Audited Results For Year Ended 31 December 2020

Trading Update Through 30 April 2021

Water Intelligence plc (AIM: WATR.L) (the "Company" or "Group") 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 2020 and unaudited Trading Update through 30 April 2021.

<u>For full year 2020</u>: Compared with 2019, Group revenue grew by 17% and statutory profits before tax by 78%. The Company demonstrated market leadership in providing solutions for failing water infrastructure as an "essential service provider" for a Covid-affected marketplace. Results reinforce the Group's reputation for delivery as a growth company. Compounded annual growth ("CAGR") since 2016 has been 33% in terms of revenue and 53% in terms of statutory profits before tax.

<u>Trading through 30 April 2021</u>: 2021 has started with an even higher growth trajectory than its five year CAGR. Through 30 April, revenues have grown by 47% and statutory profits before tax by 154% against the same period in 2020, despite the Group's markets being adversely affected by the pandemic during both periods.

<u>2020-21 Corporate Development</u>: Beyond strong results, the Group continues to reinvest in new technologies to reinforce its brand leadership as a technology-enabled solutions provider for the Green Economy; a provider that has strong national channels, such as insurance, that are demanding more minimally-invasive technology solutions for water conservation. During 2020, the Group was pleased to be recognized with the Green Economy Mark from the London Stock Exchange and addition to various MSCI market indexes.

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

Highlights from the Group's 2020 Audited Results:

- Revenue growth once again strong at 17% reaching $37.9 million (2019: $32.4 million)
  - Total franchise System-wide sales (franchisee gross sales from which royalty income is derived) and corporate-operated sales surpassed $140 million
  - Sales footprint across the United States and in UK, Australia, and Canada creates distribution platform for matrix of residential, commercial, and municipal products and solutions
- Statutory Profits Before Tax growth at 78% reaching $4.2 million (2019: $2.4 million)
  - Profit Before Tax Adjusted (adjusting for non-cash expenses - amortization and share-based payments - and non-recurring costs such as transactions fees) grows 50% to $5.1 million (2019: $3.4 million)
- EPS (fully diluted) grows 69% to 18.8 cents (2019: 11.1 cents)
- Balance sheet strong at 31 December 2020
  - Cash: $6.8 million
  - Cash Net of Bank Borrowings: Breakeven with bank amortization spread through 2025

Core business units – American Leak Detection (ALD) (residential and commercial markets) and UK-based Water Intelligence International (WII) (municipal market) each grows strongly

- ALD revenue grows 15% to $33.6 million (2019: $29.1 million)
  - Royalty income from franchisees still grows by 3% to $6.7 million (2019: $6.5 million) despite eight franchise reacquisitions during 2020 reducing the pool of royalty income
    - Equipment sales grow 11% to approximately $1 million (2019: $0.9 million) showing franchisee reinvestment in brand despite Covid-19 disruptions
  - Insurance channel revenue grows by 20% to $8.5 million (2019: $7.1 million)
  - U.S. Corporate-operated sales grow by 21% to $17.4 million (2019: $14.4 million) with profit margins expanding to 22% (2019: 14%)

    - WII revenue grows 27% to $4.3 million (2019: $3.4 million)

Trading Update Through 30 April

- All financial KPIs show acceleration
- Revenue grows 47% to $15.6 million (30 April 2020: $10.7 million)
    - Royalty income grows 6% to $2.5 million (30 April 2020: $2.3 million) despite franchise reacquisitions during 2020
    - Insurance B-to-B Channel revenue grows 25% to $3.1 million (30 April 2020: $2.5 million)
    - U.S. Corporate-operated sales grow 76% to $8.1 million (30 April 2020: $4.6 million)
    - WII revenue grows 71% to $1.7 million (30 April 2020: $1 million)
- Statutory Profits Before Tax grow $154% to $2.2 million (30 April 2020: $0.9 million)

Corporate Development Highlights

- 2020 Corporate Development
    - Corporate finance transactions in October to fuel growth: approximately $2.7 million net from equity placement and an additional $6 million available from expanded credit facilities
    - Franchise reacquisitions: 8 strategic locations – in United States executed in each region for greater operational control: Maryland and Melbourne, Fla (East); Minneapolis (Midwest); New Orleans (South): San Jose and Seattle (West); in Australia: Melbourne and Brisbane
    - National accounts: three new national insurance companies
    - Technology investments: (i) Sewer diagnostic product launched in the UK with pilots in the US; (ii) Salesforce.com CRM integration to drive field service automation creating improved operating efficiencies, security and standardisation
    - Appointment of Silicon Valley veteran Daniel McDonald to the management team as Chief Innovation Officer to accelerate our deployments and investments in water and wastewater related technology
- Corporate Development through May 2021
    - Credit facility expansion by $3.2 million on the same terms as 2020 refinancing
    - 3 national insurance contract wins
    - 3 transactions: 2 strategic reacquisitions of franchises – Central Florida and Reno, Nevada – as well as PlumbRight Services, Inc. to extend the plumbing services capabilities of the Group's fast-growing, multimillion dollar Louisville, Kentucky location
    - Acquisition of IP assets from FastDitch, Inc. for stormwater runoff and irrigation
    - Appointment of C. Daniel Ewell to the board as Independent Non-Executive Director adding significant capital markets experience
    - Appointment of industry leader John Spenard to management team as Chief People Officer to accelerate organizational build-out of execution teams for market capture

Dr. Patrick DeSouza, Executive Chairman of Water Intelligence, commented: "Despite Covid-19 disruptions, we delivered a breakthrough 2020 and an even more remarkable first third of 2021 with strong advances in every part of our business: financial results, operating KPIs, technology reinvestment to keep differentiating our brand, new business lines to address market demand and experienced leaders to strengthen both board and management as we move to the next level of corporate development. Our business is scaling rapidly.

Ironically, the pandemic only served to reaffirm our sense of mission and the value of our enterprise. Our team worked very hard to deliver for our customers as an "essential service" provider for water and wastewater infrastructure needs while communities had to "shelter in place."

We aspire to lead the technological transformation of the industry and, in so doing, both conserve the world's most precious resource and provide solutions for collateral public health issues from wastewater overflow. We have been gratified to be recognized during 2020 with the Green Economy Mark from the London Stock Exchange and by communities, such as Flint, Michigan, that have suffered from water and wastewater infrastructure issues. With the public visibility of $100 billion in investment in water infrastructure sought by the American Jobs Plan, market demand for our technology-based solutions will continue to grow rapidly."

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.

Despite the marketplace disruptions produced by Covid-19, our strong financial and operating performance for full year 2020 and further acceleration during 1H 2021, point to the importance of water infrastructure services for consumers and our ability to execute, even during challenging times, to meet inelastic market demand.

Our team showed resilience, navigating the pandemic using rigorous health and safety protocols for the benefit of our customers and our technicians. Throughout the crisis, we delivered our matrix of solutions covering the entire range of residential, commercial and municipal pipes to address both clean water and wastewater problems. Moreover, not only did we manage through the crisis successfully, we also reinvested in field service automation technology to make our business even more scalable as we emerge from the pandemic. Undeterred by the challenges, we are delivering rapidly on our vision of technology-enabled services and a "One Stop Shop" for water infrastructure solutions. Given the strength of our Green Economy brand across 150 locations in the U.S. and our sales footprint in the UK, Australia and Canada, we are also creating a distribution platform for new product offerings from third parties seeking market access to our 200,000+ annual customers.

Our message for this coming year is simple: Full steam ahead. Because of our strong outcomes, even during Covid, we are updating our five-year growth plan for 2H 2021 and beyond. We are lifting our sights in more ambitious fashion. Because of our range of technology-based solutions, we seek to contribute private sector leadership to the shaping of the Green Economy. Last summer, we were pleased to receive from the London Stock Exchange its Green Economy Mark.

Core Commitments.

Two commitments will continue to drive our ambitious growth plan. The pandemic tested each of these commitments and we surpassed expectations. First, we are building a *multinational growth* company. Since 2016, we have delivered strong compounded annual growth in terms of both revenue and profits. Despite public health lockdowns in all of our operating geographies, we continue to deliver results because water infrastructure is considered by regulators to involve an "essential service". Given growing market demand, we plan to increase our pace of market capture in our current operating geographies as public health restrictions ease. Moreover, because the addressable market for failing water infrastructure is global, we plan to selectively add new geographies adjacent to current operations. The Biden Administration's American Jobs Plan seeks over $100 billion for water infrastructure repair underscoring a global need to preserve and distribute the world's most precious resource.

Second, our *brand is differentiable because of our use of technology* (proprietary and third party) to pinpoint water leaks and remediate such leaks in minimally-invasive fashion. Our solutions-based approach has always been akin to that of precision medicine. Here as well, the pandemic tested our resolve to reinvest in our technology leadership. Because of the continued growth of profits from our core business and our confidence in our value as an “essential service”, we reinvested during the pandemic to become a true “technology-enabled” service with greater operating efficiencies.

We have implemented Salesforce.com’s field service automation software, together with a range of other technology-based applications from web forms to video e-commerce. Now we have not only more efficient delivery of our solutions to customers but also a leading-edge, cloud-based system with the highest level of data security for personal data and payments. This latter dimension is a very attractive attribute for our national business accounts, such as insurance companies, and for consumers. Moreover, during the pandemic, we reinvested in new technology-driven service offerings for our customers. During 2H, we will release in the US a proprietary sewer diagnostic product for homeowners that was first pioneered in the UK in 2020 with utilities such as Thames Water. The Group has now adapted the device for the U.S. residential market. During the pandemic, as consumers disposed of sanitary wipes, collateral public health issues surrounding sewer backups became more visible. Further, in 1Q 2021, we invested in new technology for the lining of open water channels. Open channel conveyance, typically designed with concrete structures, is used around the world for irrigation and stormwater run-off but highly susceptible to leakage. These investments during the pandemic will reinforce our leadership role in transforming water infrastructure services through technology.

Financial Performance

We produced a set of results for 2020 that were ahead of market expectations. We maintained strong revenue growth and also reinvested to drive future market capture. Much like pre-pandemic 2018 and 2019, our statutory profits before tax grew even faster than revenue growth displaying various efficiencies from scaling operations. For full year 2020, Group revenue increased 17% to approximately $37.9 million while statutory profits before tax grew 78% to approximately $4.2 million. Our compounded annual growth rate (CAGR) since 2016 is now 33% in terms of revenue and 53% in terms of profits before tax. Especially given the disruptions of Covid, our 2020 results underscore the Group’s consistent delivery and point to a sustainable growth trajectory.

1Q 2021 reinforced and accelerated this already strong trajectory. Covid-19 marked the first quarters of both 2020 and 2021 making comparisons straight forward. Group revenue grew 38% to $11.4 million (1Q 2020: $8.3 million). Statutory profit before tax grew an outstanding 152% to $1.66 million (1Q 2020: $0.66 million) indicating continued scaling of operations.

Our overall market presence has passed $140 million in gross sales to customers which includes indirect sales by our franchisees from which franchise royalty income is derived plus direct sales from corporate operations. Such critical mass of gross sales to third parties alongside our reinvestment in technology positions us well for the next level of brand development. And we are now raising our profile in the market. Not only did we receive the Green Economy Mark from the London Stock Exchange during 3Q 2020, we were also added to various MSCI indices during 4Q.

Operating KPIs.

Water Intelligence KPIs are explained more fully in the Strategic Report. Our 2020 KPI results show the underlying components that are leading to the acceleration of our growth trajectory. First, royalty growth from the American Leak Detection (“ALD”) franchise System remains strong. During 2020, ALD royalty income grew by 3% in absolute terms to $6.7 million (2019: $6.5 million). This absolute growth is noteworthy because the Group doubled 2019’s rate of franchise reacquisitions thus removing royalty income faster from the pool of potential 2020 royalty income. Eight strategic reacquisitions were executed during 2020. Despite this pace of corporate activity, the increase in royalty shows the health of the franchise System and demand for our solutions. As discussed below, the franchise System offers the Group an opportunity for additional leverage in selling and delivering solutions to national accounts, such as insurance companies, across the US. Moreover, the recurring monthly income from franchise royalties leads to efficient capital formation for equityholders by enabling a mix of non-dilutive bank debt.

Second, our franchise-related activities reinforce the continued growth of royalty income. Franchise-related activities include: (i) national accounts such as insurance; (ii) franchisee purchases of equipment; and (iii) sales of franchise territory. Our national account channel which feeds jobs to both franchisees and corporate locations continues to grow rapidly. During 2020, our insurance channel grew by 20% to $8.5 million (2019: $7.1 million). We added three more national insurance accounts during 2020 which will fuel continued growth in 2021 and beyond. In addition, franchisee purchases of equipment grew 11% in absolute terms to $0.95 million (2019: $0.85 million), despite the reacquisitions. Such growth shows continued franchisee commitment to reinvesting in the growth of the ALD brand. This positive KPI feature is remarkable given that Covid generally had a negative impact on reinvestment in the broader marketplace.

Third, U.S. corporate-run operations complement our franchise system by adding to the critical mass of sales presence and execution across our operating geographies. During 2020, corporate-run operations grew 21% to $17.4 million (2019: $14.5 million). These fast-growing locations reinforce franchise operations with increased regional marketing presence. During 2020, the Group completed reacquisitions in each region of the United States: Southeast, South, Upper Midwest and Northwest. In particular, the Northwest set of transactions - combining 2 locations in Silicon Valley and reacquiring Seattle in order to link existing Portland operations and a greenfield target of Vancouver – is expected to yield collateral strategic benefits. A sales corridor between Silicon Valley and Seattle will accelerate technology sourcing thus reinforcing our brand differentiation. Further, the critical mass of existing municipal operations in Seattle will support the establishment of a US headquarters for our UK-based Water Intelligence International ("WII") subsidiary to cross-sell its municipal solutions in the US.

The Group has efficiently executed the transition to corporate operations after franchise reacquisitions thus unlocking profits for our shareholders. Profit before tax for corporate locations grew by an outstanding 87% reaching $3.8 million (2019: 2.0 million). Moreover, corporate-run operations have been continually increasing profit margins, while still reinvesting in growth. Profit margins for corporate-run locations reached 22% as compared to 14% in 2019. Such margin expansion contributed to the jump in Water Intelligence profits during 2020. As a result, reacquisitions are unlocking significant shareholder value because the net profits that they produce are significantly higher than foregone net royalty income for doing the same execution activity in the same location under the same brand.

Fourth, our WII business continues to grow steadily. During 2020, WII grew revenue by 27% to $4.3 million (2019: $3.4 million). WII complements ALD's residential and business-to-business focus with larger scale municipal solutions; moreover, given the team's professional experience globally, WII leads the Group's multinational growth efforts. For example, WII productized and introduced a new sewer diagnostic product in the UK and conducted field trials in the US with ALD franchisees. In addition, WII continues to expand in Australia. Franchise reacquisitions during 2020 in Melbourne and Brisbane, combined with WII's Sydney operations, now give WII a critical mass of corporate operations in the 3 largest population centres in Australia. Because of its climate and water scarcity issues, Australia is anticipated to be a strong growth geography for integrating all of the Group's offerings from municipal to residential given its initial base of ALD franchisees and now WII expansion.

Strategic Direction.

Given the success of our business plan and our strong capital base, our next steps are very straight forward. We plan to do more of the same in executing our core business offerings only more aggressively given our traction. Two tactics – one organic-based and one acquisition-based - would be the drivers for us to reach the next level of market capture.

