Water Intelligence plc (AIM: WATR.L)

Interim Results

Water Intelligence plc (AIM: WATR.L) (the "Group" or "Water Intelligence"), a leading multinational provider of precision, minimally-invasive leak detection and remediation solutions for both potable and non-potable water, is pleased to provide its unaudited Interim Results for the period ending 30 June 2021.

The Group delivered strong growth in revenue and profits in 1H 2021 compared with 1H 2020, despite the impact of COVID-19 during both periods.

During 1H 2021, the Group's revenue grew by 44% to $24.7 million (1H 2020: $17.1 million) and statutory profit before tax rose by 92% to $3.8 million (1H 2020: $2.0 million). Profit before tax adjusted for non-cash expenses of amortization and share-based payments increased 77% to $4.2 million (1H 2020: $2.4 million). EBITDA grew 75% to $5.6 million during the period (1H 2020: $3.2 million).

From 2016 to 2020, the Group delivered a revenue CAGR of 33% and a profit before tax CAGR of 53%. For full year 2020, revenues increased by 17% and profit before tax by 78%. 1H results reinforce the Group's trajectory.

During 1H, the Group completed a number of corporate transactions including several acquisitions, as well as, B2B sales. Accomplished individuals were also added to the board and to the management team. These corporate development achievements are expected to contribute to the scaling of the business and provide strong trading momentum for 2H 2021 and 2022.

Financial Highlights

- Revenue for the period increased 44% to $24.70 million (1H 2020: $17.10 million) with growth in all revenue channels:
    - Royalty income up 6% to $3.68 million (1H 20: $3.46 million)
    - Franchise-related activities up 14% to $4.93 million (1H 2020: $4.32 million) with the business-to-business insurance channel component up 15% to $4.54 million (1H 2020: $3.94 million)
    - US corporate-operated locations up 75% to $13.27 million (1H 2020: $7.60 million)
    - International corporate-operated locations up 65% to $2.82 million (1H 2020: $1.71 million)
- Profit before tax is at the top-end of market expectations (even after upgrades)
    - Statutory profit before tax up 92% to $3.85 million (1H 2020: $2.01 million)

  - Profit before tax adjusted for non-core, amortization and share-based payments up 77% to $4.2 million (1H 2020: $2.4 million)
  - The Group continues to invest both in additional execution personnel to meet increased demand and in technology R&D to reinforce brand differentiation

- EPS Growth
  - Statutory Basic EPS rose by 72% to 17.2 cents (1H 2020: 10.0 cents)
  - Adjusted Basic EPS rose by 57% to 18.8 cents (1H 2020: 12.0 cents)

- Balance Sheet strong
  - Cash and equivalents decreased to $7.16 million (1H 2020: $7.44 million)
  - Net Cash at $(2.01) million (cash minus bank borrowings which are amortized through 2025)
  - Operating cash generated up 77% to $4.7 million (1H 2020: $2.7 million)

Corporate Development (including Subsequent Events):

- Acquisitions
  - Franchises: Central Florida; Northeast Florida (Subsequent Event); Reno, Nevada; Las Vegas, Nevada; Phoenix, Arizona (Las Vegas/Phoenix a Subsequent Event)
  - Plumbing company: Louisville, Kentucky
  - IP assets for irrigation and stormwater run-off; launch of *Intelliditch* brand and subsidiary
- Business Development
  - Four national insurance contracts
  - Commercialization of proprietary sewer diagnostic product
- Human Capital
  - Addition of Board member with substantial financial markets experience
  - Addition of Chief People Officer with substantial industry experience
- Corporate Finance
  - Expansion of bank credit facility by $3.2 million
  - Oversubscribed equity capital raise of $10.2 million (Subsequent Event)

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

"Once again we are pleased to report outstanding results for the half year. These results are the product of an experienced execution team, strong board and supportive institutional and high net worth shareholders. Our "build and buy" growth plan continues to unlock significant shareholder value. Organic growth remains strong with new national channel customers. And we have exciting new product offerings for both sewer management and stormwater runoff coming to market during the second half. Given our robust sales and distribution footprint for water infrastructure solutions across the U.S. and in the UK, Australia and Canada, we are seeing an increasing number of opportunities for acquisitions and partnerships that enable us to build a platform company or a "One Stop Shop" as we have termed in our Annual Reports.

