activities			
Purchase of plant and equipment	(493,047)	(822,023)	(789,591)
Purchase of intangibles	(243,023)	(128,650)	(352,574)
Acquisition of Franchises	(740,225)		(330,174)
Reacquisition of Franchises	(1,757,451)	(867,000)	(1,762,917)
Interest received	31,871	11,906	28,003
Net cash used in investing activities	(3,201,875)	(1,805,767)	(3,207,253)
Cash flows from financing activities			
Issue of ordinary share capital	11,237	36,610	36,610
Premium on issue of ordinary share capital	2,682,249	5,913,316	5,907,302
Share buy-back	-	210,150	210,150
Interest paid	(135,277)	(103,532)	(235,957)
Proceeds from borrowings	1,854,936	926,472	926,472
Repayment of borrowings	(433,118)	(254,196)	(518,270)
Net cash generated by/(used in) financing activities	3,980,026	6,728,821	6,326,307)
Net (decrease)/increase in cash and cash equivalents	1,018,243	5,378,011	4,241,639
Cash and cash equivalents at the beginning of period	5,016,406	774,767	774,767
Cash and cash equivalents at end of period	6,034,649	6,152,778	5,016,406

Notes to the Interim Consolidated Financial Information
for the six months ended 30 June 2019

1 General information

The Group is a leading provider of non-invasive, leak detection and remediation services. The Group's strategy is to be a provider of "end-to-end" solutions for the problem of water loss through leakage. The Group is a "one-stop shop" for residential, commercial and municipal customers whether for potable or non-potable water issues.

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 27-28 Eastcastle Street, London, W1W 8DH.

2 Significant accounting policies

Basis of preparation and changes to the Group's accounting policies

The accounting policies adopted in the preparation of the interim consolidated financial information are consistent with those of the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018. No new IFRS standards, amendments or interpretations became effective in the six months to 30 June 2019 which had a material effect on this interim consolidated financial information.

This interim consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with IAS 34, 'Interim financial reporting'. This interim consolidated financial information is not the Group's statutory financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards (IFRS) and have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis of matter without qualifying their report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The interim consolidated financial information for the six months ended 30 June 2019 is unaudited. In the opinion of the Directors, the interim consolidated financial information presents fairly the financial position, and results from operations and cash flows for the period. Comparative numbers for the six months ended 30 June 2018 are unaudited.

This interim consolidated financial information is presented in US Dollars ($), rounded to the nearest dollar.

Foreign currencies

(i) Functional and presentational currency
Items included in this interim consolidated financial information 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 the Pounds Sterling (£) for the Parent Company and US Dollars ($) for American Leak Detection Holding Corp. This interim consolidated financial information has been presented in US Dollars which represents the dominant economic environment in which the Group operates and is considered to be the functional currency of the Group. The effective exchange rate at 30 June 2019 was £1 = US$ 1.27602 (*30 June 2018: £1 = US$* 1.31515).

Critical accounting estimates and judgments

The preparation of interim consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and 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.

In preparing this interim consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

3 Segmental information

In the opinion of the Directors, the operations of the Group currently comprise four operating segments: (i) franchise royalties, (ii) franchise-related activities including business-to-business sales and product and equipment sales, (iii) corporate-operated locations (US and international) and (iv) international corporate (business-to-business) led by UK-based Water Intelligence International.

The Group mainly operates in the US, with operations in the UK and certain other countries. In the six months to 30 June 2019, 90.16% (1H 2018: 87.54%) of its revenue came from the US based operations; the remaining 9.84% (1H 2018: 12.46%) of its revenue came from its international corporate operated locations.

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

The Group adopted IFRS 8 Operating Segments with effect from 1 July 2008. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group.

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 four income generating segments that serve as key performance indicators (KPI's):

- Franchisor royalty income;
- Franchise-related activities (including product and equipment sales and Business-to-Business sales);
- US corporate operated locations; and
- International corporate operated locations.

Items that do not fall into the four segments have been categorised as unallocated head office costs and non-core costs which reflect non-core costs largely associated with the Group's acquisition strategy.