First, we have plenty of customer demand for our minimally-invasive solutions whether residential, commercial or municipal. We can feed organic growth simply by deploying more trained execution staff and service vehicles. To be sure, our Salesforce implementation will make our execution more efficient. Importantly, we recently recruited and hired a Chief People Officer with significant experience in our industry. Such appointment will provide leadership and additional organizational structure for hiring, training, deploying and retaining solutions professionals.

Second, we will continue to execute selective franchise reacquisitions that integrate regional operations and convert more franchisee royalty income into Group revenue and profits. Currently, there is approximately $110 million of highly profitable sales to third parties by our franchisees that is recorded as $6.7 million of royalty income. Reacquisitions are strongly accretive financially for the Group and its shareholders. Yet is it important to reiterate that we still seek to grow and maintain the vitality of the entire franchise System so that the brand continues to grow and add to the $140 million "gross sales pie" from which reacquisitions may be strategically selected.

Beyond these two tactics, we will continue to invest in technology solutions that distinguish our brand with respect to water infrastructure problems. During 2020, we added a Chief Innovation Officer to the management team who had significant Silicon Valley experience. Such appointment produced immediate benefits: we adapted our new sewer diagnostic product for the residential market and we acquired patents for irrigation and storm-water run-off products that we are now manufacturing. Our ability to source and drive additional technology solutions for water infrastructure problems continues to differentiate our brand from traditional water infrastructure service providers.

We are confident about our ability to fuel a strong growth trajectory for 2021 and beyond. Our investment in a Chief People Officer and Chief Innovation Officer during the pandemic underscores that we will be relentless in building a management team and organization that can drive and sustain a significant multinational growth company with a differentiated technology brand – an aspiration a decade ago that has now fast becoming a reality.

Dr. Patrick DeSouza
Executive Chairman

7 June 2021

Strategic Report

Business Review and Key Performance Indicators

The Chairman's Statement, on pages 3 to 6, 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 our growing base of customers through additional cross-sales of solutions from across our business units and also the up-sales of technology products to fulfil more of the needs of our customers.

The Water Intelligence platform has two wholly-owned subsidiaries: American Leak Detection (ALD) and Water Intelligence International (WII). These business units generate approximately $140 million of sales to third-parties. The two subsidiaries are distinguished by the degree of franchise-operated and corporate-operated locations and their respective priorities with respect to 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 generates approximately $135 million of sales to end-users. That critical mass of sales is derived from 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.

WII, our UK-based operation, focuses on municipal solutions given the world-wide problem of failing water infrastructure. WII has approximately $5 million of sales to customers. WII's solutions are also technology-based. It is exclusively a corporate-run unit that leads the Group's international expansion. WII does have the capability to execute ALD service offerings and is currently doing so at our corporate-operated locations in Australia. WII also cross-sells complementary municipal offerings and residential wastewater solutions to ALD for municipal customers in the US.

The Group's growth strategy is evaluated through key performance indicators (KPIs) and incorporates both corporate-operated and franchise-operated organic growth from ALD and WII solutions, as well as, unlocking additional sales growth and shareholder value through acquisition, especially by selectively converting ALD franchises to corporate-operated locations. Such re-acquisitions of franchisee operations enable some amount of the approximately $110 million in highly profitable franchisee sales to end-users of our solutions, currently recorded as royalty income, to be converted to the Group's direct P&L. As a byproduct of such acquisition-led P&L growth, it is also 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 and growing nature of monthly recurring royalty income from the franchise business, the Group is able to be efficient in its capital formation using both equity and bank 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 from banks which are subject to financial covenants.

These six indicators are reported to the Board and used to assist the Board in the management of the business.

2020 Conclusions Drawn From 6 KPIs:

i. ALD Franchise System is expanding its sales and brand presence across the United States as indicated by royalty growth which furthers our evolution as a "One-Stop Shop" distribution platform. Royalty growth continues given market demand despite franchisee reacquisitions which remove some royalty from the pool of eligible royalty income.
ii. ALD Business-to-Business Channel takes advantage of our national execution presence under one brand and, led by the growth of insurance company channel, is fuelling expansion in both franchise-operated and corporate-operated locations.
iii. ALD Corporate-operated locations add to critical mass of Group revenue and profits and through selective reacquisitions from our expanding franchise System further unlocks the Group's equity value
iv. WII complements our ALD brand and contributes complementary municipal sales to the Group's overall sales presence in the US and international geographies
v. Non-core costs, largely legal transactions costs, are an acceptable trade-off relative to the operating P&L benefits of adding critical mass to the Group's revenue and profits
vi. Net-borrowing position with respect to banks is favourable for Group's continued growth and business plan especially given the consistent growth of monthly recurring income and low interest rate environment.

(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 centrepiece 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 gross sales increase, the Board can decide whether to selectively reacquire franchises and convert them to corporate-operated locations adding critical mass of revenue and profits to the Group or to keep adding high margin royalty income to the Group. Royalty income in 2020 grew in absolute terms by 3% compared with 2019 despite a significant number of reacquisitions during 2020 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 10% as the franchise System has continued to scale. The Group has 94 franchises at the end of 2020 which represents a decrease of 9 franchises (2019: 103). The net decrease was the result of the reacquisition and conversion of 9 franchises into corporate-run locations. Performance from royalty income is as follows:

	Year ended 31 December 2020 $'000	**Year ended 31 December 2019 $'000**	**Change %**
Total USA	6,572	6,356	3%
International	119	143	(17)%
Total Group Royalty Income	6,691	6,499	3%
Profit before tax (see note 4)	1,771	1,603	10%

(ii) Franchise-related Activities.

US franchise-related activities provide supporting evidence for the strength of the core ALD business. Parts and equipment sales are one 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 brand and sales footprint – an important aspect of competitive strategy. Jobs for franchisees are sourced by Corporate headquarters from insurance companies using a centralized processing system. The jobs are then dispatched to franchisees from corporate administration with corporate administration taking liability and payment risk. Finally, sales of franchise units represent the decision to develop a new territory through a franchisee. This line item conveys the Group's current priority with respect to adding corporate-operated locations as opposed to franchisee-operated locations in order to develop and grow a territory. Revenue from franchise-related activities in 2020 grew by 18% compared to 2019 largely because of the growth of the Group's business-to-business channel. Profits before tax grew 14% in 2020 compared with 2019. Performance from franchise-related activities are as follows:

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000	Change %
Parts and equipment sales	950	854	11%
Business-to-Business sales	8,536	7,106	20%
Sales of Franchise Units	27	90	(70)%
Total Revenue Franchise Activities	9,513	8,050	18%
Profit before tax (see note 4)	683	601	14%

(iii) US Corporate Operated Locations (ALD).

Corporate-run locations both greenfield and initiated after reacquisition of franchise locations contribute revenue and profits to the Group. In addition, such operations also support the franchise System with strategy, marketing and execution support in further developing territories. Performance of the US corporate-run locations post-reacquisition is also an indication of the success of the Group's strategy to selectively reacquire ALD franchises to meet increasing market demand for our minimally invasive leak detection and repair solutions. The Group directly operates 27 territories, an increase of 9 territories (2019: 18).

As set forth below, ALD Corporate-operated revenue grew 21% to $17.4 million (2019: $14.4 million). Meanwhile profits before tax grew strongly by 87% to a $3.8 million (2019: $2.0 million). We have begun to measure the difference between near-term corporate growth through reacquisitions of franchisees and longer-run corporate-operated organic growth post reacquisition. We have included a line item for corporate locations owned during the comparison years. Not counting the 2019 and 2020 franchise reacquisitions, revenue was flat but profits before tax grew 27% to $2.3 million (2019: $1.8 million).

Nonetheless, 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 $3.8 million. If the Group was a "franchise-only" business and the same $17.4 million of sales to the same customers under the same ALD brand were executed by franchisees, the Group would only receive approximately $0.27 million of the profit before taxes. ($17.4 million of sales multiplied by 6% royalty fee equals approximately $1.04 million of royalty income; and $1.04 million is then multiplied by 26% profit margin of royalty income - see KPI #1 – to yield $0.27 million of profits before tax to the Group).

Performance from corporate-operated locations is as follows:

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000	Change %
Revenue	17,434	14,446	21%
Locations owned prior to 1 January 2019	*12,936*	*12,969*	*0%*
Profit before tax (see note 4)	3,796	2,025	87%
Locations owned prior to 1 January 2019	*2,260*	*1,781*	*27%*

(iv) International Corporate Operated Locations (WII)

The Group continues to strengthen its multinational presence through its UK-based WII subsidiary. WII focuses largely on municipal solutions while maintaining core residential and commercial offerings. WII has expanded its multinational operating scope by managing corporate locations established in Australia and Ontario, Canada after ALD franchisee reacquisitions.

UK-based WII leads the Group's international expansion. Sales have grown 27% during 2020 to $4.3 million. (2019: $3.4 million). Most importantly, profits grew strongly by 38%. (2020: $0.31 million; 2019: $0.23 million). Performance from Water Intelligence International is as follows:

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000	Change %
UK	1,591	1,386	15%
Australia	1,889	1,421	33%
Canada	814	562	45%
Total Revenue from International Corporate Activities	4,295	3,369	27%
Profit before tax (see note 4)	312	226	38%

(v) Non-Core Costs.

During 2020, the Group incurred what are considered to be non-core costs relating to transactions executed for the future growth of the business. 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 2020, there were $101,000 of non-core costs. During 2019, there were $493,000 of non-core costs. Please see table below for details:

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000
Technology product write-off	-	93
Plumbing unit write-off related to acquisition	-	187
Transaction-related employee costs	-	82
Transaction-related legal costs	101	131
Total	**101**	**493**

(vi) Net Bank Borrowings.

Management of financial resources is important for making various decisions regarding the reinvestment rate in the 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. The Group's objective for risk management purposes is to be prudent with respect to bank financial covenants. Net cash after Bank Borrowings is approximately neutral and amortization of such debt extends through 2025.

Group

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000
Lines of credit: acquisition and working capital	227	1,264
Term loan	6,555	2,047
	6,782	3,311
Less: Cash		
Held in US Dollars	5,662	4,127
Held in £ Sterling	652	633
Held in CDN Dollars	250	121
Held in AU Dollars	255	400
	6,819	5,281
Total Net Bank Borrowings/(Cash)	(37)	(1,970)

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, Canada 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.

Covid-19 Risk

The Group delivers water and wastewater services and is considered a supplier of "essential services" under governmental policies covering shelter-in-place. As such the Group has continued to operate during the pandemic. During 2Q there was some slowing, as homeowners evaluated the risks of residential delivery of solutions and the Group evaluated health and safety protocols for our technicians. Continued consumer demand for water and wastewater solutions enabled the Group to return to executing its operating plan as an "essential service provider." The Group has sufficient cash to execute its plan and balance work protocols for the health and safety of all our stakeholders, especially our technicians and our customers.

Other Risks

There is a risk that existing and new customer relationships and R&D will not lead to the sales growth and increased profits. The Group is reliant on a small number of skilled managers. The Group is reliant on effective relationships with its franchisees, especially in the US.

Corporate Governance statement S172 of the UK's Companies Act

Each director must act in a way that, in good faith, would most likely promote the success of the Group for the benefit of its stakeholders. The Board of Directors consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters indicated in S172) in the decisions taken during the year ended 31 December 2020. Following is an overview of how the Board performed its duties during 2020.

Shareholders and Banking Relationships

The Executive Chairman, Chief Financial Officer, members of the Board and senior executives on the management team have regular contact with major shareholders and banking relationships. The Board receives regular updates on the views of shareholders which are taken into account when the Board makes its decisions. During October 2020, the Company raised capital from largely its current shareholders and refinanced its credit facilities. The Group received feedback during that process.

Employees

The Board recognizes the importance of advanced human capital to a technology and services-led business. The Board works through its human resources director to provide on-going training and benefits. It also provides advancement opportunities in its various corporate-operated locations. As noted in the Directors' Report, the Group has taken a variety of steps to address the COVID-19 pandemic in terms of its employees and stakeholders.

Franchisees

The Group holds an annual convention for its franchisees which includes education and training sessions. Franchisees have an Advisory Committee that provides input to the Board with quarterly meetings. One of our Board members, Bobby Knell, successfully developed the Dallas franchise and retired as one of our leading franchisees. He provides an additional channel for input from the franchise System. Throughout the year, the Group shared best practices with franchisees in responding to Covid-19 circumstances.

Customers
ALD has a reputation for high quality service delivery across the United States for over thirty years. Given the importance of our reputation with customers, especially insurance companies, the Board pays significant levels of attention to the quality of our service delivery. Management gathers data that it shares with the Board on customer satisfaction.

Community and Environment
The Group's brand stands for the conservation of water and the importance of providing solutions to potable and non-potable water leaks. Through our advertising and marketing the Group seeks to communicate to the public both the importance of sustainability, particularly with respect to water loss through leakage, and the importance for public health of remediating sewer blockages as consumers dispose of sanitary wipes in toilets during Covid-19. The Group took an active role not only in providing leak detection services to local government in Flint, Michigan – a community known for its lead in the water crisis – but also in working to educate community members on the importance of on-going water monitoring. The Board has sought to be active with respect to education and water. During 2019 and 2020, members of the Board have worked with Columbia University to contribute to its "Year of Water" education campaign. During 2020 the Group was pleased to receive the Green Economy Mark from the London Stock Exchange.

By order of the Board

Patrick DeSouza
Executive Chairman

7 June 2021

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 2020.

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 on pages 30 to 36.

2020 was marked by sustained and balanced multinational growth for both ALD and WII. Total revenue grew 17% to $37.9 million and profits before tax grew 78% to $4.2 million when compared with 2019. Our ALD subsidiary grew revenue 16% to $33.6 million and profits before tax 118% to $5.00 million when compared with 2019. Our WII subsidiary grew revenue 27% to $4.3 million and grew profit before taxes by 38% to $0.31 million. More generally, Water Intelligence 2020 results contributed to a compounded annual growth rate from 2016-2020 of 33% sales growth and 53% profits before tax growth. The splits between ALD and WII revenue remained consistent during 2020 with approximately 90% of total revenue attributable to ALD and 10% of total sales attributable to WII contributing to balanced growth.

Going Concern

The Directors have prepared a business plan and cash flow forecast for the period to April 2022. 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 Group generates increasing levels of cash driven by its profitable and growing US-based business, ALD. The Directors also note that the Group has diversified its operations further with growth in WII. Moreover, after an oversubscribed capital raise and expansion of its credit facilities in October 2020, 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 & Development; Commercialization

The Group's focus is currently on reinvestment for commercialization of products not pure R&D. Expenditure on pure research, all of which was undertaken by third parties not related to the Group, was $3,034 (2019: $10,152). The Group remains committed to anticipate market demands and has spent money on new product development during the year which has been capitalised.

Dividends

The Directors do not recommend the payment of a dividend (2019: $nil).

Share Price

On 31 December 2020, the closing market price of Water Intelligence plc ordinary shares was 500.0 pence. The highest and lowest prices of these shares during the year to 31 December 2020 were 526.0 pence and 255.0 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 throughout the Chairman's Statement on pages 3-6.

Financial Risk Management

Financial risk management is outlined in the principal risks and uncertainties section of the Strategic Report on page 11.