We are on a mission to provide private sector leadership and solutions to water and wastewater infrastructure problems. Market demand from consumers and municipal customers and from ESG investors is ever-increasing, driven to new levels by public awareness of water resource scarcity, the consequences of climate change and collateral public health issues stemming from COVID-19 and wastewater management. We remain ambitious in our goal to build a world-class company that makes a difference."

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Chairman's Statement

Overview

Undeterred by COVID-19, we continue to build a multinational growth-oriented company that provides minimally-invasive technology solutions for a worldwide problem of water-loss from leakage in pipes whether residential, commercial or municipal. Around the world, 15-40% of daily water use is lost through leakage. We have a significant opportunity to make a difference in front of us.

The key pillars in our growth plan were first outlined in 2016 in our annual report and we continue to focus on these components today: (i) organic development through national sales channels that leverage our more than 150 locations; (ii) accretive acquisitions (franchise and third party); (iii) technology investments that differentiate our brand and sustain future growth; and (iv) corporate finance transactions to fuel accelerated growth. Since 2016 following this core strategy the Group has delivered compounded annual growth in revenue of 33% and profit before tax of 53% respectively, whilst investing in developing a scalable world-class organization as discussed below. Our 1H results continue to advance our growth trajectory and we continued to make investments during 1H 2021 that are expected to add further momentum to 2H 2021 and 2022.

Our first half deliverables only underscore the success of our "game plan": more national insurance channel sales; six acquisitions (four franchises, one plumbing company and one set of IP assets for our product roadmap) and corporate finance transactions both expanding our bank facilities and building our institutional investor base to fuel further growth. We exceeded our historic CAGR even though critical mass has grown delivering 44% growth in revenue to $24.7 million (1H 2020: $17.1 million) and 92% growth in profit before tax to $3.8 million (1H 2020: $2.0 million). We continue to expand operations across the U.S., UK, Australia and Canada. And importantly, we continue to add to our strong board and management to create the type of organization that can continue to scale based on its winning formula. Moreover, global market demand continues to grow, encouraging us to be even more ambitious. The Biden Administration's American Jobs Plan outlined during April only underscores the size of the opportunity ahead of us with its target of spending $100 billion on water infrastructure.

As we proceed into the second half of 2021, we are enthusiastic about our growth prospects and our ability to be a leader in providing solutions to preserve the world's most precious resource. We are sharpening our brand as an asset and are pleased to be recognized with the Green Economy Mark from the London Stock Exchange and increasing levels of interest from the ESG investment community. Whilst there continue to be challenges with the persistence of COVID-

19, we are deemed to be an “essential service” in all the jurisdictions that we operate. We take our social responsibility to deliver water and wastewater solutions seriously and during these difficult times we look to offer leadership in the communities that we service.

Financial and Operational Results

Our strong first half reinforces our CAGR trajectory. As noted, during 1H 2021, the Group delivered 44% revenue growth to $24.7 million and 92% statutory profit before tax growth to $3.8 million. More broadly, profit before tax adjusted for non-cash items of amortization and share-based payments grew by 77% to $4.2 million (1H 2020: $2.4 million). Earnings before interest, tax, depreciation and amortization (EBITDA) grew by 75% to $5.6 million (1H 2020: $3.2 million). Our ability to generate significant additional cash from operations annually enables us to reinvest to sustain our growth trajectory. Despite COVID-19, we have invested in new products, such as solutions for both sewer diagnostics and storm water management, as well as, a suite of Salesforce.com applications to scale our business by automating lead generation, scheduling, delivery, invoicing, payments and data security.

It is important to note that the Group has a much bigger sales footprint than is transparent from IFRS accounting. During the first half of 2021, the Group executed above $70 million in total gross sales to customers or above $140 million on an annualized basis. Because the Group operates through franchise locations, approximately $50 million of such 1H 2021 gross sales are reported as $3.8 million of 1H 2021 royalty income under IFRS thus leading to our reported $24.7 million of revenue ($20.9 million of direct corporate sales and $3.8 million of royalty income). On the other hand, part of the Group’s strategy is to continue to reacquire select franchises and add a portion of that $100 million in annualised current gross sales to the Group’s P&L that currently is recorded as royalty income. Our plan is to continue to grow the franchise System and royalty income while pursuing such franchise reacquisitions. During the first half of 2021, royalty income has continued to grow by 6% despite 8 franchise acquisitions during 2020 which removed franchises from the available pool of royalty income for 2021. Such acquisitions unlock operating scale and significant shareholder value.

