Audited Results For Year Ended 31 December 2021

Water Intelligence plc (AIM: WATR.L) ("Water Intelligence", 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 2021.

- Statutory results higher than previously announced due to $1.9m one-off gain
- Adjusted FY results (not including one-time gain) in line with February trading update with revenues +44%, Adjusted EBITDA +48% and EPS +29%
- Confident in further corporate development through 2022; well placed to navigate inflationary challenges in order to be in line with market expectations for 2022 with a strong Q1 already reported

Overview.

During 2021 and the first quarter of 2022, the Group deployed capital that it raised to accelerate delivery of its plan to build a leading multinational growth company for water and wastewater infrastructure solutions. The Group has achieved strong results across various dimensions of the plan: (i) sales growth; (ii) profits; (iii) acquisitions that add scale, organizational control and new product offerings; (iv) significantly increased execution capabilities through hirings ranging from more technicians to senior-level management and board; and (v) multiple equity and debt financings to establish a balance sheet that can sustain our growth trajectory for the long-run.

A strong 2021 reinforced our confidence in our growth plan. Water Intelligence's compounded annual growth rate ("CAGR") from 2016 to 2021 has reached 35% in terms of revenue and 49% in terms of statutory profit before tax ("PBT"). Such statutory PBT growth does *not* take into account a one-time $1.9 million profit gain recorded in 2021 which would have driven the trailing CAGR significantly higher. Moreover, our critical mass of "network" sales to third-party customers (gross sales by corporate-run locations and indirect gross sales by our franchisees under the same brand from which Group royalty is derived) grew 14% to approximately $147 million (2020: $129 million). This is further reinforced by like for like sales growth of 18% from corporate owned stores. Importantly, Water Intelligence has been able to achieve such results despite the continued impact of Covid-19 on society.

For 2022, the Group is mindful of inflationary pressures that are now layered upon lingering Covid-related challenges. However, we are navigating such marketplace challenges with our greater operating scale and investments made over the last three years to improve efficiency such as Salesforce field force automation software and our proprietary Pulse and LS1 diagnostic tools.

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 2021 Audited Results:

Financial

- Revenue growth strong at 44% reaching $54.5 million (2020: $37.9 million)

- Adjusted EBITDA[1] grew 48% to $10.3 million (2020: $7.0 million)
- Statutory EBITDA[2] grew 72% to $11.4 million (2020: $6.7 million)

- Adjusted PBT[3] grew 36% reaching $6.9 million (2020: $5.1 million)
- Statutory PBT[2] grew 80% reaching $7.6 million (2020: $4.2 million)

- Adjusted EPS[4] grew 29% reaching 30.2 cents (2020: 23.5 cents)
- Statutory EPS grew 85% reaching 36.1 cents (2020: 19.5 cents)

- Balance Sheet strong with sufficient resources to execute the Company's growth plan:
    - Cash: $23.8 million (2020: $6.8 million)
    - Net of Bank Debt: $15.5 million cash (repayment of Bank Debt spread through 2026) (2020: break-even)
    - Net of Bank Debt plus Deferred Payments to Franchisees: $1.8 million cash (repayment of deferred payments spread through 2026)

[1] Does not include one-time gain of $1.9 million but as historically done for comparison purposes adds back "Non-core costs" (one-time costs or non-recurring costs such as legal costs related to transactions)

[2] Includes one-time gain of $1.9 million but does not add back Non-core costs

[3] Does not include one-time gain of $1.9 million but as historically done for comparison purposes adds back non-cash expenses (amortization, share-based payments) and Non-core costs

[4] Does not include one-time gain of $1.9 million but as historically done for comparison purposes adds back non-cash expenses (amortization, share-based payments) and Non-core costs and assumes tax rate on adjustments consistent with statutory tax rate

Corporate Development

- 8 Acquisitions
    - 5 franchise
    - 2 bolt-on (1 UK; 1 US)
    - 1 technology (open channel liner)
        - Subsequent Event: (2 franchises acquired; 1 sale of franchise territory YTD 2022)
- 3 Financings
    - 2 Equity ($23.8 million added)
    - 1 Bank Debt ($3.2 million added)
        - Subsequent Event: ($17 million in bank availability added in April 2022)
- 3 Technology Testings and Implementations
    - Salesforce and related applications
    - Pulse (sewer diagnostic)
    - LS1 (rapid water surveys)
- Corporate Execution: Added 132 headcount (73 technicians)

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

"Despite Covid-19 disruptions, we delivered across the board in both 2020 and 2021 to deliver on our mission of building a world-class multinational growth company in an important space – water infrastructure.