Subsequent Events

On 4 February 2021, the Group completed an extension of its credit facilities by $3.2 million, on the same terms as the refinancing completed in October 2020 and referenced in note 23.

On 30 March 2021, the Group completed the reacquisition of its Central Florida (Clermont) franchise territory within the Group's ALD franchise business. Strategically, the Central Florida reacquisition will enable ALD to link operations along the eastern part of Florida from its Central Florida location to fast-growing corporate operations in Orlando, to the east, and sizeable Melbourne and Miami operations, to the south. As noted above, demand is high for ALD water leak detection and repair offerings in this geography because of various factors ranging from the number of swimming pools to level of disposable income to rainy weather. In linking the above four eastern Florida operations, ALD expects to achieve even faster growth through fulfilling pent-up demand and creating operating efficiencies from scale.

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

	Clermont $
Fair value of assets and liabilities acquired	
Equipment	26,250
Vehicles	54,868
Other	30,000
Net assets acquired	111,118
Consideration	
Cash	330,000
Deferred consideration – discounted to present	330,000
Total consideration	660,000
Intangible asset arising on acquisition	548,882

On 23 April 2021, the Group announced the acquisition of intellectual property assets ("IP") from FastDitch, Inc., a US corporation. The IP Assets will be used to launch a new subsidiary of the Group's core American Leak Detection business dedicated to providing water infrastructure solutions. The subsidiary will operate under the tradename *IntelliDitch*. As set forth in a recent market communication, the Group is accelerating its growth plan given the anticipated increase in market demand for water infrastructure solutions stimulated by the Biden Administration's American Jobs Plan. No provisional fair values are provided.

On 2 June 2021, the Group announced the reacquisition of its Reno, Nevada franchise territory within its ALD franchise business. The acquisition strengthens corporate presence in the western part of the United States and links its ALD innovation centers in Silicon Valley and Seattle. The purchase price of $0.25 million is based on $0.25 million of sales during 2020. It is believed that strong growth will occur in this location with the end of Covid restrictions. The purchase price allocation for the Reno acquisition will be completed in due course.

On 2 June 2021, the Group announced the acquisition of PlumbRight Services, Inc. PlumbRight extends the plumbing services capabilities of the Group's fast-growing, multimillion dollar Louisville, Kentucky location. The PlumbRight team will enable the Louisville office to take on larger scale repair jobs as follow-through sales beyond current pinpoint leak detection solutions for its existing business and municipal customers. The purchase price of $0.7 million is based on 2020 sales of approximately $1 million. The purchase price allocation for the PlumbRight Services acquisition will be completed in due course.

<u>COVID-19</u>

PPP Program - The Paycheck Protection Program (PPP) brings much needed relief to business owners affected by the coronavirus. Not only does this loan program provide funding to help cover payroll and other expenses, but if used for qualifying purposes, part or all of the loan can be forgiven. ALD applied for and received funding of $1,869,800 under this program in April 2020. The Group received notification from the SBA on March 31, 2021 that the full advance of $1,869,800 was forgiven.

Work Protocols and PPE **-** The Group reviewed all applicable Shelter-in-Place Orders and determined that our operations qualify as services related to essential/critical infrastructure with respect to water and wastewater and that we can continue to operate under those Orders. The Group has taken health and safety measures with respect to all personnel and significantly increased its inventory of Personal Protective Equipment (PPE). The Group has issued work protocols with respect to our service technicians who are essential to the delivery of our water and wastewater solutions to customers. All non-essential personnel have been notified to work remotely until further notice. All employees have been instructed to comply with social distancing rules/requirements in their jurisdictions, as well as other safety and health precautions including use of PPE, frequent handwashing and sanitizing of all equipment.

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
Laura Hills

Non-Executive Directors
Bobby Knell
Michael Reisman
David Silverstone (Resigned 17, September 2020)
C. Daniel Ewell (Appointed 8, April 2021)

On 7 June 2021, Laura Hills and Bobby Knell swapped roles as executive and non-executive directors respectively, reflecting their ongoing roles within the Group. The biographical details of the Directors of the Company are set out on the Corporate Governance section of the report and on the Company's website *www.waterintelligence.co.uk*

Directors' emoluments

2020

	Salary, Fees & Bonus	Benefits	Redundancy	Total
	$	$	$	$
Executive Directors				
P DeSouza	581,203	25,312	-	606,515
L Hills	92,458	-	-	92,458
Non-Executive Directors				
D Silverstone	20,500	-	-	20,500
B Knell	60,000	-	-	60,000
M Reisman	20,304	-	-	20,304
	774,465	**25,312**	**-**	**799,777**

2019

	Salary, Fees & Bonus	Benefits	Redundancy	Total
	$	$	$	$
Executive Directors				
P DeSouza	517,346	20,034	-	537,380
B Knell	40,000			40,000
J Weigold	41,250			41,250
Non-Executive Directors				
D Silverstone	21,000	-	-	21,000
M Reisman	20,000	-	-	20,000
L Hills	20,000	-	-	20,000
	659,596	**20,034**	**-**	**679,630**

Directors' interests

The Directors who held office at 31 December 2020 and subsequent to year end had the following direct interest in the voting rights of the Company at 31 December 2020 and at the date of this report, excluding the shares held by Plain Sight Systems, Inc.

	Number of shares at 31 December 2020	% held at 31 December 2020	Number of shares at 7 June 2021	% held at 7 June 2021
Patrick DeSouza*/**	4,987,110	28.20	4,987,110	28.19
Michael Reisman*	184,126	1.04	184,126	1.04
Laura Hills	120,757	0.68	120,757	0.68
Bobby Knell	20,500	0.12	27,000	0.15
Dan Ewell	-	-	22,659	0.13

*Included in the total above, Patrick DeSouza received (i) 600,000 Partly Paid Shares during 2016, of which 300,000 have been fully paid and converted into Ordinary Shares (ii) 750,000 in March 2018 (iii) 850,000 in May 2019 and (iv) 300,000 Partly Paid Shares in October 2020. 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.
**Patrick DeSouza's interests include 1,800,000 shares held by The Patrick J. DeSouza 2020 Irrevocable Trust U/A Dtd 11/23/2020 and 810,000 shares held in The Patrick J. DeSouza GRAT #1 U/T/A Dtd 11/23/2020

Share option schemes

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.	2,430,410	13.74
Canaccord Genuity Group Inc.	1,620,000	9.16
State Street Nominees Limited	1,095,500	6.19
George D. Yancopoulos	841,595	4.76
Amati AIM VCT	814,660	4.60
Herald Investment Trust	608,152	3.44

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
7 June 2021

Corporate Governance Statement

As a Board, we believe that practicing 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.

IFRS 15 (Revenue from Contracts with Customers) came into effect 1 January 2018 replacing IAS 18 (Revenue and Related Interpretations). We have expanded our discussion in footnote 3 to cover each type of customer: residential, business-to-business, municipal and franchise.

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 program. 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 Dan Ewell 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 fulfil their duties and obligations to the Board and the Company. They are required to attend at least 4 Board meetings annually and join regular 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 2020 and 31 December 2020 and the attendance of directors is summarized below:

	Board meetings Possible (attended)	**Audit committee Possible (attended)**	**Remuneration committee Possible (attended)**
Patrick DeSouza	6/6		
Bobby Knell	6/6		
Michael Reisman	6/6	2/2	2/2
David Silverstone	4/4		2/2
Laura Hills	6/6	2/2	

Board Committees

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

(a) Audit Committee
Dan Ewell, Non-Executive Director, is Chairman of the Audit Committee. The other member of the Committee is Michael Reisman. 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 Bobby Knell. 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 has been Chairman of American Leak Detection since 2006 and Executive Chairman since its reverse merger to create Water Intelligence plc in 2010. 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. He is a graduate of Columbia College, the Yale Law School and Stanford Graduate School.

Laura Hills, Executive Director

Term of office: Appointed 7 June 2021, having previously been a non-executive director since 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 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. In 2002, Ms. Hills founded Hills, Stern & Morley LLP, an emerging markets legal firm based in Washington D.C. Laura sits on the Board of the Gerald Ford Presidential Foundation. Given her background in finance and transactions, Laura heads the Audit Committee. Laura brings considerable expertise in negotiating on infrastructure and renewables related transactions globally. Moreover, Ms. Hills experience with non-profits assists the Board in fulfilling its responsibility to advance the mission of Water Intelligence to support underserved communities globally. Laura holds undergraduate, graduate and law degrees from Stanford University.

Bobby Knell, Non-Executive Director

Term of office: Appointed 7 June 2021, having previously been an executive director since 17 January 2019.

Background and suitability for the role: The ALD franchise business is central to the operations and value proposition of Water Intelligence. 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 multi-million dollar operation, an operation now run by his son. His appointment furthers the alignment of strategy and interests between corporate operations and the core American Leak Detection franchise business.

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 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 international legal experience and the growing multinational character of the Company, Professor Reisman leads matters of governance, corporate responsibility and remuneration. He is a graduate of Yale Law School.

C. Daniel Ewell, Independent Non-executive Director

Term of office: Appointed as a non-executive director on 8 April 2021

Background and suitability for the role: Dan Ewell is currently a Senior Advisor at Morgan Stanley, where he has worked as an investment banker for over 33 years. Prior to assuming his current role, Mr. Ewell served as Vice Chairman and Head of Western Region Investment Banking for Morgan Stanley. Dan has extensive experience in advising companies and helping them grow through capital raising and strategic transactions. His experience spans a range of sectors including consumer/retails, industrial, healthcare and media/technology, and included companies with franchised business models. As the Group continues to scale its operations internationally, it has a need to broaden its institutional and strategic activity in capital markets. Mr. Ewell brings considerable expertise in this area. He is a graduate of University of California, Berkeley, Yale Law School and Yale School of Management.

The Group has a non-Board Chief Financial Officer, Pat Lamarco, who attends all Board meetings and reports regularly to the Board and assists in the preparation of Board materials and in reviewing the budget and ongoing performance. Mr. Lamarco has significant tax and audit experience. Mr. Lamarco was formerly a partner with RSM, a global accounting firm.

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. Laura Hills is responsible at the Board level. The Human Resources Director reports directly to Ms. Hills. Laura Hills 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 Dan Ewell (Chairman) and Michael Reisman.

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 2019 annual accounts and the interim accounts to 30 June 2020. 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 standard, 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 two occasions. The Committee comprises Michael Reisman and Bobby Knell, 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

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 therein.

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 2020, which comprise:

- the Group statement of comprehensive income for the year ended 31 December 2020;
- the Group and parent company statements of financial position as at 31 December 2020;
- the Group and parent company statements of changes in equity for the year then ended;
- the Group and parent company statements of cash flows 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2020 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 and 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

In auditing the financial statements, we have concluded that the director’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors assessment of the group and the company’s ability to continue to adopt the going concern basis of accounting included the following:

- reviewed and challenged management’s going concern assessment and assumptions used covering a minimum of 12 months from the date of approval of these financial statements;

- tested mathematical accuracy of the models used by management in their assessment;
- discussed with management and evaluated their assessment of the group and the company's liquidity requirement; and
- assessed the reasonableness of management's budget/forecasts, including comparison to actual results achieved in the year and the evaluation of downside sensitivities.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements ate authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described on the relevant sections of this report.

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 $321,000 (2019: $190,000) based on a measure of 8% of profit before taxation using the financial information obtained during our planning procedures. 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 was initially set at $200,000 based on the overall audit materiality and is 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 perform the audit work in the US. We have planned, controlled and directed the group audit under our direction. Due to the current pandemic restrictions, we have reviewed remotely the US work to carry out our review of component auditor working papers and have meet with group and local management virtually.

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. The group has a number of different revenue streams, some of which contain judgements, particularly in	Our audit procedures consisted of: Validating that revenue is recognised in accordance with the accounting policies for appropriateness in accordance with International Financial Reporting Standard 15 'Revenue from Contract with Customers' and performed

recognising when a purchase order has been satisfied and have passed to the buyer. This is determined with reference to the underlying contract with the purchaser and the nature of the service provided.	audit procedures to provide evidence that revenue was accounted for in accordance with the policy. Testing a sample of revenue transaction across the operating companies of the Group to ensure through testing an appropriate sample of income from each revenue stream by agreeing amounts to contracted amounts, cash receipt and/or when a purchase order has been satisfied. 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. Any significant future downturn in performance or activity could also result in an impairment of these assets.	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. • We have checked the arithmetic accuracy of the forecast. • 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 strategic report and the directors' 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 set out on page 18, 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.

Extent to which the audit is capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below: We design our procedures so as to obtain sufficient appropriate audit evidence that the financial statements are not materially misstated due to non-compliance with laws and regulations or due to fraud or error.

We obtained an understanding of the legal and regulatory frameworks within which the company operates, including the US tax legislations focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and Taxation legislation.

We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations – this responsibility lies with management with the oversight of the Directors.

Based on our understanding of the Group and the Company and industry, discussions with management and directors we identified financial reporting standards and Companies Act 2006 as having a direct effect on the amounts and disclosures in the financial statements.

As part of the engagement team discussion about how and where the Company's financial statements may be materially misstated due to fraud, we did not identify any areas with an increased risk of fraud.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management and revenue recognition.

Our audit procedures included:

- completing a risk-assessment process during our planning for this audit that specifically considered the risk of fraud;
- enquiry of management about the Company's policies, procedures and related controls regarding compliance with laws and regulations and if there are any known instances of non-compliance;
- examining supporting documents for all material balances, transactions and disclosures;
- review, where applicable, of the Board of Directors' minutes;
- enquiry of management, about litigations and claims and inspection of relevant correspondence
- analytical procedures to identify any unusual or unexpected relationships;

- specific audit testing on and review of areas that could be subject to management override of controls and potential bias, most notably around the key judgments and estimates, including the carrying value of accruals, provisions, recoverability of trade debtors and revenue recognition;
- considering management override of controls outside of the normal operating cycles including testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements including evaluating the business rationale of significant transactions, outside the normal course of business;

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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
55 Ludgate Hill
London
EC4M 7JW
7 June 2021

Consolidated Statement of Comprehensive Income for the year ended 31 December 2020

	Notes	Year ended 31 December 2020 $	Year ended 31 December 2019 $
Revenue	4	37,933,896	32,363,935
Cost of sales		(8,830,250)	(7,448,289)
Gross profit		29,103,646	24,915,646
Administrative expenses			
– Other Income		93,066	-
– Share-based payments	7	(233,584)	(176,960)
– Amortisation of intangibles	13	(524,017)	(319,041)
– Other administrative costs		(23,879,139)	(21,723,670)
Total administrative expenses		(24,543,674)	(22,219,671)
Operating profit		4,559,972	2,695,975
Finance income	8	88,753	61,754
Finance expense	9	(445,351)	(400,241)
Profit before tax		4,203,374	2,357,488
Taxation expense	10	(1,273,319)	(662,062)
Profit for the year		2,930,055	1,695,426
Attributable to:			
Equity holders of the parent		2,892,974	1,695,033
Non-controlling interests		37,081	393
		2,930,055	1,695,426
Other Comprehensive Income			
Exchange differences arising on translation of foreign operations		32,375	(164,145)
Fair value adjustment on listed equity investment (net of deferred tax)		(236,900)	584,379
Total comprehensive profit for the year		2,725,530	2,115,660

Attributable to:			
Equity holders of the parent		2,688,449	2,115,267
Non-controlling interests		37,081	393
		2,725,530	2,115,660

Profit per share attributable to equity holders of Parent		**Cents**	**Cents**
Basic	11	19.5	11.7
Diluted	11	18.8	11.1

The results reflected above relate to continuing activities.