Key Performance Indicators (KPIs)

The Group executes its growth plan through two principal subsidiaries – American Leak Detection (ALD) and Water Intelligence International (WII) – and captures KPIs for each subsidiary. ALD operates largely across the US through franchise and corporate locations focusing on residential and business-to-business (insurance, property management) leak detection and repair. WII operates largely in the UK, Canada and Australia through corporate locations focusing primarily on municipal leak detection and repair. ALD and WII are increasingly working together to create a comprehensive set of offerings to cross-sell to residential, commercial and municipal customers across all of the Group’s geographies.

The Group’s KPIs capture three operating priorities. Our first operational task is to continue to grow our ALD brand across the US whether solutions are delivered through our corporate or franchisee channels. ALD’s more than 150 locations across 46 states enables us to leverage a competitive advantage of being the only nationwide provider in the US for pinpoint leak detection and repair solutions. Given the size of the addressable market for water infrastructure solutions, especially residential and insurance, there is plenty of upside ahead and market share to capture. Our competition may be characterized as fragmented, local service providers with neither our proprietary technology nor our data security investments, which are of great importance for insurance company work. The Group’s second operational task is to continue to supplement our growth trajectory by developing our WII sales footprint in the UK, Australia, Canada and foreign geographies. While WII focuses on municipal infrastructure problems, we look to supplement WII execution by selling our ALD residential and commercial expertise through WII and expanding ALD into foreign jurisdictions. Our third task is to meet ever increasing market demand by reinvesting for future growth by providing more offerings to ALD and WII customers such as sewer management, storm water run-off and irrigation.

Our KPIs are derived from these operating priorities. During the first half of 2021 we continued to grow the ALD brand. We added national insurance accounts and started working with national property management companies in order to launch another formal channel. Royalty income from the franchise System grew by 6% to $3.7 million (1H 2020: $3.5 million). Our insurance channel fed jobs to the franchise System. Fees for national insurance jobs grew by 15% to $4.5 million (1H 2020: $3.9 million). It is important to note that the growth of the insurance channel is understated given that fees for national accounts are accounted for under IFRS only with respect to the franchise System and not corporate locations. The national channel structure produces efficiencies for both the franchise System and corporate operations leveraging our installed base of locations across the U.S. The segmental tables, set forth herein, show that profits associated with royalty income grew 33% to $1.3 million (1H 2020: $1.0 million).

During the first half of 2021, ALD and WII corporate revenue and profits surged. Segmental tables herein help illuminate the unlocking of shareholder value. ALD corporate operations grew 75% to $13.3 million (1H 2020: $7.6 million). Profits more than doubled to $3 million (1H 2020: $1.45 million). Operating margins for ALD corporate operations increased to 23% (1H 2020:19%). Meanwhile, WII corporate operations grew 65% to $2.8 million (1H 2020: $1.7 million). Profits more than doubled to $0.2 million (1H 2020: $0.08 million). Operating margins for WII corporate operations grew to 7% (1H 2020: 5%). Lower margins for WII relative to ALD are a reflection of the regulated nature of municipal work.

The surge of ALD and WII revenue and profits is attributable both to organic growth and the addition of revenue and profits from reacquired franchise operations. The Group is pleased that many of the successful franchise owners are remaining in the business post transactions to add to the Group's execution capabilities. Such managerial experience is reflected in improvements to the operating margins for corporate operations. Again, we should underscore that despite the reacquisition of eight franchises during 2020 that contributed to the surge of Group revenue and profits in 1H 2021, the franchise System has continued to grow rapidly as well with royalty income growing in absolute terms by 6%.

As noted above, the Group's growth plan has always required an injection of corporate finance resources to fuel accelerated growth. The Group added to its robust balance sheet by first expanding its credit facilities by $3.2 million in February and then adding approximately $10.2 million in an oversubscribed July fund raise. The Group plans to use such resources, as it always has, to execute a "build and buy" strategy. There is significant shareholder value still to be unlocked through franchise reacquisition given that franchise royalty income has continued to grow in absolute terms and represents now more than $100 million in profitable annual gross sales to customers. Corporate operations are producing strong and growing profit margins creating a neutrality between franchise execution and corporate execution under the same ALD brand that customers experience.