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

Revenue	**Six months ended 30 June 2019 $ Unaudited**	**Six months ended 30 June 2018 $ Unaudited**	**Year ended 31 December 2018 $ Audited**
Franchise royalty income	3,435,521	3,312,163	6,264,839
Franchise related activities	4,066,198	2,541,485	6,153,652
US corporate operated locations	6,984,962	4,479,349	10,140,892
International corporate operated locations	1,380,759	1,471,107	2,907,268
Total	**15,867,440**	**11,804,104**	**25,466,651**

Profit before tax	Six months ended 30 June 2019 $ Unaudited	Six months ended 30 June 2018 $ Unaudited	Year ended 31 December 2018 $ Audited
Franchise royalty income	796,929	732,506	1,447,989
Franchise related activities	394,489	195,509	484,036
US corporate operated locations	1,090,578	513,182	1,213,304
International corporate operated locations	73,826	74,903	31,219
Unallocated head office costs	(577,357)	(142,854)	(1,135,435)
Non-core costs	(265,848)	(111,149)	(286,762)
Total	**1,512,617**	**1,262,097**	**1,754,350**

Assets	Six months ended 30 June 2019 $ Unaudited	Six months ended 30 June 2018 $ Unaudited	Year ended 31 December 2018 $ Audited
Franchise royalty income	9,737,259	9,309,020	8,946,370
Franchise related activities	1,007,599	993,248	1,764,171
US corporate operated locations	10,700,439	5,881,437	7,648,032
International corporate operated locations	5,441,527	3,427,831	2,350,344
Total	**26,886,824**	**19,611,536**	**20,708,917**

Geographic Information

The Group has two wholly-owned subsidiaries – American Leak Detection (ALD) and Water Intelligence International (WII). Operating activities are captured as both franchise-related operations and corporate-related operations. ALD has both U.S. franchises and corporate-operated locations. It also has international franchises, principally located in Australia and Canada. Operations focus on residential and commercial water leak detection and remediation with some municipal activities. By comparison, WII has only corporate operations located outside the United States. These WII international operations are principally municipal activities. As noted herein, the Group's vision is to become a multinational growth company. As set forth below, the Group has shown growth in both US and International dimensions.

Total Revenue

	Six months ended 30 June 2019 Unaudited			Year ended 31 December 2018 Audited		
	US $	International $	Total $	US $	International $	Total $
Franchise royalty income	3,361,886	73,635	3,435,521	6,087,083	177,756	6,264,849
Franchise related activities	4,066,198	-	4,066,198	6,153,652	-	6,153,652
US corporate operated locations	6,984,962	-	6,984,962	10,140,892	-	10,140,892
International corporate operated locations	-	1,380,759	1,380,759	-	2,907,268	2,907,268
Total	**14,413,046**	**1,454,394**	**15,867,440**	**22,381,627**	**3,085,024**	**25,466,651**

4 Earnings per share

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

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	Unaudited	Unaudited	Audited
Earnings attributable to shareholders of the Company ($)	1,115,460	950,242	1,294,701
Weighted average number of ordinary shares	14,127,248	13,038,975	13,401,624
Diluted weighted average number of ordinary shares	15,096,052	13,432,889	14,304,790
Earnings per share (cents)	7.9	7.3	9.7
Diluted earnings per share (cents)	7.4	7.1	9.1

5 Share capital

On 10 May 2019, the Group announced that it had strengthened its capital base in order to support its growth plans. It raised approximately $4.1 million through the sale of 513,402 new ordinary shares and 350,000 new ordinary shares from the exercise of Director Options) in a placing and subscription. Such equity issuance was oversubscribed.

The issued share capital at the end of the period was as follows:

Group & Company	**Ordinary Shares of 1p each Number**
At 30 June 2019	**16,947,371**
At 30 June 2018	**15,233,969**
At 31 December 2018	**13,883,969**

The total number of Ordinary Shares of 1p each in the table above includes 2,200,000 of Partly Paid Shares of 1 penny each which are not admitted to trading on AIM. The total number of Partly Paid Shares at 30 June 2018 and 31 December 2018 was 1,350,000.

Group & Company	**Share Capital $**	**Share Premium $**
At 30 June 2019	**113,152**	**9,569,988**
At 30 June 2018	**101,915**	**6,893,752**
At 31 December 2018	**101,915**	**6,887,739**

Reverse acquisition reserve

The reverse acquisition reserve was created in accordance with IFRS3 Business Combinations and relates to the reverse acquisition of Qonnectis Plc by ALDHC in July 2010. Although these Consolidated Financial Statements have been issued in the name of the legal parent, the Company it represents in substance is a continuation of the financial information of the legal subsidiary ALDHC. A reverse acquisition reserve was created in 2010 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. Qonnectis Plc was renamed Water Intelligence Plc on completion of the reverse acquisition on 29 July 2010.