Consolidated Statement of Financial Position as at 31 December 2020

	Notes	2020 $	2019 $
ASSETS			
Non-current assets			
Goodwill and indefinite life intangible assets	13	22,159,836	9,090,701
Listed equity investment	24	1,564,254	1,932,252
Other intangible assets	13	1,651,296	1,949,832
Property, plant and equipment	14	5,172,221	3,898,133
Trade and other receivables	17	581,191	605,234
		31,128,798	17,476,152
Current assets			
Inventories	16	444,791	344,011
Trade and other receivables	17	6,049,067	5,036,149
Cash and cash equivalents	18	6,818,715	5,280,808
		13,312,573	10,650,968
TOTAL ASSETS		44,441,371	28,127,120
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent			
Share capital	21	116,212	114,440
Share premium	21	12,091,069	9,717,349
Shares held in treasury	21	(340,327)	(539,834)
Merger reserve		1,001,150	1,001,150
Share based payment reserve		650,286	416,700
Foreign exchange reserve		(874,212)	(907,344)
Reverse acquisition reserve	21	(27,758,090)	(27,758,088)
Equity investment reserve		346,721	584,378
Retained earnings		37,787,624	34,894,649
		23,020,433	17,523,400
Equity attributable to Non-Controlling interest			
Non-controlling Interest		346,124	100,793
Non-current liabilities			
Borrowings	23	5,848,261	2,321,400
Deferred consideration	12	3,421,936	556,198
Deferred tax liability	20	957,170	588,684
		10,227,367	3,466,282
Current liabilities			
Trade and other payables	19	5,663,898	4,596,085
Borrowings	23	2,941,610	1,163,055
Deferred consideration	12	2,241,939	1,277,505
		10,847,447	7,036,645
TOTAL EQUITY AND LIABILITIES		44,441,371	28,127,120

The financial statements of Water Intelligence plc, company number 03923150, were approved by the Board of Directors and authorised for issue on 7 June 2020. They were signed on its behalf by:

Patrick De Souza
Executive Chairman

Company Statement of Financial Position as at 31 December 2020

	Notes	2020 $	2019 $
ASSETS			
Non-current assets			
Investment in subsidiaries	15	7,459,645	7,206,394
Listed equity investment	24	1,564,254	1,932,252
		9,023,899	9,138,646
Current assets			
Trade and other receivables	17	7,072,544	5,006,074
Cash and cash equivalents	18	366,737	195,750
		7,439,281	5,201,824
TOTAL ASSETS		16,463,180	14,340,470
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent			
Share capital	21	116,212	114,440
Share premium	21	12,091,069	9,717,349
Shares held in treasury	21	(340,327)	(539,834)
Merger reserve		1,001,150	1,001,150
Share based payment reserve		650,286	416,700
Foreign exchange reserve		(1,586,208)	(1,870,039)
Equity investment reserve		346,721	584,378
Retained earnings		3,963,789	4,599,878
		16,242,692	14,024,022
Non-current liabilities			
Deferred tax liability	20	77,943	146,094
		77,943	146,094
Current liabilities			
Trade and other payables	19	142,545	170,354
		142,545	170,354
TOTAL EQUITY AND LIABILITIES		16,463,180	14,340,470

The loss for the financial year in the financial statements of the parent Company was $636,089 (2019: loss $759,209), 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 7 June 2020. They were signed on its behalf by:

Patrick De Souza
Executive Chairman

Consolidated Statement of Changes in Equity for the year ended 31 December 2020

	Share Capital $	Share Premium $	Shares held in Treasury $	Merger Reserve $	Share based payment reserve $	Foreign exchange reserve $	Reverse Acquisition Reserve $	Equity Investment Reserve $	Retained (Losses)/ Earnings $	Total $	Non-controlling interest $	Total Equity $
As at 1 January 2019	**101,916**	**6,887,739**	**-**	**1,001,150**	**239,740**	**(743,198)**	**(27,758,088)**	**-**	**33,246,277**	**12,975,535**	**100,499**	**13,076,034**
IFRS 16 Adjustment	-	-	-	-	-	-	-	-	(44,869)	(44,869)	(99)	(44,968)
Restated as at 1 January 2019	**101,915**	**6,887,739**	**-**	**1,001,150**	**239,740**	**(743,198)**	**(27,758,088)**	**-**	**33,201,408**	**12,930,666**	**100,400**	**13,031,066**
Issue of Ordinary Shares	11,237	2,714,604	-	-	-	-	-	-	-	2,725,841	-	2,725,841
Options exercised	515	115,006	-	-	-	-	-	-	-	115,521		115,521
Share-based payment expense	-	-	-	-	176,960	-	-	-	-	176,960	-	176,960
Share buyback	772	-	(539,834)	-	-	-	-	-	(1,792)	(540,854)	-	(540,854)
Profit for the year	-	-	-	-	-	-	-	-	1,695,033	1,695,034	393	1,695,426
Other comprehensive loss	-	-	-	-	-	(164,146)	-	584,378	-	420,232	-	420,232
As at 31 December 2019	**114,440**	**9,717,349**	**(539,834)**	**1,001,150**	**416,700**	**(907,344)**	**(27,758,088)**	**584,378**	**34,894,649**	**17,523,401**	**100,793**	**17,624,194**
As at 1 January 2020	**114,440**	**9,717,349**	**(539,834)**	**1,001,150**	**416,700**	**(907,344)**	**(27,758,088)**	**584,378**	**34,894,649**	**17,523,401**	**100,793**	**17,624,194**
Issue of Ordinary Shares	1,454	2,039,399	-	-	-	-	-	-	-	2,040,853	-	2,040,853
Options exercised	318	24,447	-	-	-	-	-	-	-	24,765	-	24,765
Share-based payment expense	-	-	-	-	233,585	-	-	-	-	233,585	-	233,585
Share buyback	-	-	(715,911)	-	-	-	-	-	-	(715,911)	-	(715,911)
Sale of treasury share	-	309,874	915,418	-	-	-	-	-	-	1,225,292	-	1,225,292
Capital Contribution NCI	-	-	-	-	-	-	-	-	-	-	208,250	208,250
Profit for the year	-	-	-	-	-	-	-	-	2,892,974	2,892,974	37,081	2,930,055
Other comprehensive income	-	-	-	-	-	33,132	-	(237,657)	-	(204,525)	-	(204,525)
As at 31 December 2020	**116,212**	**12,091,069**	**(340,327)**	**1,001,150**	**650,285**	**(874,211)**	**(27,758,088)**	**346,721**	**37,787,623**	**23,020,434**	**346,124**	**23,366,558**

Company Statement of Changes in Equity for the year ended 31 December 2020

	Share Capital $	Share Premium $	Cost of Shares held in Treasury $	Merger Reserve $	Share based payment reserve $	Foreign exchange reserve $	Equity Investment Reserve $	Retained (Losses)/ Earnings $	Total Equity $
As at 1 January 2019	**101,915**	**6,887,739**	**-**	**1,001,150**	**239,740**	**(2,013,369)**	**-**	**5,360,880**	**11,578,055**
Issue of Ordinary Shares	11,237	2,714,604	-	-	-	-	-	-	2,725,841
Options exercised	515	115,006	-	-	-	-	-	-	115,521
Share buyback	772	-	(539,834)	-	-	-	-	(1,793)	(540,854)
Share-based payment expense	-	-	-	-	176,960	-	-	-	176,960
Profit for the year	-	-	-	-	-	-	-	(759,209)	(759,209)
Other comprehensive loss	-	-	-	-	-	143,330	584,378	-	727,708
As at 31 December 2019	**114,440**	**9,717,349**	**(539,834)**	**1,001,150**	**416,700**	**(1,870,039)**	**584,378**	**4,599,878**	**14,024,022**
As at 1 January 2020	**114,440**	**9,717,349**	**(539,834)**	**1,001,150**	**416,700**	**(1,870,039)**	**584,378**	**4,599,878**	**14,024,022**
Issue of Ordinary Shares	1,454	2,039,399	-	-	-	-	-	-	2,040,853
Options exercised	318	24,447	-	-	-	-	-	-	24,765
Share-based payment expense	-	-	-	-	233,585	-	-	-	233,585
Share buyback	-	-	(715,911)	-	-	-	-	-	(715,911)
Sale of treasury shares	-	309,874	915,418	-	-	-	-	-	1,225,292
Profit for the year	-	-	-	-	-	-	-	(636,089)	(636,089)
Other comprehensive income	-	-	-	-	-	283,832	(237,657)	-	46,175
As at 31 December 201920	**116,212**	**12,091,069**	**(340,327)**	**1,001,150**	**650,285**	**(1,586,207)**	**346,721**	**3,963,790**	**16,242,692**

Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Shares held in treasury	Amounts received for buyback of shares
Merger reserve	Non-distributable reserve arising on reverse acquisition.
Share based payment reserve	Amounts recognised for the fair value of share options granted in accordance with IFRS 2.
Foreign exchange reserve	Foreign exchange differences on re-translation.
Retained profits/(losses)	Cumulative net profits/(losses) recognised in the Financial Statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2020

	Year ended 31 December 2020 $	Year ended 31 December 2019 $
Cash flows from operating activities		
Profit before tax	4,203,374	2,357,488
Adjustments for non-cash/non-operating items:		
Depreciation of plant and equipment	1,568,034	1,268,463
Amortisation of intangible assets	524,017	319,041
Share based payments	233,584	176,960
Finance costs	445,351	400,241
Finance income	(88,753)	(61,754)
Operating cash flows before movements in working capital	6,885,607	4,460,439
(Increase) / Decrease in inventories	(110,780)	117,454
Increase in trade and other receivables	(988,875)	(811,396)
Increase in trade and other payables	273,071	2,477,094
Cash generated by operations	6,059,023	6,243,591
Income taxes paid	(982,776)	(535,693)
Net cash generated from operating activities	5,076,247	5,707,898
Cash flows from investing activities		
Purchase of plant and equipment	(717,519)	(3,104,796)
Purchase of intangible assets	-	(200,000)
Purchase of listed equity investment	-	(1,201,780)
Acquisition of subsidiaries	(300,000)	(741,130)
Reacquisition of franchises	(9,229,647)	(2,480,417)
Finance income	88,753	61,754
Net cash used in investing activities	(10,158,413)	(7,666,369)
Cash flows from financing activities		
Issue of ordinary share capital	8,128	11,237
Premium on issue of ordinary share capital	2,031,084	2,714,604
Share buyback	(715,911)	(540,853)
Sale of treasury shares	1,225,292	-
Options exercised	25,083	115,521
Finance costs	(445,351)	(400,241)
Proceeds from borrowings	6,153,836	1,854,936
Repayment of borrowings	(848,421)	(808,520)
Repayment of lease liabilities	(813,667)	(723,812)
Net cash generated from financing activities	6,620,073	2,222,873
Net increase in cash and cash equivalents	1,537,907	264,402
Cash and cash equivalents at the beginning of year	5,280,808	5,016,406
Cash and cash equivalents at end of year	6,818,715	5,280,808

Company Statement of Cash Flows for the year ended 31 December 2019

	Year ended 31 December 2020 $	Year ended 31 December 2019 $
Cash flows from operating activities		
Loss before tax	(636,089)	(759,209)
Adjustments for non-cash/non-operating items:		
Share based payment expense	233,585	176,960
Operating cash flows before movements in working capital	(402,504)	(582,249)
Increase in trade and other receivables	(2,066,470)	(187,842)
(Decrease)/Increase in trade and other payables	66,286	(181,053)
Cash used by operations	(2,402,688)	(951,144)
Income taxes paid	-	-
Net cash used by operating activities	(2,402,688)	(951,144)
Cash flows from investing activities		
Purchase of listed equity investment	-	(1,201,780)
Net cash used in investing activities	-	(1,201,780)
Cash flows from financing activities		
Issue of ordinary share capital	8,128	11,237
Premium on issue of ordinary share capital	2,031,084	2,714,604
Share buyback	(715,911)	(540,853)
Sale of treasury shares	1,225,292	-
Options exercised	25,083	115,521
Net cash generated from financing activities	2,573,676	2,300,509
Increase in cash and cash equivalents	170,988	147,585
Cash and cash equivalents at the beginning of period	195,749	48,165
Cash and cash equivalents at end of period	366,737	195,750

Notes to the Financial Statements

1 General information

The Group is a leading provider of minimally invasive, leak detection and remediation services for potable and non-potable water. The Group’s strategy is to be a “One-stop Shop” of water leak and repair solutions (services and products) for residential, commercial and municipal customers.

The Company is a public limited company limited by shares. 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.

The Company is listed on AIM of the London Stock Exchange. These Financial Statements were authorised for issue by the Board of Directors on 7 June 2021.

2 Adoption of a new International Financial Reporting Standards

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

A. *Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*
The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated.

B. *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*
The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:
— changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and
— hedge accounting.

C. Other standards

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

— *COVID-19-Related Rent Concessions (Amendment to IFRS 16)*
— *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)*.
— *Reference to Conceptual Framework (Amendments to IFRS 3)*.
— *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*.
— IFRS 17 *Insurance Contracts* and amendments to IFRS 17 *Insurance Contracts.*

3 Significant accounting policies

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

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

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

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

Going concern
The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Directors' Report, Strategic Report and the Chairman's Statement. The Directors have prepared a business plan and cash flow forecast for the period to June 2022. 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 on a mixture of cash generation by its profitable US-based, ALD business and its existing cash position, as well as available banking facilities. Moreover, because demand for the Group's equity offerings has historically been strong, the Directors believe that the funding will be available on a case by case basis for different initiatives such that the Group will have adequate cash resources to pursue its growth plan.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States and the world. The Company is monitoring the social effects produced by COVID-19, the related business and travel restrictions and changes to public policy intended to reduce its spread. The Company assesses on an on-going basis, the impact of COVID-19 on its operations, financial positions, cash flows, customer payments, and the industry in general and especially its impact on its employees, customers and stakeholders. Lockdown orders that were in effect during parts of March, April and May 2020 impacted operations. Governmental entities, in every jurisdiction that the Company operates in, recognize water solutions as part of "essential services" that need to be provided even during the application of "shelter-in-place" regulations. Whilst to date there has been no material impact on operations and liquidity of the Company, at the time of issuance, these circumstances may change in the foreseeable future.

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

Basis of consolidation

The Group financial statements consolidate the accounts of Water Intelligence plc and all of its subsidiary undertakings made up to 31 December 2020. The Consolidated Statement of Comprehensive Income includes the results of all subsidiary undertakings for the period from the date on which control passes. Control is achieved where the Group (or one of its subsidiary undertakings) obtains the power to govern the financial and operating policies of an investee entity so as to derive benefits from its activities.

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

The acquisition of ALDHC in 2010 was accounted for as a reverse acquisition. The assets and liabilities revalued at their fair value on acquisition therefore related to the Company. Both a merger reserve and a reverse acquisition reserve were created to enable the presentation of a consolidated statement of financial position which combines the equity structure of the legal parent with the reserves of the legal subsidiary.