Outlook

The Group has remained resilient in the face of COVID-19 and continues to deliver on our growth strategy. We have an important mission with respect to providing minimally-invasive solutions for water and wastewater infrastructure problems. Jurisdictions have recognized our work as "essential services."

While such stability is important, market demand globally for water and wastewater infrastructure solutions is growing rapidly as issues such as water scarcity, health and climate change drive public awareness and economics. Opportunities for market capture abound. Yet we are disciplined with our choices as we create a valuable multinational company that is a leader in safeguarding the world's most precious natural resource. We have invested in our board and senior management to create a team that can make good judgments, successfully seize additional opportunities as they emerge and deliver on our ambitions over the next decade.

Because we have already built robust sales and distribution channels for our current solutions with insurance and property management partners across the U.S. and in the UK, Australia and Canada, we may be able to accelerate our growth trajectory even further with acquisition and partnership opportunities that are increasingly afforded to us. We are becoming a "One Stop Shop" platform with an ability to upsell additional solutions to our multinational base of customers.

We will stay the course on our "build and buy" growth formula: (i) national sales channels to organically grow our installed base of locations and customers; (ii) select franchise reacquisitions to unlock shareholder value and add critical mass of revenue and profits; (iii) accretive third party acquisitions to add to our solutions portfolio; and (iv) reinvestment in new technologies for our product roadmap and sustainable growth.

Patrick DeSouza
Executive Chairman
September 13, 2021

Interim Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2021

	Notes	Six months ended 30 June 2021 $ Unaudited	Six months ended 30 June 2020 $ Unaudited	Year ended 31 December 2020 $ Audited
Revenue	4	24,698,724	17,096,587	37,933,896
Cost of sales		(4,504,060)	(4,019,249)	(8,830,250)
Gross profit		**20,194,664**	**13,077,338**	**29,103,646**
Administrative expenses				
- Other income		54,063	13,658	93,066
- Share-based payments		(194,896)	(100,895)	(233,584)
- Amortisation of intangibles		(138,661)	(252,546)	(524,017)
- Other administrative costs		(15,751,878)	(10,582,146)	(23,879,139)
Total administrative expenses		(16,031,372)	(10,921,929)	(24,543,674)
Operating profit		**4,163,292**	**2,155,409**	**4,559,972**
Finance income		26,043	57,103	88,753
Finance expense		(341,612)	(205,231)	(445,351)
Profit before tax	4	**3,847,723**	**2,007,281**	**4,203,374**
Taxation expense		(1,184,724)	(525,000)	(1,273,319)
Profit for the period		**2,662,999**	**1,482,281**	**2,930,055**
Attributable to:				
Equity holders of the parent		2,567,677	1,470,653	2,892,974
Non-controlling interests		95,322	11,628	37,081
		2,662,999	**1,482,281**	**2,930,055**
Other comprehensive income				
Exchange differences arising on translation of foreign operations		(52,391)	(66,452)	32,375
Gain on debt extinguishment		1,869,800	-	-
Fair value adjustment on listed equity investment (net of deferred tax)		540,943	(574,728)	(236,900)
Total comprehensive income for the period		**5,021,351**	**841,101**	**2,725,530**
Earnings per share		**Cents**	**Cents**	**Cents**
Basic	5	17.2	10.0	19.5
Diluted	5	16.0	9.7	18.8