6 Reacquisition of franchisee territories in the period

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 south-eastern franchises.

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 13 June 2019, the Company announced the reacquisition of its Tucson, Arizona franchise ("Tucson") within the Group's American Leak Detection subsidiary ("ALD"). Tucson is a significant reacquisition that enables the Group to leverage an already strong business to add further scale to Water Intelligence, both operationally and financially. The demographics and economy of Tucson are fast growing and a prime area for accelerated growth for both the Group's American Leak Detection and Water Intelligence International businesses. Water issues are proliferating throughout the southwest of the United States. With a regional corporate office in Tucson, there is an opportunity also to significantly grow various neighboring franchise locations enhancing royalty income. The current franchise team will be staying in place to grow the business faster with added working capital from ALD. Moreover, because the current team has experience with sewer and wastewater solutions, Tucson shall be one of the introductory sites in the US for deployment of Water Intelligence International's proprietary Orca product.

7 Subsequent events

On 30 August, Water Intelligence issued 40,000 shares to employees who exercised their option to acquire shares at 100 pence.

On 12 September, Water Intelligence announced a strategic relationship with Entertainment AI (EAI). Water Intelligence will invest £416,666. This money had previously been deposited in an escrow account and as such was recognised in the balance sheet as at 30 June 2019 in trade and other receivables. In addition, Water Intelligence will receive from EAI an exclusive, global, royalty-free license to use EAI proprietary technology to enable Water Intelligence on-line sales from videos.

8 Publication of announcement and the Interim Results

A copy of this announcement will be available at the Company's registered office (27-28 Eastcastle Street, London, W1W 8DH) from the date of this announcement and on its website – www.waterintelligence.co.uk. This announcement is not being sent to shareholders.

Corporate Developments

Strategic Highlights

- £3.2 million oversubscribed placing ato facilitate growth plan

- Business-to-Business Channel grows across United States:
    - Addition of another leading national insurance customer
    - Addition of a leading national home services customer

- UK-based Water Intelligence International accelerates municipal work in the United States

- Laura Hills promoted to Vice Chairman

- Technology Advances (Subsequent Events during Q3)
    - First commercial use of proprietary Orca product at UK utility for sewer and wastewater diagnostics; roll-out expected during Q4 in the United States
    - Strategic relationship with Entertainment AI (EAI), through an equity investment, as well as an agreement for Water Intelligence to benefit from a royalty-free license to use EAI's technology, which accelerates WI's capabilities for on-line sale of water diagnostic products that insurance companies and home services customers promote complementing WI's leak detection services business; see www.waterintelligence.co.uk for illustration.

Franchise Reacquisitions – enabling the Group to add scale financially and operationally:

- On 5 February 2019, the Group announced the reacquisition of its Ontario (Niagara) franchise

- On 7 March 2019, the Group announced the reacquisition of its South Atlanta and Southern Georgia franchise

- On 28 March 2019, the Group announced the reacquisition of its Orlando Florida franchise

- On 13 June 2019, the Group announced the reacquisition of its Tucson Arizona franchise

Dr. Patrick DeSouza, Executive Chairman of Water Intelligence, commented:

"We are pleased, once again, with our consistency of delivery. We had strong results in the first half with strong organic growth, a healthy balance sheet and continued multinational expansion of operations. Q3 has also started well. The Group has delivered strong EPS growth while still making investments to sustain our growth trajectory over the next three to five years.

Given the strong global market demand for water and infrastructure services, we remain confident about the future and our ambition to transform the water infrastructure services sector and deliver real value to our shareholders."

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Chairman's Statement

Overview

We continue to deliver on our stated objectives. Since 2014, when we recorded $7.2 million in annual sales, we have repeatedly indicated in the Chairman's Statement the priority of *sustainable multinational growth*. During 2018, we passed $25 million worth of sales while growing profits. We noted in the annual report our strong compounded annual growth over both three and five years' investment horizons. Now we aspire to pass, before the year-end, our next milestone of $30 million in annual revenue while increasing profits. Our Interim Results always provide our board, management and shareholders with a good check on our progress on the way to year-end targets. At 1H 2019, we remain pleased with our continued growth results across various performance measures and investment horizons and look forward to rapidly pushing through our next milestone.