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

Parent Company income statement – UK head office only

The Company has taken advantage of Section 408 of the Companies Act 2006 in not presenting its own Statement of Comprehensive Income. The Company's loss after tax for the year ended 31 December 2020 is $636,089 (2019: $759,209).

Inventories

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

Defined contribution pension scheme

Water Intelligence International provides a government run pension scheme under UK legislation. Employees have the opportunity to opt in or opt out. It is compulsory for companies to offer this to their employees. This was implemented on 1 November 2017.

Taxation

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

Current tax

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

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

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

Foreign currencies
(i) Functional and presentational currency
Items included in the Financial Statements are measured using the currency of the primary economic environment in which each entity operates

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

(ii) Group Companies
The results and financial position of all the Group entities that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

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

(b) the income and expenses are translated at average exchange rates for period where there is no significant fluctuation in rates, otherwise a more precise rate at a transaction date is used; and

(c) all resulting exchange differences are recognised in other comprehensive income.

LeasesThe Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right of use lease is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before commencement date plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the useful life of the right-of-use asset or the end of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted using the Group incremental borrowing rate.

Revenue recognition

IFRS 15 (Revenue from Contracts with Customers) came into effect on 1 January 2018 replacing IAS 18 Revenue and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

Nature of the Business
Water Intelligence plc operates through two wholly-owned subsidiaries: American Leak Detection (ALD) and Water Intelligence International (WII). Both subsidiaries provide precision water leak detection and repair services. The services that are performed for various customers are discrete activities - locating a water leak or fixing a leak. The services are not bundled. Each service has a price established in a rate book. Depending on customer preference, a service technician may stop after locating the leak. The customer would pay a fee for that service. Or following the leak detection service, the technician may also provide repair services for separate fee depending on what is contracted for by the customer. Service jobs are typically short in duration, usually 1-2 hours for a leak detection service. ALD delivers these services through corporate locations and

franchise locations across the United States and in Canada and Australia. WII operates outside the United States and delivers services only through corporate locations.

Customers and Sources of Revenue

Residential. Both ALD and WII provide services to residential customers. Service technicians, whether from franchise-operated locations or corporate-operated locations, provide services to homeowners. When the service is delivered, the homeowner is invoiced immediately upon completion of the service. The price of the service is a fixed call-out charge for the technician to come to the house and an hourly charge based on the time it takes to find the leak. Revenue is recognized upon completion of the service.

Business-to-Business. ALD has written national contracts with nationwide insurance companies. The insurance company, as ALD's customer, receives claims from homeowners or property management for water-related damage. The insurance company contracts directly with ALD headquarters. ALD headquarters, as the principal, takes liability risk for performance of the service jobs and for providing to insurance companies certain management services. A national price book is established as part of the national contract. After the leak detection service is performed, report from ALD headquarters is delivered to the insurance company and the insurance company is also invoiced for the job. Service is deemed complete upon delivery of the report and invoice. Revenue is recognized upon delivery of the report and invoice.

Municipal. WII headquarters or ALD headquarters will contract with a municipality to provide leak detection services. Such leak detection services largely consist of surveying kilometers of pipe. During such surveys, a designated distance is covered each day with a daily rate per technician per kilometer covered. A report is prepared for the municipality weekly. When the report is delivered, the service is deemed complete with respect to the distance covered. The municipality will be billed for the week's work when the report is conveyed. Revenue is recognized upon the delivery of the report.

Franchise Sales, Equipment and On-going Royalty Payments. ALD is a franchisor and leak detection services are delivered not only by corporate-operated locations but also by ALD's franchise System. Franchisees are independently owned and operated.

The franchise System has the following characteristics for revenue recognition. ALD sells franchises to third parties. A franchise is an exclusive territory in which a franchisee is authorized to deliver ALD services, mainly leak detection and repair. ALD headquarters provides training and advice to support the delivery of services by franchisees.

The franchise sale is documented by means of a ten-year license agreement that is renewable for ten-year increments based on certain conditions derived from franchisee performance. The agreement has three main components. First, the agreement provides for the payment of an upfront fee in exchange for the exclusive territory and training. The upfront fee is non-refundable. ALD revenue is recognized with respect to most of the upfront fee at the Closing of the franchise sale. The remaining portion of the upfront fee is recognized as revenue over time using a straight-line method to reflect the delivery of franchisor services over the ten-year period. Second, the franchise agreement provides that the franchisee may purchase proprietary equipment from ALD and more general equipment from ALD-approved third parties. There is a price book. ALD revenue is recognized upon the delivery of equipment to franchisees and an invoice for the equipment. Third, in accordance with the franchise license agreement, each franchise pays a royalty fee to ALD each month based on a percentage of the franchisee's gross sales for that month. Each month, a franchise files a royalty report and pays the royalty amount. ALD revenue is recognized upon the receipt of the royalty report.

In respect of the sale of franchise territories, the Group will monitor on an ongoing basis the correct apportionment for each such sale between recognition of upfront fees and fees which are deferred over the length of the franchise agreement. This year such sales were not a material part of the Group's revenue or income.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Loans and receivables

Trade receivables, loans, and other receivables held with the objective to collect the contractual cash flows are classified as subsequently measured at amortised cost. These are initially measured at fair value plus transaction costs. At each period end, there is an assessment of the expected credit loss in accordance with IFRS 9, with any increase or reduction in the credit loss provision charged or released to other selling and administrative expenses in the statement of comprehensive income. IFRS 9 was adopted as at 1 January 2018 and as permitted the prior year actuals comparatives were not restated.

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

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group always recognises lifetime expected credit losses ("ECL") for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

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

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

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

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

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

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

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

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

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

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

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

	Years
Covenants not to compete	1-3
Customer lists	5
Trademarks	20
Patents	10
Product development	4

Any amortisation is included within administrative expenses in the statement of comprehensive income.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

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

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

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

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

Segment reporting
A business segment is a group of assets and operations engaged in providing products or services that is subject to risks and returns that are different from those of other business segments.

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

is charged to the Statement of Comprehensive Income whenever the carrying amount of the asset exceeds its recoverable amount.

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

Critical accounting estimates and judgements
The preparation of Financial Statements in conformity with International Financial Reporting Standards requires the use of judgements together with accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income and expenses during the reporting period. Although these judgements and estimates are based on management's best knowledge of current events and actions, the resulting accounting treatment estimates will, by definition, seldom equal the related actual results.

The key judgements in respect of the preparation of the financial statements are in respect of the accounting for acquisitions, determination of separately identifiable assets on acquisition, the determination of cash generating units, the evaluation of segmental information, the evaluation of whether there is any indication of any impairment in investments, intangibles, goodwill or receivables and whether deferred tax assets should be recognized for tax losses.

The estimates and assumptions that have a risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the fair value of assets arising on acquisition (see note 12), carrying value of the goodwill, the carrying value of the other intangibles (see note 13) and the carrying value of the investments. Please see relevant notes for these areas.

4 Segmental Information

In the opinion of the Directors, the operations of the Group currently comprise five operating segments, being (i) Franchise royalty income, (ii) Franchise-related activities (including product and equipment sales, business-to-business sales and sales of franchises), (iii) US corporate operated locations, (iv) International corporate operated locations and (v) head office costs. 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 now separated into the four income generating segments (items (i) to (iv)), and items that do not fall into these segments have been categorized as unallocated head office costs (v).

The Group mainly operates in the US, with operations in the UK and certain other countries especially Canada and Australia. No single customer accounts for more than 10% of the Group's total external revenue.

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

Revenue	**Year ended 31 December 2020 $**	**Year ended 31 December 2019 $**
Franchise royalty income	6,691,433	6,499,045
Franchise related activities	9,513,209	8,049,570
US corporate operated locations	17,434,216	14,446,286
International corporate operated locations	4,295,037	3,369,034
Total	37,933,895	32,363,935

Profit/(Loss) before tax	**Year ended 31 December 2020**	**Year ended 31 December 2019**

	$	$
Franchise royalty income	1,771,302	1,603,149
Franchise related activities	682,958	601,281
US corporate operated locations	3,795,753	2,025,095
International corporate operated locations	311,783	226,215
Unallocated head office costs	(2,257,323)	(1,605,252)
Non-core costs	(101,099)	(493,000)
Total	4,203,374	2,357,488

Assets	**Year ended 31 December 2020 $**	**Year ended 31 December 2019 $**
Franchise royalty income	10,571,497	9,412,402
Franchise related activities	2,006,569	1,862,887
US corporate operated locations	24,932,417	11,772,004
International corporate operated locations	6,930,887	5,079,827
Total	44,441,371	28,127,120

Amortization	**Year ended 31 December 2020 $**	**Year ended 31 December 2019 $**
US corporate operated locations	496,315	291,692
International corporate operated locations	27,702	27,350
Total	542,017	319,042

Depreciation	Note	**Year ended 31 December 2020 $**	**Year ended 31 December 2019 $**
Franchise royalty income		-	-
Franchise related activities		-	-
US corporate operated locations	2	1,288,989	1,092,312
International corporate operated locations		279,045	176,151
Total		1,568,034	1,268,463

Finance Expense	**Year ended 31 December 20120 $**	**Year ended 31 December 2019 $**
US corporate operated locations	78,031	81,608
International corporate activities	8,769	995
Unallocated head office costs	358,553	317,638
Total	445,353	400,241

For the purpose of monitoring segmental performance, liabilities are not reported to the Group's Chief Operating Decision Maker.

Geographic Information

As noted herein, the Group has two wholly-owned subsidiaries – ALD and WII. ALD has US franchise-operated and corporate-operated locations and international franchises in Australia and Canada. Meanwhile, WII has corporate-operated activities outside the US. We may also regroup the same information into US and Outside the US to capture the Group's effort to be multinational company. As indicated herein, the Group has had strong balanced growth in the US and abroad and across ALD and WII. For 2020, outside the US sales have grown 26% to $4.4 million (2019: $3.5 million). Sales in the US have grown 16% to $33.5 million (2019: $28.9 million). The percentage of International sales to total sales has remained constant at 11% (2019: 11%).

Total Revenue

	Year ended 31 December 2020			Year ended 31 December 2019		
	US	**International**	**Total**	**US**	**International**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Franchise royalty income	6,572,162	119,271	6,691,433	6,355,811	143,234	6,499,045
Franchise related activities	9,513,209	-	9,513,209	8,049,570	-	8,049,570
US Corporate owned Stores	17,434,216	-	17,434,216	14,446,285	-	14,446,285
International corporate activities	-	4,295,037	4,295,038	-	3,369,034	3,369,034
Total	33,519,587	4,414,308	37,933,895	28,851,666	3,512,268	32,363,934

5 Expenses by nature

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

	Note	Year ended 31 December 2020 $	Year ended 31 December 2019 $
Raw materials and consumables used		752,670	820,885
Employee costs	6	14,424,268	12,965,317
Operating lease rentals		-	70,038
Depreciation charge	2	1,568,034	1,268,463
Amortization charge		524,017	319,042
Marketing costs		290,049	224,297
R & D		(3,034)	10,152
Foreign exchange (gain)/loss		(77,027)	(34,805)

	Year ended 31 December 2020 $	Year ended 31 December 2019 $
Auditors remuneration		
Fees payable to the Company's auditor for audit of Parent Company and Consolidated Financial Statements	52,000	51,000
Fees payables to the Company's auditor for other services (assurance related services)	-	-

The Group auditors are not the auditors of the US subsidiary companies. The fees paid to the auditor of the US subsidiary companies were $142,336 (2019: $121,009) for the audit of these companies and $28,204 (2019: $24,260) for other services.

6 Employees and Directors

The Employees and Directors of the Company contribute to the execution and management of the business.

	Year ended 31 December 2020	Year ended 31 December 2019
Short-Term employee benefits		
Directors fees, salaries and benefits	774,465	659,596
Employee wages and salaries	12,672,270	11,392,014
Social Security Costs	763,948	736,748
Long-Term employee benefits		
Share based payments	233,584	176,960
	14,444,268	12,965,318

Information regarding Directors' emoluments are as follows:

	Year ended 31 December 2020 $	Year ended 31 December 2019 $
Short-Term employee benefits		
Directors' fees, salaries and benefits	774,465	659,596
Social Security Costs	20,331	20,034
	794,796	679,630

The highest paid Director (Executive) received emoluments of $606,515 (2019: $537,380).

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

	Year ended 31 December 2020 $	Year ended 31 December 2019 $
Directors (executive and non-executive)	5	5
Management	26	23
Field Services	150	132
Franchise Support	20	22
Administration	46	34
	247	216

7 Share options

The Company grants share options at its discretion to Directors, management and advisors. These are accounted for as equity settled options. Should the options remain unexercised after a period of ten years from the date of grant the options will expire unless an extension is agreed to by the Board. Options are exercisable at a price equal to the Company's quoted market price on the date of grant or an exercise price to be determined by the Board.

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

	Number of share options 2020	Weighted average exercise price ($) 2020	Number of share options 2019	Weighted average exercise price ($) 2019
Outstanding at beginning of year	1,450,000	3.01	1,535,000	1.43

Granted during the year	525,000	5.63	525,000	6.08
Forfeited/lapsed during the year	-	-	(160,000)	1.40
Exercised during the year	(67,500)	1.23	(450,000)	1.21
Outstanding at end of the year	1,907,500	3.92	1,450,000	3.01
Exercisable at end of the year	697,500	1.15	765,000	1.52

Fair value of share options

During the year, the Group granted 525,000 Share Options to certain Employees, with exercise prices ranging from of £4.28 to £4.80 ($5.60 to $6.20).

The fair value of options granted during the prior year has been calculated using the Black Scholes model which has given rise to fair values per share ranging from 41.86p to 66.62p. This is based on risk-free rates of 0.72% and volatility of 34%.

The Black Scholes calculations for the options granted during the year resulted in a charge of $233,584 (2019: $176,960) which has been expensed in the year.

The weighted average remaining contractual life of the share options as at 31 December 2020 was 7.12 years (2019: 6.95 years).

Options arrangements that exist over the Company's shares at year end and at the time of the report are detailed below:

Grant	At report date	2020	2019	Date of Grant	Exercise price	Exercise period From	To
ALDHC Plan	122,500	142,500	142,500	01/12/2013	$1.14	01/12/2013	01/12/2023
2013 Directors	100,000	100,000	100,000	01/08/2013	$1.30	01/08/2013	01/08/2023
2015 Options	177,500	177,500	177,500	08/06/2015	$0.67	08/06/2015	08/06/2025
2016 Directors	100,000	100,000	100,000	13/06/2016	$1.26	13/06/2016	13/06/2026
2016 Employee	45,000	45,000	95,000	19/12/2016	$1.24	19/12/2019	19/12/2026
2016 Employee	132,500	132,500	150,000	19/12/2016	$1.56	19/12/2019	19/12/2026
2018 Acquisition	135,000	135,000	135,000	06/03/2018	$3.15	06/03/2021	06/03/2028
2018 Acquisition	25,000	25,000	25,000	08/10/2018	$4.52	08/10/2021	08/10/2028
2019 Employee (1)	475,000	475,000	475,000	04/04/2019	$6.24	04/04/2023	04/04/2029
2019 Acquisition (2)	50,000	50,000	50,000	04/04/2019	$4.59	04/04/2023	04/04/2029
2020 Employee (3)	500,000	500,000		31/07/2020	$5.60	31/07/2023	31/07/2030
2020 Acquisition (4)	25,000	25,000		30/09/2020	$6.20	30/09/2024	30/09/2030
2021 Acquisition (5)	45,500			01/01/2021	$6.24	01/01/2025	01/01/2031
2021 Directors (6)	300,000			15/03/2021	$10.40	15/03/2024	15/03/2031
Total	**2,233,000**	**1,907,500**	**1,450,000**				

All share options are equity settled on exercise. The amounts at the Report Date reflect all share options that have been either exercised or forfeited.