Consolidated Statement of Financial Position as at 30 June 2021

	Notes	At 30 June 2021 $ Unaudited	At 30 June 2020 $ Unaudited	At 31 December 2020 $ Audited
ASSETS				
Non-current assets				
Goodwill		34,934,735	11,298,344	22,159,836
Listed equity investment		2,156,777	1,187,460	1,564,254
Other intangible assets		1,872,782	1,713,600	1,651,296
Property, plant and equipment		7,255,294	3,983,818	5,172,221
Trade and other receivables		455,739	547,520	581,191
		46,675,327	18,730,742	31,128,798
Current assets				
Inventories		641,034	428,661	444,791
Trade and other receivables		9,116,742	6,101,549	6,049,067
Cash and cash equivalents		7,159,023	7,439,568	6,818,715
		16,916,799	13,969,778	13,312,573
TOTAL ASSETS	4	63,592,126	32,700,520	44,441,371
EQUITY AND LIABILITIES				
Equity attributable to holders of the parent				
Share capital	6	116,278	114,762	116,212
Share premium	6	12,378,262	9,741,797	12,091,069
Shares held in treasury	6	(284,610)	(619,368)	(340,327)
Merger reserve		1,001,150	1,001,150	1,001,150
Share based payment reserve		845,182	517,595	650,286
Other reserves		943,197	(973,038)	(874,212)
Reverse acquisition reserve	6	(27,758,090)	(27,758,089)	(27,758,090)
Equity investment reserve		887,663	8,892	346,721
Retained profit		40,355,301	36,365,303	37,787,624
		28,484,333	18,399,004	23,020,433
Equity attributable to Non-Controlling interest				
Non-controlling interest		441,446	112,421	346,124
Non-current liabilities				
Borrowings and Lease Liabilities		7,082,667	5,655,992	5,848,261
Deferred consideration		9,981,713	1,513,441	3,421,936
Deferred tax liability		2,193,742	955,883	957,170
		19,258,122	8,125,316	10,227,367
Current liabilities				
Trade and other payables		6,177,614	4,442,498	5,663,898
Borrowings		2,086,783	868,857	2,941,610
Deferred consideration		7,143,828	752,424	2,241,939
		15,408,225	6,063,779	10,847,447
TOTAL EQUITY AND LIABILITIES		63,592,126	32,700,520	44,441,371

Interim Consolidated Statement of Changes in Equity
For the six months ended 30 June 2021

	Share Capital	Share Premium	Shares held in treasury	Reverse Acquisition Reserve	Merger Reserve	Share based payment reserve	Other Reserves	Equity investment reserve	Retained Profit	Total	Non-controlling interest	Total Equity
	$	$	$	$	$	$	$	$	$	$	$	$
As at 1 January 2020	**114,440**	**9,717,349**	**(539,834)**	**(27,758,088)**	**1,001,150**	**416,700**	**(906,586)**	**583,621**	**34,894,649**	**17,523,401**	**100,793**	**17,624,194**
Issue of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-
Options purchase	322	24,447	(79,534)	-	-	-	-	-	-	(54,765)		(54,765)
Share based payment expense	-	-	-	-	-	100,895	-	-	-	100,895	-	100,895
Profit for the period	-	-	-	-	-	-	-	-	1,470,653	1,470,653	11,628	1,482,281
Other comprehensive income	-	-	-	-	-	-	(66,452)	(574,728)	-	(641,180)	-	(641,180)
As at 30 June 2020 (unaudited)	**114,762**	**9,741,796**	**(619,368)**	**(27,758,088)**	**1,001,150**	**517,595**	**(973,038)**	**8,893**	**36,365,302**	**18,399,004**	**112,421**	**18,511,425**
Issue of ordinary shares	1,454	2,039,399	-	-	-	-	-	-	-	2,040,853	-	2,040,853
Options purchase	(4)		-	-	-	-	-	-	-	(4)	-	(4)
Share-based payment expense	-	-	-	-	-	132,690	-	-	-	132,690	-	132,690
Share buyback	-	-	(636,377)	-	-	-	-	-		(636,377)	-	(636,377)
Sale of treasury stock	-	309,874	915,418	-	-	-	-	-	-	1,225,292	-	1,225,292
Capital Contribution NCI	-	-	-	-	-	-	-	-	-	-	208,250	208,250
Profit for the period	-	-	-	-	-	-	-		1,422,321	1,422,321	25,453	1,447,774
Other comprehensive income	-	-	-	-	-	-	98,827	337,828	-	436,655	-	436,655
As at 31 December 2020 (audited)	**116,212**	**12,091,069**	**(340,327)**	**(27,758,088)**	**1,001,150**	**650,285**	**(874,211)**	**346,721**	**37,787,623**	**23,020,434**	**346,124**	**23,366,558**
Issue of ordinary shares	20	59,224	-	-	-	-	-	-	-	59,244	-	59,244
Options purchase	46	21,032	-	-	-	-	-	-	-	21,079	-	21,079
Share based payment expense	-	-	-	-	-	194,896	-	-	-	194,896	-	194,896
Share buyback	-	-	(282,736)	-	-	-	-	-		(282,736)	-	(282,736)
Sale of treasury stock	-	206,936	338,453	-	-	-	-	-	-	545,389	-	545,389
Profit for the period	-	-	-	-	-	-	-	-	2,567,677	2,567,677	95,322	2,662,999
Other comprehensive gain	-	-	-	-	-	-	1,817,408	540,943	-	2,358,351	-	2,358,351
As at 30 June 2021 (unaudited)	**116,278**	**12,378,263**	**(284,611)**	**(27,758,088)**	**1,001,150**	**845,181**	**943,197**	**887,664**	**40,355,300**	**28,484,334**	**441,446**	**28,925,780**