The marketplace now faces new challenges with inflation and labour retention layered on top of Covid-related issues. We will step forward to meet these latest challenges as well. Our management team has only gotten stronger during 2021 as we added senior leaders and have continued to add technicians to meet strong market demand for our services and products. We deliver important value to our customers – residential, commercial and municipal – with our minimally-invasive technology approach to remediation of failing water infrastructure. It is a worldwide problem that will be with us for a long time. With the support of our investors, we have a strong balance sheet enabling us to navigate confidently in the short, medium and long run."

This announcement contains inside information for the purposes of Article 7 of the UK version of Regulation (EU) No 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended ("MAR"). Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

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Chairman's Statement

Overview

Despite the challenges of navigating the global marketplace over the last few years, we continue to reaffirm our primary objective, one that has been set forth in the Chairman's Statement for the last decade: to create a leading multinational growth company for water and wastewater infrastructure solutions whose growth is not only strong but sustainable. Global market demand for services and products to preserve our most precious natural resource and to address the reality of aging water infrastructure underpins our mission. We are proud that we were awarded the Green Economy Mark from the London Stock Exchange.

In our 2020 Chairman's Statement, we provided a simple message: full steam ahead for 2021 despite the disruptions caused by Covid. Demonstrated in this year's report and consistent with that message, we produced strong growth in 2021 and reinforced our enviable compounded annual growth rate ("CAGR") from 2016 when we launched our current growth plan. Revenue increased 44% to $54.5 million (2020: $37.9 million). Statutory profit before tax (PBT) increased 80% to $7.6 million (2020: $4.2 million). However, $1.9 million of statutory PBT represented a one-time gain. Not including the one-time gain, statutory PBT grew 35% to $5.7 million (2020: $4.2 million). Meanwhile PBT Adjusted for non-cash costs (amortisation and share-based payments) and non-core costs increased by 36% to $6.9 million (2020: $5.1 million). Not counting our one-time statutory PBT gain, for the span of 2016 -2021 our CAGRs still show revenue growth of 35% and statutory PBT growth of 49%.

For 2022, we have a new set of challenges layered upon the lingering effects of Covid. We are all aware of the inflationary challenges ranging from the conflict in Ukraine to supply chain and inflationary concerns that create market uncertainty. For our business, we face fuel and material prices that have doubled over the course of 1H 2022 as we service our customers to solve their leakage problems. Moreover, we face rising labour costs and retention issues as our technicians and managers themselves need to cope with economy-wide inflation. Tactically, as outlined below, we are responding to these new challenges. Overall, our Chairman's Statement strategic message remains similar to last year's: Full steam ahead but with prudence as we balance rising costs.

We have several operational attributes that enable us to navigate these market-wide challenges better than most. Importantly, global market demand for water infrastructure solutions remains strong as we rise to meet new execution challenges. Second, our core American Leak Detection (ALD) business operates in the United States, and we benefit from earning money in dollars as interest rates rise to cope with inflation and produce a stronger dollar. Third, we have made timely technology investments in making our business more efficient. These investments will help combat inflationary pressures on our costs. Most importantly, this year we are completing our Salesforce (and related applications) implementation to automate many of our business processes and help drive greater productivity by our workforce. Further, we are introducing during Q3 a proprietary new tool for water surveys that should lower labour costs for delivering that municipal offering. We have executed successful field trials in the UK and are now planning similar trials in Australia. In navigating 1Q 2022, our growth trajectory remained firm with revenue increasing by 44% (Q1 2022: $16.5 million vs. Q1 2021: $11.4 million). Our PBT Adjusted still grew by 16% to $2.1 million (Q1 2021: $1.7 million).

As we navigate 2022, we are helped by the fact that we have a critical mass of customers and a matrix of business lines – residential, commercial, municipal, clean water, sewer – that help offset volatility in any one segment. Our overall market presence in 2022 will surpass $150 million in annual network-wide gross sales to customers. Network-wide gross sales is a non-statutory concept that illuminates the actual sales to customers executed under the same brand whether by franchisees or by corporate technicians. Network-wide gross sales includes both indirect sales to our customers by our franchisees from which royalty income to the Group is derived (which is recorded in statutory terms) plus direct sales from corporate operations. To reiterate, both franchisees and corporate locations operate under the same ALD brand and to the customers there is no difference in franchise or corporate execution. This critical mass of sales, across our more than 150 locations spread across the United States and in the UK, Australia and Canada, establishes a solid foundation of customers from which to launch our next stage of growth.

In building from this foundation, despite market-wide challenges, we are well-positioned for the short-run, medium-run and long-run to execute our growth plan. With our strong balance sheet and our ability to generate cash each year, we have the working capital to reinvest in the business for short to medium term projects that reinforce sustainable growth. Over the last six months, we have accelerated investment in human capital; expanding our execution team both in terms of senior management and on-the-ground trained technicians. More broadly, as noted above, over the last five years, we have also made investments in technology products (sewer diagnostic tools, open channel liners, video e-commerce, Salesforce) that will over the next several years expand our business lines and make our business more scalable. Finally, we have also positioned ourselves for the longer-run horizon with two sets of financings during 2021 and Q1 2022. We expanded our institutional equity base during July and November 2021. In parallel, during February 2021 and April 2022, we lowered our cost of capital by blending in low-cost bank debt. Such short-run, medium-run and long-run tactics enable us to meet the marketplace challenges ahead.