(1) On 4 April 2019, certain employees were granted options to purchase 475,000 New Ordinary Shares at a price of $6.24. These options have a four-year vesting requirement.

(2) On 4 April 2019, certain vendors, retained as employees, were granted options to purchase 50,000 New Ordinary Shares at a price of $4.59 pursuant to the acquisition of franchises acquired in 2019. These options have a four-year vesting requirement.

(3) On 31 July 2020, certain employees were granted options to purchase 500,000 New Ordinary Shares at a price of $5.60. These options have a four-year vesting requirement.

(4) On 30 September 2020, certain vendors, retained as employees, were granted options to purchase 25,000 New Ordinary Shares at a price of $6.20 pursuant to the acquisition of franchises acquired in 2020. These options have a four-year vesting requirement.

(5) On 01 January 2021, certain vendors, retained as employees, were granted options to purchase 45,500 New Ordinary Shares at a price of $6.24 pursuant to the acquisition of franchises acquired in 2020. These options have a four-year vesting requirement.

(6) On 15 March 2021, Dan Ewell, a newly appointed Director, received an option to purchase 200,000 New Ordinary Shares. All other members of the Board received an option to purchase 25,000 New Ordinary Shares. These options have an exercise price of $10.40 per share, being a 18% premium to the prevailing share price. These Options have a four-year vesting requirement.

Patrick DeSouza received (i) 600,000 Partly Paid Shares at an exercise price of $1.07 during 2016, (ii) 750,000 Partly Paid Shares at an exercise price of $2.71 in March 2018, (iii) 850,000 Partly Paid Shares at an exercise price of $4.82, in May 2019 and (iv) 300,000 Partly Paid Shares at an exercise price of $6.13 in October 2020 in connection with capital raising and bank financings. He has paid up 300,000 Partly Paid Shares of the shares issued in 2016. These Partly Paid Shares carry voting rights but will not be admitted to trading or carry any economic rights until fully paid.

8 Finance income

	Year ended 31 December 2020 $	Year ended 31 December 2019 $
Interest income	88,753	61,754

9 Finance expense

	Year ended 31 December 2020 $	Year ended 31 December 2019 $
Interest expense	445,351	400,241

10 Taxation

Group	Year ended 31 December 2020 $	Year ended 31 December 2019 $
Current tax:		
Current tax on profits in the year	836,682	535,692
Prior year over provision	-	-
Total current tax	836,681	535,692
Deferred tax current year	436,637	126,369
Deferred tax prior year	-	-
Deferred tax (credit)/expense (note 20)	436,637	126,369
Income tax expense	1,273,319	662,061

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

Profit before tax on ordinary activities	4,203,374	2,357,488
Tax calculated at domestic rate applicable profits in respective countries (2020: 31.7% versus 2019: 31.6%)	882,709	446,277
Tax effects of:		
Non-deductible expenses	65,445	11,528
GILTI Inclusion	15,202	22,548
Other tax adjustments, reliefs and transfers	95,620	38,314
State taxes net of federal benefit	190,419	110,772
Adjustment in respect of prior year	17,262	30,586

Changes in rates	6,662	2,036
Taxation expense recognized in income statement	1,273,319	662,061

The Group is subject to income taxes in multiple jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

As also set forth, in Note 20, at the balance sheet date, the Group's UK trading operations had unused tax losses of £5,898,312 (2019: £4,276,906) available for offset against future profits. £1,002,713 (2019: £727,074) represents unrecognized deferred tax assets thereon at 19%. The deferred tax asset has not been recognized due to uncertainty over timing of utilization.

The effective rate for tax for 2020 is 31.7% (2019: 31.6%). It is anticipated that the Group will use this effective tax rate of 31.7% going forward.

11 Earnings per share

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

Basic

	Year ended 31 December 2020 $	**Year ended 31 December 2019 $**
Profit for the year attributable to equity holders of the Parent ($)	2,892,974	1,695,033
Weighted average number of ordinary shares	14,832,294	14,426,694
Diluted weighted average number of ordinary shares	15,427,122	15,244,422
Profit per share (cents)	19.5	11.7
Diluted profit per share (cents)	18.8	11.1

12 Acquisitions

These can be summarised as follows:

On 12 May 2020, the Company announced the reacquisition of Minneapolis, Minnesota franchise. Operationally, the reacquisition enables the creation of regional corporate hub in the Upper Midwest of the United States connecting various franchise locations. Financially, for full-year 2019, Minneapolis generated approximately $985,000 of sales and $315,000 of pre-tax profits. The purchase price was $1.3 million spread evenly over four years.

On 2 June 2020, the Company announced the reacquisition of its San Jose, California franchise. The reacquisition of San Jose is strategic in that it enables the Group to create a regional corporate base in Silicon Valley to not only execute its growth plan but also to source and test new technologies. Financially, for full-year 2019, San Jose franchise operations generated approximately $0.7 million of sales and $0.2 million of pre-tax profits. The purchase price was approximately $1.05 million to be paid over three years.

On 16 July 2020, the Company announced the reacquisition of its Maryland franchise. Maryland is a significant reacquisition. The franchise territory covers the entire state of Maryland which includes cities such as Baltimore, Bethesda, and Annapolis. The Group plans to create a regional hub and link corporate operations in South New Jersey and Washington D.C. and franchise operations in Philadelphia and Northern New Jersey. Financially, for full-year 2019, Maryland generated approximately $1.07 million of sales and approximately $0.4 million of pre-tax profits. The purchase price for the reacquisition was $1.35 million.

On 4 August 2020, the Company announced the reacquisition of its franchise operation in Melbourne, Australia. Melbourne is a significant reacquisition because it complements the Group's other corporate base in Sydney. Between Melbourne and Sydney, the Group can better support growth of its existing franchise locations in the eastern half of Australia. The Group intends to expand operations further west to Adelaide and Perth, both of which remain untapped. Financially, for the trailing twelve months, which includes six months of Covid-impacted results, the Melbourne operation generated AUD$1.29 million in sales and AUD$0.25 million in pre-tax profits. The purchase price for the reacquisition was AUD$1.77 million.

On 30 September 20, the Company announced the reacquisition of its franchise operation in Brisbane, Australia. The Group now will have corporate operations in the three most populous cities in Australia. Such critical mass will enable the Group to better support the growth of current and new ALD franchises and corporate operations throughout the eastern half of Australia. Brisbane operations generated approximately AUD$0.5 million in revenue and AUD$0.1 million in pre-tax profits for the trailing twelve months which includes a period of slowdown due to Covid. The purchase price was AUD$550,000.

On 14 December 2020, the Company announced the reacquisition of its Baton Rouge, Louisiana franchise. The franchise operation encompasses the cities of Baton Rouge and New Orleans. Strategically, the Louisiana reacquisition will enable ALD to form a regional operational center in the southern part of the United States from which to support the growth of franchise and corporate locations. Financially, for full-year 2019 the Louisiana franchise generated approximately $1.1 million in sales and $0.3 million in pre-tax profits. The purchase price for the reacquisition was $1.77 million to be paid over four years.

On 22 December 2020, the Company announced the reacquisition of its Melbourne, Florida franchise. The Melbourne reacquisition will enable ALD to link its current and fast-growing corporate operations of Orlando, to the north, and Miami, to the south, along the eastern part of Florida. The purchase price was $1.55 million based on 2020 pro forma full-year results of approximately $1.2 million in sales and $0.3 million in profits. The purchase price is to be paid over three years.

On 31 December 2020, the Company reacquired its Seattle, Washington franchise. The reacquisition is the largest franchise reacquisition to date and strategic in tying together different growing business segments and creating efficiencies. In terms of business segments, Seattle will work together with Water Intelligence International ("WII") to set up a US base of operations for WII's municipal solutions. In terms of efficiencies, the Seattle location enables the Group to link its corporate operations in Portland to the south and to open up a new Canadian location in Vancouver to the north. For 2020, Seattle reached approximately $2.7 million in revenue and $0.8 million in profits before tax adjusted. The purchase price was $5.5 million of which $500,000 is contingent on performance targets through year-end 2022.

	Sub. Aqu. Denver	Minneapolis	San Jose	Maryland	Seattle	Melbourne Florida	Baton Rouge	Melbourne Australia	Brisbane Australia	Adjust-ments	Totals
	$	$	$	$	$	$	$	$	$	$	$
Fair value of assets and liabilities acquired											
Equipment	32,430	73,720	69,397	50,410	182,950	52,750	40,500	48,644	69,364	-	620,164
Vehicles	-	40,922	-	75,000	187,906	108,750	115,800	80,086	92,875	-	701,340
Other	-	-	-	60,000	60,000	60,000	30,000	7,164	7,036	-	224,200
Net assets acquired	32,430	114,642	69,397	185,410	430,856	221,500	186,300	135,894	169,276	-	1,545,704
Consideration											
Cash	300,000	327,670	380,000	1,350,000	4,000,000	800,000	700,000	1,270,177	351,800	50,000	9,529,647
Note payable	-	983,012	667,000	-	1,500,000	750,000	1,150,000	-	35,180	-	5,085,192
Total consideration	300,000	1,310,682	1,047,000	1,350,000	5,500,000	1,550,000	1,850,000	1,270,177	386,980	50,000	14,614,839
Intangible assets arising on acquisition (see note 13)	267,570	1,196,040	977,603	1,164,590	5,069,144	1,328,500	1,663,700	1,134,283	217,704	50,000	13,069,135

The intangible assets arising on the above acquisitions of $13,069,135 is included in additions to goodwill and indefinite life intangible assets for owned & operated stores (see note 13).

Following acquisitions all Franchises are classed as one cash generating unit therefore cannot separately disclose revenue and profit for each individual franchise.

The amount of deferred consideration for 2020 acquisitions as well as the remaining deferred consideration for acquisitions made in 2015, 2016, 2017, 2018 and 2019 (after discounting anticipated cash flows to evaluate the fair value), can be summarized as follows:

Current	**Year acquired**	**Year ended 31 December 2020 $**	**Year ended 31 December 2019 $**
T&M Tech LLC (South Michigan franchise)	2015		75,473
Cincinnati	2016		56,604
Kentucky	2018		557,816
South Florida	2018	24,928	23,480
Orlando	2019		471,698
Tucson	2019	105,884	92,434
Minneapolis	2020	327,670	
San Jose	2020	295,137	
Seattle	2020	750,000	
Baton Rouge	2020	700,000	
Brisbane, Australia	2020	38,320	
Total current deferred consideration		2,241,939	1,277,505

Non-Current	**Year acquired**	**Year ended 31 December 2020 $**	**Year ended 31 December 2019 $**
South Florida	2018	143,905	168,834
Tucson	2019	271,667	387,364
Minneapolis	2020	668,449	
San Jose	2020	353,040	
Seattle	2020	750,000	
Melbourne, Florida	2020	462,375	
Baton Rouge	2020	772,500	
Total non-current deferred consideration		3,421,936	556,198

13 Intangible assets

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

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

Goodwill and other indefinite life intangible assets

Group	**Goodwill Acquisitions $**	**Goodwill relating to Owned & Operated stores $**	**Goodwill on franchisor activities $**	**Totals $**
Cost				
At 1 January 2019	2,545,134	4,654,351	636,711	7,836,196
Additions	494,117	2,341,617	-	2,835,734

At 31 December 2019	3,039,251	6,995,968	636,711	10,671,930
Additions (see note 12)	267,570	12,801,565	-	13,069,135
At 31 December 2020	3,306,821	19,797,533	636,711	23,741,065
Impairment				
At 1 January 2019	1,506,229	75,000	-	1,581,229
Impairment in year	-	-	-	-
At 31 December 2019	1,506,229	75,000	-	1,581,229
Impairment in year	-	-	-	-
At 31 December 2020	1,506,229	75,000	-	1,581,229
Carrying amount				
At 31 December 2019	1,533,022	6,920,968	636,711	9,090,701
At 31 December 2020	1,800,592	19,722,533	636,711	22,159,836

The increase in carrying value of Goodwill Acquisitions at 31 December 2020 relate to goodwill additions arising on the acquisition outlined in Note 12 above during 2020.

Goodwill and indefinite life intangible assets on owned & operated stores comprises legacy owned stores together with additions arising from reacquisitions of franchise operations from 2015 through 2020. Details on additions in 2020 can be found in note 12 above.

Goodwill on Franchisor Activities relates to the royalty income franchise business.

Where appropriate consideration of separately identifiable intangible assets has been considered in the evaluation of the fair value of assets acquired and the determination of the fair value of goodwill arising. For the acquisitions in 2015 - 2020 relating to the reacquisition of franchises, it is considered that the value being attributed to the purchase consideration relates to the synergies with surrounding franchises, obtaining wider geographical coverage directly within the Group, the focus to seize potential opportunity within a wider business strategy for revenue and earnings growth and the ability to expand new service offerings. Where appropriate, consideration of separate intangibles, such as covenants not to compete, are evaluated.

There is no separately identified intangible considered to arise from the customer list of a franchise reacquired given the terms of the franchise agreement and on that these customers continue to be customers of the Group's products and services before and after the reacquisition.

An impairment review is undertaken annually or whenever changes in circumstances or events indicate that the carrying amount may not be recovered. For the purpose of impairment testing, goodwill or indefinite life intangible assets are allocated to appropriate cash generating units which can be summarised as follows:

Goodwill on Acquisitions are separately categorized as cash generating units.

Goodwill or indefinite life intangible assets on owned & operated stores are categorized as cash generating units that are expected to benefit from the synergies of the combination.

Goodwill on Franchisor Activities is considered as one cash generating unit by reference to revenues and activities derived from the franchise royalty income and franchise related activities segments (see note 4).

The cash generating units to which goodwill or indefinite life intangible assets have been allocated are tested for impairment annually. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not recovered in a subsequent period.

The key assumptions/inputs used for the impairment assessment based on the forecast cash flow and revenues for 2020 were as follows:

	%
Discount rate	15
Short term revenue growth	5
Long term revenue growth	3.5
Tax rate	25
Discount rate sensitivity step	2
Perpetual growth rate sensitivity step	1

This has resulted in no material impairment charge being required in 2020 (2019: $nil).

Based upon the sensitivity analysis had the estimated discount rate used been 2% higher and the perpetual revenue growth rate used been 1% lower in these calculations the Group would still not have incurred any material impairment for any of the categories of goodwill or indefinite life intangible assets.