Interim Consolidated Statement of Cash Flows
For the six months ended 30 June 2021

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	$	$	$
	Unaudited	Unaudited	Audited
Cash flows from operating activities			
Profit before tax	3,847,723	2,007,281	4,203,374
Adjustments for non-cash/non-operating items:			
Depreciation of plant and equipment	1,086,085	708,416	1,568,034
Amortisation of intangible assets	138,661	252,545	524,017
Share based payments	194,896	100,895	233,584
Interest paid	341,612	205,231	445,351
Interest received	(26,042)	(57,103)	(88,753)
Operating cash flows before movements in working capital	5,582,935	3,217,265	6,885,607
Increase in inventories	(196,243)	(94,650)	(110,780)
Increase in trade and other receivables	(2,942,223)	(1,007,686)	(988,875)
Increase in trade and other payables	2,303,506	564,829	273,071
Cash generated by operations	4,747,975	2,679,758	6,059,023
Income taxes	(4,724)	-	(982,776)
Net cash generated from operating activities	4,743,251	2,679,758	5,076,247
Cash flows from investing activities			
Purchase of plant and equipment	(1,599,013)	(608,062)	(717,519)
Purchase of intangibles	-	(16,000)	-
Acquisition of subsidiaries	-	-	(300,000)
Reacquisition of Franchises	(4,818,833)	(2,393,682)	(9,229,647)
Interest received	26,042	57,103	88,753
Net cash used in investing activities	(6,391,804)	(2,960,642)	(10,158,413)
Cash flows from financing activities			
Issue of ordinary share capital	20	-	8,128
Premium on issue of ordinary share capital	59,224	-	2,031,084
Share buy-back	(282,736)	-	(715,911)
Sale of treasury shares	545,389	-	1,225,292
Options exercised	21,079	(54,765)	25,083
Interest paid	(341,612)	(205,231)	(445,351)
Proceeds from borrowings	3,200,000	3,342,628	6,153,836
Repayment of borrowings	(950,622)	(302,235)	(848,421)
Repayment of lease liabilities	(261,881)	(340,754)	(813,667)
Net cash generated by/(used in) financing activities	1,988,861	2,439,643	6,620,073
Net (decrease)/increase in cash and cash equivalents	340,308	2,158,759	1,537,907
Cash and cash equivalents at the beginning of period	6,818,715	5,280,808	5,280,808
Cash and cash equivalents at end of period	7,159,023	7,439,567	6,818,715

Notes to the Interim Consolidated Financial Information
for the six months ended 30 June 2021

1 General information

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

The Company is a public limited company domiciled in the United Kingdom and incorporated under registered number 03923150 in England and Wales. The Company's registered office is 27-28 Eastcastle Street, London, W1W 8DH.

2 Significant accounting policies

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

The accounting policies adopted in the preparation of the interim consolidated financial information are consistent with those of the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.

This interim consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with IAS 34, "Interim financial reporting". This interim consolidated financial information is not the Group's statutory financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards (IFRS) and have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis of matter without qualifying their report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The interim consolidated financial information for the six months ended 30 June 2021 is unaudited. In the opinion of the Directors, the interim consolidated financial information presents fairly the financial position, and results from operations and cash flows for the period. Comparative numbers for the six months ended 30 June 2020 are unaudited.

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

Foreign currencies

(i) Functional and presentational currency
Items included in this interim consolidated financial information are measured using the currency of the primary economic environment in which each entity operates ("the functional currency") which is considered by the Directors to be the Pounds Sterling (£) for the Parent Company and US Dollars ($) for American Leak Detection Holding Corp. This interim consolidated financial information has been presented in US Dollars which represents the dominant economic environment in which the Group operates and is considered to be the functional currency of the Group. The effective exchange rate at 30 June 2021 was £1 = US$ 1.3851 (*30 June 2020: £1 = US$* 1.2698).

Critical accounting estimates and judgments

The preparation of interim consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, the resulting accounting estimates will, by definition, seldom equal the related actual results.