Operating KPIs

Water Intelligence Key Performance Indicators (KPIs) are explained more fully in the Strategic Report. These KPIs serve to underscore two key dimensions of our overall strategic growth plan. First, we prioritize Network-wide growth in order to establish a strong foundation of market presence. With over 40 years of operations, American Leak Detection (ALD) is a well-developed and highly regarded brand that sells to customers – residential, commercial and municipal – across the United States and in Australia and Canada. ALD represents approximately 90% of the Group's revenue. In 2021 through franchise operated and corporate operated locations, ALD customers purchased services and products amounting to approximately $141 million of gross sales. Our Water Intelligence International (WII) brand added another $6 million in gross sales operating primarily in the UK. In implementing Salesforce, we are creating efficiencies to further grow Network-wide sales.

For 2021, KPIs illuminate the growth of both ALD and WII brands. KPI #1 or ALD royalty income grew 2% to $6.8 million (2020: $6.7 million). This royalty income represents approximately $99 million of Network gross sales (2022: $97 million). ALD and WII corporate sales or KPIs #2, #3 and #4 (respectively franchise related activities such as the Corporate insurance channel; US Corporate direct sales; and International Corporate direct sales) grew 53% to $47.7 million (2020: $31.2 million). Captured by these 4 KPIs, total Network gross sales (ALD and WII) grew 14% to approximately $147 million (2020: $129 million). With 44% WI revenue growth during 1Q, Network sales is on pace to significantly pass $150 million for 2022.

Second, beyond expanding Network sales, we also seek to unlock shareholder value and add profits to the Group's consolidated accounts by selectively reacquiring franchises and then delivering solutions through corporate-run locations more efficiently. Our Salesforce implementation enables us to create corporate regional hubs that will help scale dispatch and scheduling. In executing for the same customers under the ALD brand but as a corporate-run operation, we are bringing a portion of the approximately $99 million of franchise operated sales and associated profits directly onto the Water Intelligence Group (WI) accounts.

As explained more fully in KPI #3, we have unlocked significant value by growing former franchise locations faster both in terms of sales and profits. For comparison purposes, corporate-run locations acquired from franchisees before 1 January 2020 grew 18% to $18.3 million (2020: $15.5 million); profits from those reacquired locations increased 8% to $3.3 million (2020: $3.1 million) even as we reinvested in these new corporate locations after acquisition for future growth. The profit yield of $3.3 million under corporate execution at these locations is significantly higher than the profit yield from the same $18.3 million of sales if executed by a franchisee. Profit to the Group from franchise royalty would be approximately $0.3 million. The difference in yield is even more pronounced when one considers the $31.9 million of sales at all corporate-run locations not just the ones owned prior to 1 January 2020. It should be underscored that despite such selective reacquisitions, our strategic plan is still committed to reinforcing our core franchise business. Not only is the franchise System integral to our firm culture, it also provides monthly recurring income from franchise royalties that enables the Group to optimize its capital base with a prudent amount of bank debt. As noted above, during Q1 2021 and Q1 2022 we have been able to complement institutional equity investment rounds with rounds of low-cost bank debt.

Strategic Direction

Our strategic plan continues to deliver results but we are mindful that we need to be vigilant with respect to market-wide inflationary pressures. We are making the necessary investments both to capture more of market demand for our solutions and to reinforce profitability. We have invested in human capital to retain our highly trained technicians and also to provide incentives to execute more jobs. We have invested in advancing our technology leadership not only in terms of new, more efficient tools but also in automating our business. Our sales footprint in the US, UK, Canada and Australia provide us with a stable base and we will prudently look for opportunities to expand our multinational footprint because aging infrastructure is a world-wide problem. We appreciate our institutional investors and their long-term commitment towards building a world-class multinational growth company despite all of the market challenges.

Patrick DeSouza
Executive Chairman

Director’s 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 2021.

Principal Activities

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” 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.

2021 was marked by sustained and balanced multinational growth for both ALD and WII. Total revenue grew 44% to $54.5 million and statutory profits before tax grew 80% to $7.6 million when compared with 2020. Profit before tax included a one-time gain of $1.9 million. Holding the one-time gain aside, statutory profit before tax grew 35% to $5.3 million. Again, holding aside the one-time gain, our ALD subsidiary grew revenue 44% to $48.4 million and profit before tax 38% to $5.40 million when compared with 2020. Our WII subsidiary grew revenue 42% to $6.1 million and grew profit before taxes by 1% to $0.32 million. The splits between ALD and WII revenue remained consistent during 2021 when compared with 2020 with approximately 90% of total revenue attributable to ALD and 10% of total sales attributable to WII.