13 Intangible assets continued

Other Intangible assets table

	Product development $	Covenants not to compete $	Customer Lists $	Trademarks $	Patents $	Website $	Enterprise Solution Development $	Total $
Cost								
At 1 January 2019	164,880	290,000	350,357	5,293,817	23,692	90,000	457,471	6,670,217
Additions	-	200,000	-	-	-		(355,471)	(155,471)
At 31 December 2019	164,880	490,000	350,357	5,293,817	23,692	90,000	102,000	6,514,746
Additions	-	224,200	-	-	-	-	-	224,200
Disposals	-	(290,000)	(217,500)	(62,050)	-	(90,000)		(659,550)
At 31 December 2020	164,880	424,200	132,857	5,231,767	23,692	-	102,000	6,079,397
Accumulated amortisation								
At 1 January 2019	164,880	290,000	297,213	3,418,367	23,692	52,500	-	4,246,652
Amortisation expense	-	-	27,350	261,691	-	30,000	-	319,041
Exchange differences	-	-	(779)	-	-	-	-	(779)
At 31 December 2019	164,880	290,000	323,784	3,680,058	23,692	82,500	-	4,564,914
Amortisation expense	-	193,124	27,702	261,691	-	7,500	34,000	524,017
Disposals		(290,000)	(217,500)	(62,050)	-	(90,000)	-	(659,550)
Exchange differences	-	(151)	(1,130)	-	-	-	-	(1,281)
At 31 December 2020	164,880	192,973	132,857	3,879,699	23,692	-	34,000	4,428,101
Carrying amount								
At 31 December 2019	-	200,000	26,573	1,613,759	-	7,500	102,000	1,949,832
At 31 December 2020	-	231,227	-	1,352,068	-	-	68,001	1,651,296

All intangible assets have been acquired by the Group.

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

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

14 Property, plant and equipment

	Equipment & displays $	Motor Vehicles $	Leasehold Improvements $	Buildings $	Right of Use Vehicles $	Right of Use Offices $	Total $
Cost							
At 1 January 2019	1,428,404	917,560	15,000	-	-	-	2,360,964
Acquired on acquisition of subsidiary	163,116	113,302	-	152,009	-	-	428,427
Additions	488,163	513,283	68,672	-	357,458	533,652	1,961,228
IFRS 16 Adoption	-	-	-	-	1,092,582	1,323,060	2,415,642
Exchange differences	4,682	1,848	-	1,382	-	-	7,912
Disposals	(107,805)	(107,415)	-	-	(55,786)	(373,762)	(644,768)
At 31 December 2019	**1,976,560**	**1,438,578**	**83,672**	**153,391**	**1,394,254**	**1,482,950**	**6,529,405**
Acquired on acquisition of subsidiary	32,430	-	-	-	-	-	32,430
Additions	1,053,569	953,024	-	-	253,583	719,831	2,980,006
Exchange differences	74,947	(47,310)	-	2,851	723	17,061	48,272
Disposals	(85,324)	(17,787)	-	-	(199,594)	(542,266)	(844,970)
At 31 December 2020	**3,052,181**	**2,326,504**	**83,672**	**156,242**	**1,448,967**	**1,677,576**	**8,745,143**
Accumulated depreciation							
At 1 January 2019	420,611	205,781	2,046	-	-	-	628,438
Acquired on acquisition of subsidiary	109,945	55,924	-	27,116			192,985
Eliminated on disposals	(35,915)	(54,216)	-	-	(55,786)	(373,762)	(519,679)
IFRS 16 Adoption	-	-	-	-	396,350	663,257	1,059,607
Depreciation expense	325,759	269,482	5,942	10,947	284,712	371,621	1,268,463
Exchange differences	955	495	-	9	-	-	1,459
At 31 December 2019	**821,355**	**477,466**	**7,988**	**38,072**	**625,276**	**661,116**	**2,631,273**
Eliminated on disposals	(33,752)	(10,429)	-	-	(174,892)	(421,793)	(640,866)
Depreciation expense	450,167	306,723	15,098	11,859	311,973	472,214	1,568,034
Exchange differences	3,426	8,003	-	832	77	2,143	14,481
At 31 December 2020	**1,241,197**	**781,762**	**23,085**	**50,764**	**762,433**	**713,681**	**3,572,921**
Carrying amount							
At 31 December 2019	1,155,205	961,112	75,684	115,319	768,978	821,834	3,898,132
At 31 December 2020	**1,810,985**	**1,544,742**	**60,587**	**105,479**	**686,533**	**963,896**	**5,172,221**

The value of the assets charged as security for the bank debt is $2,056,692 (2019: $1,426,896).

15 Investment in subsidiary undertakings

Company	Subsidiary Undertakings $
Cost	
At 31 December 2019	13,607,300
Exchange difference	253,251
At 31 December 2020	13,860,551
Impairment	
At 31 December 2019	6,400,906
Exchange difference	-
At 31 December 2020	6,400,906
Carrying amount	
At 31 December 2019	7,206,394
At 31 December 2020	7,459,645

The Directors annually assess the carrying value of the investment in the subsidiary and in their opinion no impairment provision is currently necessary. See notes 12 and 13 for the assumptions and sensitivities in assessing the carrying value of the investment.

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

The subsidiary undertakings during the year were as follows:

	Registered office address	Country of incorporation	Interest held %
Water Intelligence International Limited* (leak detection products and services)	27-28 Eastcastle Street, London, United Kingdom, W1W 8DH	England and Wales	100%
Water Intelligence Australia Pty	1 Farrer Place, Sydney, NSW 2000	Australia	100%
American Leak Detection Holding Corp. (holding company of ALD Inc.) *	199 Whitney Avenue, New Haven, Connecticut 06511 US	US	100%
American Leak Detection, Inc. (leak detection product and services)	199 Whitney Avenue, New Haven, Connecticut 06511 US	US	100%
Canadian Leak Detection, Inc.	8-4696 Bartlette Rd. Beamsville, Ontario L0R 1B1	Canada	100%
Qonnectis Group Limited (dormant)	27-28 Eastcastle Street, London, United Kingdom, W1W 8DH	England and Wales	
NRW Utilities Limited (Dormant)	27-28 Eastcastle Street, London, United Kingdom, W1W 8DH	England and Wales	

* Subsidiaries owned directly by the Parent Company. These subsidiaries – WII and ALDHC – represent the two principal business lines of the Parent Company. Water Intelligence Australia and American Leak Detection are also wholly-owned by the two principal subsidiaries and indirectly owned by the Parent.

The Company's strategy involves acquisitions, especially of franchisees. American Leak Detection has reacquired one franchise, Bakersfield on 15 March 2018, by purchasing 100% upfront and at the same time sold 40% of the franchise. American Leak Detection has an unrestricted option to acquire the remaining 40% at a pre-set price at any time in the future. American Leak Detection has a 51% stake in a former franchise located in Denver, Colorado.

16 Inventories

Group

	Year ended 31 December 2020 $	Year ended 31 December 2019 $
Group Inventories	444,791	334,011

During the year ended 31 December 2020, an expense of $8,830,250 (2019: $7,448,287) was recognized in the Consolidated Statement of Comprehensive Income, including business to business expenses of $8,024,178 (2019: $6,747,495). There has been no write down of inventories during 2020.

17 Trade and other receivables

	Group		Company	
	Year ended 31 December 2020 $	Year ended 31 December 2019 $	Year ended 31 December 2020 $	Year ended 31 December 2019 $
Trade notes receivable	581,191	605,234	-	-

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

	Group		Company	
	Year ended 31 December 2020 $	Year ended 31 December 2019 $	Year ended 31 December 2020 $	Year ended 31 December 2019 $
Trade receivables	2,843,462	2,796,536	-	-
Prepayments	899,903	671,047	3,973	27,901
Due from Group undertakings	-	-	7,068,570	4,906,216
Accrued royalties receivable	673,832	584,876	-	-
Trade notes receivable	212,681	223,706	-	-
Other receivables	1,093,994	389,701	-	-
Due from related party	325,195	370,284	-	71,956
Current portion	6,049,067	5,036,149	7,072,544	5,006,073

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

Accrued royalties receivable are never reclassified to trade receivables as, should any royalties be withheld or unpaid, the Group has the right to take back the relevant franchise.

The average credit period taken on sales is 39 days (2019: 39 days).

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

	Year ended 31 December 2020 $	Year ended 31 December 2019 $
US Dollar	5,229,898	4,133,093
UK Pound	504,926	658,728
Australian Dollar	293,179	208,592
Canadian Dollar	21,063	35,735
	6,049,067	5,036,149

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

18 Cash and cash equivalents

	Group		Company	
	Year ended 31 December 2020 $	Year ended 31 December 2019 $	Year ended 31 December 2020 $	Year ended 31 December 2019 $
Cash at bank and in hand	6,818,715	5,280,808	366,737	195,749

19 Trade and other payables

	Group		Company	
	Year ended 31 December 2020 $	Year ended 31 December 2019 $	Year ended 31 December 2020 $	Year ended 31 December 2019 $
Trade payables	1,531,740	993,241	21,094	52,627
Accruals and other payables (Note 2)	4,132,158	3,602,845	121,452	117,725
Due to Group undertakings	-	-	-	
	5,663,898	4,596,086	142,546	170,352

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs and are payable within 3 months. The average credit period taken for trade purchases is 16 days (2019:16 days).

20 Deferred Tax

The analysis of deferred tax liabilities is as follows:

Group	2020 $	2019 $
Deferred tax (liability)/assets	(957,170)	(588,684)

The movement in deferred tax liabilities is as follows:

2020	**Opening balance** $	**Recognized in the income statement** $	**Recognized in Other Comprehensive Income** $	**Closing balance** $
Temporary differences:	-	-	-	-
Net operating profit (loss) (non-current)	-	-	-	-
Short term temporary differences	(588,684)	(436,637)	68,151	(957,170)
	(588,684)	(436,637)	68,151	(957,170)

2019	**Opening balance** $	**Recognized in the income statement** $	**Recognized in Other Comprehensive Income** $	**Closing balance** $
Temporary differences:	-	-	-	-
Net operating profit (loss) (non-current)	-	-	-	-
Short term temporary differences	(316,221)	(126,369)	(146,094)	(588,684)
	(316,221)	(126,369)	(146,094)	(588,684)

At the balance sheet date, the Group's UK trading subsidiaries had unused tax losses (as reported on the Group's tax returns) of £5,898,312 (2019: £4,276,906) available for offset against future profits. £1,002,713 (2019: £727,074) represents unrecognized deferred tax assets thereon at 19%. The deferred tax asset has not been recognized due to uncertainty over timing of utilization.

21 Share capital

The issued share capital in the year was as follows:

Group & Company

	Ordinary Shares Number	**Shares held in treasury Number**	**Total Number**
At 31 December 2019	14,702,371	145,000	14,847,371
At 31 December 2020	15,434,784	65,538	15,500,322

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Group & Company

	Share capital $	**Share premium** $	**Shares in Treasury** $
At 31 December 2019	114,440	9,717,349	(539,833)
At 31 December 2020	116,212	12,091,069	(340,327)

At various times during 2020, the Company bought 80,483 shares into treasury at a purchase price range of 247p to 420p.

On 5 January 2020, the Company issued 25,000 shares pursuant to an exercise of options.

On 16 October 2020, the Company announced a capital raise, pursuant to which the Company sold 285,451 new ordinary shares to raise £1.4 million and the Company sold 159,945 shares out of treasury to raise £0.8 million. At the same time, Patrick DeSouza, Executive Chairman of the Company, fully paid 300,000 of his partly paid shares and, in addition, options over 42,500 ordinary shares were exercised and sold to incoming investors. All of these shares were admitted to trading on AIM on 26 October 2020. In addition, Patrick DeSouza received 300,000 Partly Paid Shares (being ordinary shares with voting rights and no economic rights until fully paid) in exchange for increasing the guarantee he is providing over the Company's bank facilities.

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.

22 Right of use liability

	Year ended 31 December 2020 $	Year ended 31 December 2019 $
Lease liabilities in statement of financial position		
Amounts due within one year	771,713	587,674
Amount due after more than one year	991,720	1,116,132
	1,763,433	1,703,806
Amount recognized in the statement of comprehensive income		
Interest on leasehold liabilities	93,912	88,189
Amount recognized in the statement of cash flows		
Repayment of lease liabilities	813,667	723,812

23 Financial instruments

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

i. Market risk (including foreign currency risk management)
ii. Interest rate risk
iii. Credit risk
iv. Liquidity risk

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

The Directors determine, as required, the degree to which it is appropriate to use financial instruments or other hedging contracts or techniques to mitigate risk. The main risk affecting such instruments is foreign currency risk which is discussed below. Throughout the year ending 31 December 2020 no trading in financial instruments was undertaken (2019: none) and the Group did not have any derivative or hedging instruments.

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

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

Fair value of financial assets and financial liabilities

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

Credit risk
The Group's principal financial assets are bank balances, cash, cash equivalents, trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables and cash and cash equivalents. Receivables are regularly monitored and assessed for recoverability. The Group has no significant concentration of credit risk as exposure is spread over a number of customers. As at 31 December 2020, 66.9% was held with one counterparty with a credit rating of Aaa and a further 15.05% was held with another counterparty with a credit rating of A-.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the shared credit risk characteristics and the days past due. The expected loss rates are based on the historic payment profiles of sales and the credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information.

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of each reporting period.

As at 31 December 2020, trade receivables of $281,805 (2019: $460,716) were past due but not impaired. These relate to a number of customers for whom there is no history of default. The ageing analysis of these trade receivables is as follows:

Ageing of past due but not impaired receivables

	Year ended 31 December 2020 $	**Year ended 31 December 2019 $**
60-90 days	87,621	129,287
90+ days	194,184	331,429
	281,805	460,716
Average age (days)	95	95

The Group believes that no impairment allowance is necessary in respect of trade receivables that are past due but not impaired. This is based on the Group's good historic track record of collection for all such receivables.

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

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The exposure to credit risk at the year-end was in respect of the past due receivables that have not been impaired are disclosed in note 17.

Categories of financial instruments

	Group		**Company**	
	Year ended 31 December 2020 $	**Year ended 31 December 2019 $**	**Year ended 31 December 2020 $**	**Year ended 31 December 2019 $**
Loans and receivables	-	-	-	-
Cash and cash equivalents	6,818,715	5,280,808	366,737	195,749
Trade and other receivables – current	6,049,067	5,036,149	7,072,544	5,006,074
Trade and other receivables – non-current	581,191	605,234	-	-
Financial Liabilities measured at amortised cost				

Trade and other payables	5,663,898	4,596,086	142,545	170,353
Borrowings – current	2,941,610	1,163,055	-	-
Borrowings – non-current	5,848,261	2,321,401	-	-
Deferred consideration – current	2,241,939	1,277,504	-	-
Deferred consideration – non-current	3,421,936	556,197	-	-

Borrowings

For 2020, the Group has two basic types of Borrowings: Bank Debt of $6,782,000 (see below) and PPP Loans of $1,869,800 (see Subsequent Events). The remainder amount of $138,061 represents non-bank borrowing with respect to service vehicles.

Bank Debt

The Group has a commercial banking relationship with People's United Bank (People's) with various facilities: a working capital line of credit ("WCL"); acquisition lines of credit ("ALOCs"), and a term loan ("Term Loan").

A $2,000,000 WCL is secured by substantially all of the assets of the Group. On May 9, 2019, the WCL was extended to a maturity date from December 2019 to December 2020 and bore interest at a rate equal to LIBOR plus 3.00%. On October 13, 2020, the WCL was extended to a maturity date of December 5, 2021 and bears an annual variable interest rate equal to equal to LIBOR plus 3.00%. At December 31, 2020 and 2019, the interest rate was 4.00% and 4.70%, respectively. Monthly interest only payments on any unpaid balance were made during 2020. The balance outstanding at December 31, 2020 and 2019 was $226,737 and $228,133, respectively and included within line of credit on the balance sheets.