In preparing this interim consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

3 Significant events and transactions

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 of the 2020 Annual Report.

As detailed in Footnote 7 – "Reacquisition of franchisee territories and other acquisitions" and Footnote 8 – "Subsequent Events", the Group reacquired the following franchises and 3rd party assets: Franchises - Central Florida (30 March 2021); Reno, Nevada (1 June 2020); Northeast, Florida (5 July 2021); Las Vegas and Phoenix (8 July 2021) and Other Acquisitions – FastDitch IP Assets (20 April 2021) and PlumbRight Services, Inc. (2 June 2021).

As detailed in Footnote 8, the Group completed a funding round on 15 July 2021 of $10.2 million at a price per share of $12.71.

PPP Program - The Paycheck Protection Program (PPP) brings 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 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.

4 Segmental information

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

The Group mainly operates in the US, with operations in the UK, Canada and Australia. In the six months to 30 June 2021, 88.6% (1H 2020: 89.6%) of its revenue came from the US-based operations; the remaining 11.4% (1H 2020: 10.4%) of its revenue came from its international corporate operated locations.

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

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

Information reported to the Group's Chief Operating Decision Maker (being the Executive Chairman), for the purpose of resource allocation and assessment of division performance is separated into four income generating segments that serve as key performance indicators (KPI's):

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

- International corporate operated locations.

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

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

Revenue	**Six months ended 30 June 2021 $ Unaudited**	**Six months ended 30 June 2020 $ Unaudited**	**Year ended 31 December 2020 $ Audited**
Franchise royalty income	3,679 450	3,464,489	6,691,433
Franchise related activities	4,926,435	4,322,401	9,513,209
US corporate operated locations	13,272,352	7,600,601	17,434,216
International corporate operated locations	2,820,487	1,709,096	4,295,037
Total	**24,698,724**	**17,096,587**	**37,933,895**

Profit before tax	**Six months ended 30 June 2021 $ Unaudited**	**Six months ended 30 June 2020 $ Unaudited**	**Year ended 31 December 2020 $ Audited**
Franchise royalty income	1,274,656	958,079	1,771,302
Franchise related activities	422,375	303,151	682,958
US corporate operated locations	3,022,727	1,449,825	3,795,753
International corporate operated locations	191,288	79,932	311,783
Unallocated head office costs	(1,050,697)	(745,716)	(2,257,323)
Non-core costs	(12,626)	(37,990)	(101,099)
Total	**3,847,723**	**2,007,281**	**4,203,374**

Assets	**Six months ended 30 June 2021 $ Unaudited**	**Six months ended 30 June 2020 $ Unaudited**	**Year ended 31 December 2020 $ Audited**
Franchise royalty income	12,896,040	12,317,290	10,571,498
Franchise related activities	2,476,084	2,006,273	2,006,569
US corporate operated locations	40,370,210	14,208,693	24,932,417
International corporate operated locations	7,849,792	4,168,264	6,930,887
Total	**63,592,126**	**32,700,520**	**44,441,371**

Geographic Information

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

Total Revenue

	Six months ended 30 June 2021		Unaudited	Year ended 31 December 2020		Audited
	US	**International**	**Total**	**US**	**International**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Franchise royalty income	3,627,114	52,336	3,679,450	6,572,163	119,271	6,691,434
Franchise related activities	4,926,435	-	4,926,435	9,513,209	-	9,513,209
US corporate operated locations	13,272,352	-	13,272,352	17,434,216	-	17,434,216
International corporate operated locations	-	2,820,486	2,820,486	-	4,295,037	4,295,038
Total	**21,825,902**	**2,872,822**	**24,698,724**	**33,519,588**	**4,414,308**	**37,933,896**

5 **Earnings per share**

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

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	Unaudited	**Unaudited**	**Audited**
Earnings attributable to shareholders of the Company ($)	2,567,677	1,470,653	2,892,974
Weighted average number of ordinary shares	15,473,540	14,702,371	14,832,294
Diluted weighted average number of ordinary shares	16,587,603	15,237,545	15,427,122
Earnings per share (cents)	17.2	10.0	19.5
Diluted earnings per share (cents)	16.0	9.7	18.8

Earnings per share are computed based on Ordinary shares. There is a class of B Ordinary Shares discussed in Footnote 6 that are not admitted to trading.