When 1H 2019 is compared with 1H 2018, our 34% revenue growth and 20% statutory profit before tax growth (29% growth in adjusted PBT) underscores our consistency of delivery. First, as discussed below, our KPIs are all showing strength and our results provide an excellent base upon which to scale our business. Second, to set the stage for sustaining future growth, we increased reinvestment during a busy 1H. These included: additional hires to support our new national insurance account, our new national home services account and increasing municipal work; four franchise reacquisitions to unlock shareholder value; new technology products to expand our 2020 offerings; and the required transactions costs associated with a capital raise that provide more fuel. These actions should reinforce our three-year (1H 2016 to 1H 2019) compounded sales growth of 42% and statutory profit before tax growth of 16%. As we execute for the remainder of 2019 and ramp up for 1H 2020, our objective will be not only to continue our growth path but also to add scale to our business in terms of new operating geographies, additional product offerings and a complementary on-line product sales business that leverages our existing service delivery footprint across the United States.

We are ambitious and seek to take advantage of the tailwind afforded us as global market demand for solutions to water loss is growing irrespective of general political and economic conditions. With our reinvestment, we are establishing Water Intelligence as a distribution platform for products and services that can transform the water infrastructure market.

Current Growth Path

Our current growth path has been built on a strategic recognition that our core American Leak Detection franchise business ("ALD") has structural attributes that form a strong base from which to unlock significant shareholder value. Our 125+ operating locations – franchise and corporate - provide the Group with a distribution platform for products and services across the United States and in select areas of Australia, Canada and the UK. In addition, our substantial and growing base of residential, business and municipal customers enable opportunities for follow-up sales with reduced customer acquisition costs. Most importantly, we are the only nationwide (US) precision water leak detection company in a marketplace characterized by local providers. Our business-to-business customers, particularly insurance and property management companies, appreciate both our value proposition of minimally invasive leak detection and our ability to provide "a one-stop shop" to deliver follow-on products and services for them across the United States.

During the second quarter, we continued to build our business-to-business channel adding two major customers: in May, a national insurance company and, in June, a national home services retailer. Both accounts will take full effect during 2H 2019 and 1H 2020. Our KPI of franchise-related activities (including the business-to-business channel) grew by 60% during 1H to $4.07 million.

It should be emphasized that our national account structure helps *both* franchise and corporate operated locations and expands our total revenue mix. To gain perspective on the underlying strength of this business-to-business channel, in 1H 2015 as we were just putting in place our national channel structure, franchise royalty income for the first half was $2.7 million. Despite reacquiring franchises to unlock shareholder value and having its collateral effect of reducing the pool of royalty income, franchise royalty has continued to grow at 4% during 1H 2019 reaching $3.4 million.

This KPI of growing franchise royalty income is an important indication of our strong base of operations. By itself, the consistent growth of royalty income is a desirable asset for financial valuation. Moreover, such royalty income is a proxy for market presence in terms of sales to third parties under our ALD brand. Total 1H sales to third parties, from which such franchise royalty amounts are based, exceed $45 million. When combined with 1H US corporate-operated sales of $7 million discussed below, total 1H sales to third parties passed $50 million. While a good baseline for critical mass of market presence, the size of the addressable market in the US and worldwide indicates much room for continued growth in building on our installed base.

The Group's KPIs with respect to corporation operations also show strength in supporting our base of operations and complement our franchise KPIs. Corporate operations show increasing contributions to critical mass of sales, amounts of profits and development of neighbouring franchise locations across the US, Australia and Canada. First, sales from US corporate-operated locations grew 56% to $7 million (1H 2018: $4.48 million). As important, margins from such locations grew to 19%, contributing $1.33 million to the Group's profit before tax. To illustrate the unlocking of shareholder value year over year, for 1H 2018, US corporate-operated locations achieved 12% margin yielding $513,000 for the Group's profits before tax. Growth in corporate operations have been fueled by strategic reacquisitions of franchises to first leverage and then grow existing location's revenue and profits. Corporate locations owned before January 1, 2018 have organically grown post reacquisition by 24%. (1H 2019: $4.52 million vs. 1H 2018: $3.66 million). As we continue to execute our strategic plan, our objective is to have an optimal balance between growing franchise royalty income and corporate-generated profits which together will produce risk-adjusted shareholder value.