In addition to the $2,000,000 line of credit, People's has provided the Group a $1,500,000 acquisition line of credit (ALOC1). ALOC1 had a two year draw period but was paid off in October 2020 as part of the Group's refinancing of their debt. ALOC1 bore interest at a rate equal to LIBOR plus 3.00%. As of December 31, 2019, the interest rate was 5.40%, and required installments of principal and interest amounting to $35,469 to be paid per month. As part of the agreement, such payments would be converted into a term loan if any ALOC advance exceeded $250,000 or automatically at the end of a two year draw period. Upon conversion, the term loan would bear interest at a rate per annum equal to three (3) percentage points in excess of People's four year cost of funds interest rate. The ALOC1 was secured by substantially all of the assets of the Group. The balance outstanding of $0 and $1,035,468 as of December 31, 2020 and 2019 is included within notes payable on the balance sheets. See note 8 for a summary of notes payable which includes the ALOC1.

On May 9, 2019, People's provided the Group with a second ALOC (ALOC2) in the amount of $4,000,000. ALOC2 had a two year draw period but was paid off in October 2020 as part of the Company's refinancing of their debt. ALOC2 bore interest at a rate equal to LIBOR plus 3.00%. As of December 31, 2019, the interest rate was 5.57% and required installments of principal and interest amounting to $35,524 to be paid per month beginning in June 2019. As part of the agreement, the ALOC2 would be converted into a term loan if any ALOC2 advance exceeded $250,000 or automatically at the end of the two year draw period. Upon conversion, the term loan would bear interest at a rate per annum equal to three (3) percentage points in excess of People's five year cost of funds interest rate. The line of credit was secured by substantially all of the assets of the Group. The balance outstanding as of December 31, 2020 and 2019 was $0 and $1,662,661 and is included within notes payable on the balance sheets. See note 8 for a summary of notes payable which includes the ALOC2.

Both ALOC 1 and ALOC 2 were refinanced on October 13, 2020. People's provided the Group with a term loan in the amount of $4,607,000 ("Term Loan"). The Term Loan bears interest at a rate equal to 3.58% and requires installments consisting of principal of $85,315 plus accrued interest to be paid monthly beginning in November 2020 until maturity in May 2025. The loan is secured by substantially all of the assets of the Group. The balance outstanding as of December 31, 2020 was $4,521,685 and is included within notes payable on the balance sheets.

As part of the refinancing, People's provided the Group with a new ALOC ("New ALOC") in the amount of $6,000,000. The New ALOC has a two year draw period. The balance outstanding as of December 31, 2020 was $2,309,341 and is included within notes payable on the balance sheets. See note 8 for a summary of notes payable which includes the New ALOC. The line bears interest at a rate equal to LIBOR plus 3.00%. As of December 31, 2020, the interest rate was 3.59% and requires installments of principal and interest amounting to $39,816 to be paid per month beginning in November 2020 until maturity in October 2025. As part of the agreement, New ALOC advances would be converted into a term loan if any ALOC advance exceeded $500,000 or automatically at the end of each draw period. Upon conversion, the term loan would bear interest at a rate per annum equal to three (3) percentage points in excess of People's five year cost of funds interest rate; with a floor of 3.25%. New ALOC is secured by substantially all of the assets of the Group.

In connection with the People's line of credit, ALOC, and term note, the Group is required to comply with certain financial and non-financial covenants to be performed on a consolidated basis with its parent company. The most restrictive of these covenants includes a debt service coverage ratio to be tested quarterly and a maximum total funded debt to EBITDA ratio minimal to be tested quarterly. The Group was in compliance with those requirements at December 31, 2020.

	Current		Non-Current	
Financial Instruments	**Year ended 31 December 2020 $**	**Year ended 31 December 2019 $**	**Year ended 31 December 2020 $**	**Year ended 31 December 2019 $**
Term loans	1,074,507	465,664	3,585,440	137,702
PPP Loan	1,449,769	-	420,031	-
Working Capital Line of Credit	-	-	226,737	228,133
Acquisition Line of Credit	477,795	713,685	1,831,546	1,984,351
Less: Loan Closing Costs	(60,461)	(16,294)	(215,495)	(28,787)
Total	2,941,610	1,163,055	5,848,260	2,321,400

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

The capital structure of the Group currently consists of cash and cash equivalents, short and medium term borrowings and equity comprising issued capital, reserves and retained earnings. Other than with respect to Bank Debt, the Group is not subject to any externally imposed capital requirements. See KPI on page 11.

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

Foreign currency risk management
The Group undertakes transactions denominated in foreign currencies (other than the functional currency of the Company and its UK operations, being £ Sterling), with exposure to exchange rate fluctuations. These transactions predominately relate to royalties receivable in the US denominated in currencies other than US$ being Canadian Dollars, Australian Dollars and Euro; royalties from such outside US sources in 2020 were $119,271 (2019: $143,234). No foreign exchange contracts were in place at 31 December 2020 (2019: Nil).

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

	Group		Company	
	Year ended 31 December 2020 $	**Year ended 31 December 2019 $**	**Year ended 31 December 2020 $**	**Year ended 31 December 2019 $**
Assets				

Sterling, Australian and Canadian Dollars	1,685,233	1,558,156	7,439,281	5,201,823
Liabilities				
Sterling, Australian and Canadian Dollars	1,053,196	604,422	142,545	170,353

As shown above, at 31 December 2020 the Group had Sterling, Australian and Canadian denominated monetary net assets of $632,037 (2019: $953,734). If the foreign currency weakens by 10% against the US dollar, this would decrease net assets by $63,203 (2018: $95,373) with a corresponding impact on reported losses. Changes in exchange rate movements resulted in a gain from exchange differences on a translation of foreign exchange of $33,375 in 2020 (2019: loss of $164,145), resulting primarily from the share issuance during the year in Pound Sterling and subsequent intercompany transfer accounted in US Dollars.

Interest rate risk management

The Group is potentially exposed to interest rate risk because the Group borrows and deposits funds at both fixed and floating interest rates. However, at the year end, the borrowings are only subject to fixed rates. The fixed rate borrowings at the year end are $8,789,871 (2019:$3,484,456).

Interest rate sensitivity analysis

The losses recorded by both the Group and the Company for the year ended 31 December 2020 would not materially change if market interest rates had been 1% higher/lower throughout 2020 and all other variables were held constant.

Liquidity risk management

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

The Directors have prepared a business plan and forecast for the period to 31 December 2022. 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 trading is primarily reliant on cash generation from its predominantly US-based royalty income.

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

Group	**0-6 months $**	**6-12 months $**	**>12 months $**	**Total $**
2020				
Payables	3,900,465	-	-	3,900,465
Lease liabilities	365,363	406,350	991,720	1,763,433
Borrowings	2,619,786	321,824	5,848,261	8,789,871
Deferred consideration	1,364,771	877,168	3,421,936	5,663,875

Group	**0-6 months $**	**6-12 months $**	**>12 months $**	**Total $**
2019				
Payables	2,892,280	-	-	2,892,280
Lease liabilities	327,253	260,420	1,116,132	1,703,805
Borrowings	563,143	599,912	2,321,400	3,484,455
Deferred consideration	1,214,019	63,486	556,198	1,833,703

Interest expected to be paid on liabilities are shown in the table below

Group	**0-6 months $**	**6-12 months $**	**>12 months $**	**Total $**
2020				
Payables	-	-	-	-
Lease liabilities	33,122	24,463	45,677	103,262

Borrowings	118,084	105,064	350,668	573,816
Deferred consideration	88,746	81,707	122,015	292,467

The Company has no non-derivative financial liabilities.

Derivatives
The Group and Company have no derivative financial instruments.

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

Reconciliation of liabilities arising from financing activities
The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Long-term borrowings $	Short-term borrowings $	Lease Liabilities $	Total $
At 1 January 2020	2,321,401	1,163,055	1,703,805	5,188,261
Cash flows				
- Repayment	(848,421)	-	(813,667)	(1,662,088)
- Proceeds	6,153,836	-	-	6,153,836
Non-cash				
- New Leases	-	-	873,295	873,295
- Fair value	-	-	-	-
- Reclassification	(1,778,555)	1,778,555	-	-
As at 31 December 2019	5,848,261	2,941,610	1,763,433	10,553,304

	Long-term borrowings $	Short-term borrowings $	Lease Liabilities $	Total $
At 1 January 2019	1,448,303	989,736	-	2,438,039
Cash flows				
- Repayment	(808,520)	-	(635,623)	(1,444,143)
- Proceeds	1,854,936	-	-	1,854,936
Non-cash				
- New Leases	-	-	2,339,428	2,339,428
- Fair value	-	-	-	-
- Reclassification	(173,319)	173,319	-	-
As at 31 December 2018	2,321,401	1,163,055	1,703,805	5,188,261

24 Fair value measurement

The following table provides the fair value measurement hierarchy for assets measured at fair value:

			Fair value measurement using		
		Total	**Quoted process in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets measured at fair value	**Date of valuation**	**$000**	**$000**	**$000**	**$000**
Listed equity investments					
SEEEN investment	31 December 2020	1,564	1,564	-	-

SEEEN investment	31 December 2019	1,932	1,932	-	-

To estimate fair value, the lower end of the bid-offer spread as at 31 December 2020 was used to calculate the value of the holding. There is an active market for the Group's liquid equity investment.

25 Contingent liabilities

The Directors are not aware of any material contingent liabilities.

26 Related party transactions

PSS was one former owner of ALDHC and ALD until the reverse merger in 2010 that created Water Intelligence. PSS is now a significant shareholder of Water Intelligence and hence is a related party to the Company. PSS provides a technology license to Water Intelligence and ALD on terms favourable to Water Intelligence and ALD. The license is royalty-free for the first $5 million of sales for products developed with PSS technology. PSS also guarantees the bank debt of Water Intelligence as described below.

During the normal course of operations, there are intercompany transactions among PSS, Water Intelligence plc, ALDHC and ALD. In previous years, PSS charged administrative fees to the Company to cover activities taken on behalf of company business, including research. The financial results of these related party transactions are reviewed by an independent director of Water Intelligence plc, the parent of ALDHC and ALD.

As described in Note 7, the Company's parent (and the Company as co-borrower) have different credit facilities with Peoples. For the PSS guarantee, ALDHC pays 0.75% per annum based on the outstanding balance of the loan calculated at the end of each month. Interest charged on the PSS receivable will match the interest rate charged by the bank. The monthly charge for the PSS guarantee would not change and would be offset against amounts owed by PSS. The charge will be eliminated should the guarantee no longer be required by the bank. Interest income related to the PSS receivable amounted to $18,062 and $15,185 for the years December 31, 2020 and 2019, respectively. The guarantee fee expense for the PSS guarantee amounted to $38,219 and $24,126 for the years ended December 31, 2020 and 2019, respectively. During 2020 the Company paid expenses on behalf of PSS in the amount of $46,883. The related receivable/prepaid balance remaining is $325,195 and $298,327 at December 31, 2020 and 2019, respectively.

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

Water Intelligence International Limited

	$
Balance at 31 December 2019	2,771,082
Net loans to subsidiary	-
Other expenses recharged and exchange differences	278,488
Balance at 31 December 2020	3,049,570

ALDHC	**$**
Balance at 31 December 2019	-
Loans prepaid by WI capital raise	-
Balance at 31 December 2020	-

ALD Inc.	**$**
Balance at 31 December 2019	2,135,134
Loans incurred due to WI capital raise	1,586,205
Loans paid to WI	(188,610)
Other expenses recharged and exchange differences	486,272
Balance at 31 December 2020	4,019,000

27 Subsequent events

On 4 February 2021, the Group completed an extension of its credit facilities by $3.2 million, on the same terms as the refinancing completed in October 2020 and referenced in note 23.

On 30 March 2021, the Group completed the reacquisition of its Central Florida (Clermont) franchise territory within the Group's ALD franchise business. Strategically, the Central Florida reacquisition will enable ALD to link operations along the eastern part of Florida from its Central Florida location to fast-growing corporate operations in Orlando, to the east, and sizeable Melbourne and Miami operations, to the south. As noted above, demand is high for ALD water leak detection and repair offerings in this geography because of various factors ranging from the number of swimming pools to level of disposable income to rainy weather. In linking the above four eastern Florida operations, ALD expects to achieve even faster growth through fulfilling pent-up demand and creating operating efficiencies from scale.

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

	Clermont **$**
Fair value of assets and liabilities acquired	
Equipment	26,250
Vehicles	54,868
Other	30,000
Net assets acquired	111,118
Consideration	
Cash	330,000
Deferred consideration – discounted to present	330,000
Total consideration	660,000
Intangible asset arising on acquisition	548,882

On 23 April 2021, the Group announced the acquisition of intellectual property assets ("IP") from FastDitch, Inc., a US corporation ("FastDitch"). The IP Assets will be used to launch a new subsidiary of the Group's core American Leak Detection business ("ALD") dedicated to providing water infrastructure solutions. The subsidiary will operate under the tradename Intelliditch. As set forth in a recent market communication, the Group is accelerating its growth plan given the anticipated increase in market demand for water infrastructure solutions stimulated by the Biden Administration's American Jobs Plan

On 2 June 2021, the Group announced the reacquisition of its Reno, Nevada franchise territory within its ALD franchise business. The acquisition strengthens corporate presence in the western part of the United States and links its ALD innovation centers in Silicon Valley and Seattle. The purchase price of $0.25 million is based on $0.25 million of sales during 2020. It is believed that strong growth will occur in this location with the end of Covid restrictions. The purchase price allocation for the Reno acquisition will be completed in due course.

On 2 June 2021, the Group announced the acquisition of PlumbRight Services, Inc. PlumbRight extends the plumbing services capabilities of the Group's fast-growing, multimillion dollar Louisville, Kentucky location. The PlumbRight team will enable the Louisville office to take on larger scale repair jobs as follow-through sales beyond current pinpoint leak detection solutions for its existing business and municipal customers. The purchase price of $0.7 million is based on 2020 sales of approximately $1 million. The purchase price allocation for the PlumbRight Services acquisition will be completed in due course.

<u>COVID-19</u>

PPP Program - The Paycheck Protection Program (PPP) brings much needed relief to business owners affected by the coronavirus. Not only does this loan program provide funding to help cover payroll and other expenses, but if used for qualifying purposes, part or all of the loan can be forgiven. ALD applied for and received funding of $1,869,800 under this program in April 2020. The group received notification from the SBA on March 31, 2021 that the full advance of $1,869,800 was forgiven.

Work Protocols and PPE **-** The Group reviewed all applicable Shelter-in-Place Orders and determined that our operations qualify as services related to essential/critical infrastructure with respect to water and wastewater and that we are able to continue to operate under those Orders. The Group has taken health and safety measures with respect to all personnel and increased significantly its inventory of Personal Protective Equipment (PPE). The Group has issued work protocols with respect to our service technicians who are essential to the delivery of our water and wastewater solutions to customers. All non-essential personnel have been notified to work remotely until further notice. All employees have been instructed to comply with social distancing rules/requirements in their jurisdictions, as well as other safety and health precautions including use of PPE, frequent hand-washing and sanitizing of all equipment.

28 Control

The Company is under the control of its shareholders and not any one party. The shareholdings of the directors and entities in which they are related are as outlined within the Director's Report.