6 Share capital

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

Group & Company	Ordinary Shares of 1p each Number	Shares held in treasury Number	Total Number
At 30 June 2021	**15,492,443**	**36,500**	**15,528,943**
At 30 June 2020	**14,702,371**	**170,000**	**14,872,371**
At 31 December 2020	**15,434,784**	**65,538**	**15,500,322**

As disclosed in Footnote 8 – Subsequent Events, the Company issued 797,078 Ordinary Shares pursuant to a fundraise announced on 15 July 2021.

On 1 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

On 15 March 2021, Dan Ewell, a newly appointed Director, received an option to purchase 200,000 Ordinary Shares. All other members of the Board received an option to purchase 25,000 Ordinary Shares. These 300,000 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.

The net number of options including the new grants and leavers from the Company during 2021 is approximately 2,333,000.

The Company has also issued 2,200,000 Partly Paid Shares (B Ordinary Shares) that carry voting rights but no economic rights and are will not be converted into Ordinary Shares until fully paid. See Footnote 8 Subsequent Events in which 120,000 Partly Paid Shares were fully paid, converted into Ordinary Shares and sold to incoming investors. Hence 2,080,000 Partly Paid Shares remain as at the date of this document.

Group & Company	Share Capital	Share Premium	Shares In Treasury
	$	$	$
At 30 June 2021	**116,278**	**12,378,262**	**(284,610)**
At 30 June 2020	**114,762**	**9,741,989**	**(619,368)**
At 31 December 2020	**116,212**	**12,091,069**	**(340,327)**

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.

7 Reacquisition of franchisee territories and other acquisitions in the period

On 30 March 2021, the Group reacquired its Central Florida (Clermont) franchise territory within the Group's ALD franchise business. Strategically, the Central Florida reacquisition enables 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. The purchase price of $0.66 million includes all assets to conduct operations including trucks and equipment.

The purchase price is based on 2020 full-year results of approximately $0.66 million in sales and $0.15 million in adjusted profits. The purchase price is to be paid by year-end 2021.

On 20 April 2021, the Group announced the acquisition of intellectual property assets ("IP") from FastDitch, Inc., a US corporation ("FastDitch"). The IP Assets form the core of a new subsidiary of the Group's core American Leak Detection business ("ALD"). The subsidiary is dedicated to providing water infrastructure solutions and operates under the tradename *Intelliditch*. It will initially provide stormwater run-off and irrigation solutions given strong market in these areas stimulated by the Biden Administration's American Jobs Plan. The purchase price for the IP Assets was for the former principals to receive a 25% stake in Intelliditch and 100,000 options in Ordinary Shares with an exercise price of $11.38 per share.

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 enables 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.

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.

8 Subsequent events

Franchise Reacquisitions

On 5 July 2021, the Group announced the reacquisition of its Northeast Florida franchise ("Northeast Florida"). Northeast Florida is a significant franchise delivering water infrastructure solutions to three cities: Jacksonville, Daytona Beach and Gainesville. The Northeast Florida operation enables more seamless operations connecting with Eastern Florida acquired earlier in 2021 and fast growing Orlando and Miami operations. The purchase price of $2.75 million includes all assets to conduct operations including trucks and equipment. The purchase price is based on 2020 full-year results of approximately $2 million in sales and $0.5 million in adjusted profits. The purchase price will be paid over four years.

On 8 July 2021, the Group announced that it has reacquired two major franchises – Las Vegas and Phoenix. This set of acquisitions is the largest that the Group has executed to date and reinforces its strong growth trajectory both financially and operationally in the western and southwestern parts of the United States. The combined purchase price of $10.3 million will be paid over four years and includes all assets to conduct operations including trucks and equipment. The purchase price is based on combined 2020 full-year results of approximately $5.75 million in sales and $1.6 million in adjusted profits.

Fundraising

On 15 July 2021, the Group announced the completion of a Fundraise. The transaction raised gross proceeds of approximately $10.2 million in an oversubscribed round through the issue of an aggregate of 797,078 Ordinary Shares at a price of $12.71 per share (920 pence). The Ordinary Shares issued related to: 120,000 Ordinary Shares issued upon payment in full of Partly Paid Shares; 130,000 issued pursuant to the exercise of options; and 547,078 issued as new Ordinary Shares.

9 Publication of announcement and the Interim Results

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

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