Strategic reacquisitions of franchises not only unlock shareholder value (19% corporate operated profit margin vs. 6-10% franchise royalty on gross sales) but also reinforce overall execution because corporate locations can support regional growth of franchises with marketing and new offerings. During 1H 2019, we continued to develop our complementary corporate-operated locations. We executed four reacquisitions in three different geographic regions of our Group's sales and distribution footprint. Our Ontario, Canada reacquisition will support franchise and corporate growth in eastern Canada and north-eastern US. Our South Atlanta and Orlando reacquisitions will support franchise and corporate growth in south-eastern US. Our Tucson reacquisition will support franchise and corporate growth in the south-western US. These reacquisitions will continue to reinforce our seamless national structure.

More broadly, we have also increased the introduction of municipal work in different regions of the US through our WII subsidiary. We believe that over time such municipal work will add a layer of growth to our ALD franchise business that will supplement current residential and business-to-business leak detection offerings. While WII produced municipal business for US locations, 1H sales for WII and its international corporate operated locations declined 9% to $1.38 million (1H 2018: $1.47 million). However, WII's sales pipeline is strong for the full-year and the decline is based on the timing of recognizing sales, as well as not allocating a contribution to WII's work in generating municipal jobs for US corporate locations.

Scaling the Group's Business

Given the size of the global addressable market and pressing demand for solving water issues – potable and non-potable – the Group believes it can build on its growing base. We aim to create further value by using our structural advantages outlined above – nationwide sales and distribution across the US - to further scale our business adding ever more efficient revenue growth producing higher yields. As noted above, we began to add scale during 1H 2019 by layering-in a new municipal service offering in the US driven by our UK-based WII subsidiary. Given the tens of thousands of water districts in the US, the national operational presence of sister-company ALD enables reduced customer acquisition costs for WII bids in local jurisdictions for more municipal contracts. During 1H, we introduced WII's proprietary Orca product for sewer and wastewater diagnostics at trade shows and regional ALD franchise meetings. During 2H, WII has started commercializing its proprietary Orca product for sewer and wastewater diagnostics with the ALD system.

With respect to our technology strategy, we can further leverage our multinational operational footprint to achieve rapid scale by creating an on-line sales strategy for water monitoring and water-related products. Our physical touchpoints, servicing approximately 200,000 locations annually support follow-through product sales and installation of home services products. In particular, we have noted that our national insurance partners not only want ALD to pinpoint and fix water leaks but also would like ALD's help in minimizing catastrophic damage from water leaks. Our gain of a national home services retailer in June with a digital marketing budget in the tens of millions will be synergistic with our on-line sales launch.

In January 2018 we began our on-line technology strategy by announcing a partnership with Flo Technologies ("Flo"), a Los Angeles-based technology company that make a water monitoring product for residences. The objective of this partnership was for ALD to help sell and, importantly install the Flo device using our network of technicians. The Flo product would provide a wireless advance alert of the likely presence of a leak to ALD. ALD would earn product commissions and services fees for installation. Given ALD's market presence across 46 states, our Group could help any number of product companies install systems for homeowners. In our 2018 Annual Report, we identified the $13 billion insurance market for such products as "Insuretech."

During Q3, Water Intelligence took a major step forward to accelerate our on-line product and services strategy and add further scale to the business. Insurance companies, as noted above with the burgeoning "Insuretech" market, are trying to incentivize homeowners to buy technology products to minimize water-related claims. To this end, we established a strategic partnership with a newly-listed AIM company - Entertainment AI plc ("EAI"). EAI owns a technology company – Tagasauris Inc – with which Water Intelligence has previously worked. EAI's technology enables consumers to watch any type of video, see a product – such as a Flo device – and then purchase that product with one click. For example, a homeowner, watching a "How to" channel on YouTube (one of YouTube's biggest content programs worldwide) to see how to deal with a water leak, will be served a Flo YouTube video among other product videos and with one click purchase the product. With the EAI technology, ALD could operate its own sustainability/water channel and directly sell Flo or any home services products and then install the products capturing both sales commission and services revenue. As part of the strategic partnership, Water Intelligence has invested in EAI and also gained an exclusive, global, perpetual, royalty-free license to use EAI's proprietary AI and machine learning technologies to deploy for the areas of water and home services. In this way, Water Intelligence anticipates it can add on-line operational scale and add significant value to business-to-business customers in our growing insurance channel.

Conclusion

1H 2019 reinforced the sustainability of our upward journey. We continue to deliver on our stated objectives both financially and operationally. Given ever-growing global market demand of water and infrastructure services where 15-40% of daily water usage is lost through leakage, we are confident in the opportunity ahead to become a distribution platform for products and services and transform the water infrastructure services industry.

Patrick DeSouza
Executive Chairman
September 30, 2019

Interim Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 $	Six months ended 30 June 2018 $	Year ended 31 December 2018 $
		Unaudited	**Unaudited**	**Audited**
Revenue	3	15,867,440	11,804,104	25,466,651
Cost of sales		(3,658,507)	(2,345,976)	(5,669,616)
Gross profit		**12,208,933**	**9,458,128**	**19,797,035**
Administrative expenses				
- Other income		(1,403)	560	48,027
- Share-based payments		(81,657)	(48,195)	(104,652)
- Amortisation of intangibles		(159,475)	(162,380)	(327,201)
- Other administrative costs		(10,350,375)	(7,894,390)	(17,450,905)
Total administrative expenses		(10,592,910)	(8,104,405)	(17,834,731)
Operating profit		**1,616,023**	**1,353,723**	**1,962,304**
Finance income		31,871	11,906	28,003
Finance expense		(135,277)	(103,532)	(235,957)
Profit before tax	3	**1,512,617**	**1,262,097**	**1,754,350**
Taxation expense		(396,950)	(315,524)	(468,624)
Profit for the period		**1,115,667**	**946,573**	**1,285,726**
Attributable to:				
Equity holders of the parent		1,115,460	950,242	1,294,701
Non-controlling interests		207	(3,669)	(8,975)
		1,115,667	**946,573**	**1,285,726**
Other comprehensive income				
Exchange differences arising on translation of foreign operations		(19,050)	(359,023)	(439,517)
Total comprehensive income for the period		**1,096,617**	**587,550**	**846,209**
Earnings per share		**Cents**	**Cents**	**Cents**
Basic	4	7.9	7.3	9.7
Diluted	4	7.4	7.1	9.1

Consolidated Statement of Financial Position as at 30 June 2019

	Notes	At 30 June 2019	At 30 June 2018	At 31 December 2018
		$	$	$
		Unaudited	**Unaudited**	**Audited**
ASSETS				
Non-current assets				
Goodwill		9,045,858	5,342,609	6,254,967
Other intangible assets		2,527,911	2,333,312	2,423,565
Property, plant and equipment		2,168,062	1,438,034	1,732,527
Trade and other receivables		688,442	138,140	618,005
		14,430,273	9,252,095	11,029,064
Current assets				
Inventories		443,903	477,496	451,465
Trade and other receivables		5,977,998	3,729,167	4,211,981
Cash and cash equivalents		6,034,649	6,152,778	5,016,406
		12,456,551	10,359,441	9,679,852
TOTAL ASSETS	3	26,886,824	19,611,536	20,708,916
EQUITY AND LIABILITIES				
Equity attributable to holders of the parent				
Share capital	5	113,152	101,915	101,915
Share premium	5	9,569,988	6,893,752	6,887,739
Shares held in treasury	5	-	-	-
Merger reserve		1,001,150	1,001,150	1,001,150
Share based payment reserve		321,453	183,283	239,740
Other reserves		(762,304)	(662,704)	(743,198)
Reverse acquisition reserve	5	(27,758,089)	(27,758,088)	(27,758,088)
Retained profit		34,361,736	32,972,134	33,246,277
		16,847,086	12,731,442	12,975,535
Equity attributable to Non-Controlling interest				
Non-controlling interest		100,706	105,805	100,499
Non-current liabilities				
Borrowings		2,735,931	2,297,928	1,448,303
Deferred consideration	6	697,915	916,798	879,307
Deferred tax liability		700,378	430,757	316,221
		4,134,224	3,645,483	2,643,831
Current liabilities				
Trade and other payables		2,536,015	1,632,342	2,550,280
Borrowings		1,123,925	404,185	989,736
Deferred consideration	6	2,144,868	1,092,279	1,449,035
		5,804,808	3,128,806	4,989,051
TOTAL EQUITY AND LIABILITIES		26,886,824	19,611,536	20,708,916