Going Concern

The Directors have prepared a business plan and cash flow forecast for the period to December 2023. 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 oversubscribed capital raises in July and November 2021 and expansion of its credit facilities in February 2021 and April 2022, the Directors believe that funding will be available on a case-by-case basis for additional initiatives.

Cash at 31 December 2021 increased to $23.8 million (2020: $6.8 million). At 31 December 2021, total debt (borrowings and deferred consideration from franchise acquisitions) was $22 million with amortisation of such amount spread through 2026. Meanwhile, operating cash flows (EBITDA) in 2021 increased by 45% to $10.0 million (2020: $6.9 million). For 2022, the Directors are monitoring inflationary pressures and investments, such as Salesforce.com and related software applications, geared to offset inflation through efficiencies.

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 is undertaken by third parties not related to the Group, was $0 (2020: $3,034). 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 (2020: $nil).

Share Price

On 31 December 2021, the closing market price of Water Intelligence plc ordinary shares was 1095.0 pence. The highest and lowest prices of these shares during the year to 31 December 2021 were 1340.0 pence and 490.0 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.

Financial Risk Management

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

Subsequent Events

On 19 January 2022, the Group announced the reacquisition of its Fort Worth, Texas franchise territory within the Group's ALD franchise business. The Fort Worth operation is fast-growing and expected to accelerate further by adding new service locations in north and west Texas during 2022. Moreover, this reacquisition reinforces the Group's strategy of establishing regional corporate hubs in the US that have scale to fuel growth in nearby corporate and franchise locations. The purchase price of $7.7 million in cash is to be paid over three years. The purchase price is based on 2021 pro forma of $3.6 million in revenue and $1.2 million in profit before tax.

On 3 February 2022, the Group announced the sale of certain territory in rural North Carolina to an existing, fast-growing franchisee of American Leak Detection (ALD). The purchase price for the territory is $90,000, all of which is recognised as revenue at 100% profit margin. It is also expected that the franchise owner will be purchasing additional equipment from ALD to launch service vehicles to develop the territory. Finally, the commercialization of such "greenfield" territory will also add royalty income to the Group's ALD business unit during 2022.

On 7 April 2022, the Group announced the expansion of its acquisition line of credit to include an additional $15 million for further acquisitions of its franchises. As part of the facility, the Group entered into swap arrangements that maintain a fixed interest rate of approximately 5.5% on amounts drawn under the facility and are amortised over a term of five years. The covenants and guarantee requirements for the new facility remain the same all other credit facilities with People's Bank, now operating post-acquisition as part of M&T Bank.

On 12 May 2022, the Group announced the reacquisition of its American Leak Detection Central Texas franchise. The franchise includes the cities of Abilene, Lubbock and Midland which are west of recently launched corporate-operated locations of Fort Worth (via franchise acquisition) and Wichita Falls (greenfield). The purchase price of $0.75 million in cash is based on the franchise's 2021 Statement of Income of $0.65 million in revenue and $0.21 million in profit before tax.

Directors

The Directors who served the Company during the year and up to the date of this document were as follows:

Executive Directors

Patrick DeSouza – Executive Chairman

Laura Hills

Non-Executive Directors

Bobby Knell

Michael Reisman

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

2021	Salary, Fees & Bonus	Benefits	Redundancy	Total
	$	$	$	$
Executive Directors				
P DeSouza	639,381	15,004	-	654,385
L Hills	125,000	-	-	125,000
Non-Executive Directors				
D Ewell	30,000	-	-	30,000
B Knell	40,000	-	-	40,000
M Reisman	40,000	-	-	40,000
	874,381	**15,004**	**-**	**889,385**

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**

Directors' interests

The Directors who held office at 31 December 2021 and subsequent to year end had the following direct interest in the voting rights of the Company at 31 December 2021 and at the date of this document, excluding the shares held by Plain Sight Systems, Inc.

	Number of shares at 31 December 2021	% held at 31 December 2021	Number of shares at 8 June 2022	% held at 8 June 2022
Patrick DeSouza*/**	4,867,110	25.03	4,867,110	25.04
Michael Reisman*	184,126	0.95	184,126	0.95
Laura Hills	116,196	0.60	116,196	0.60

Bobby Knell	27,000	0.14	27,000	0.14
Dan Ewell	30,524	0.16	30,524	0.16

*Included in the total above, Patrick DeSouza has (i) 180,000 Partly Paid Shares (2016), (ii) 750,000 (March 2018) (iii) 850,000 (May 2019) and (iv) 300,000 Partly Paid Shares (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 1,965,000 shares held by The Patrick J. DeSouza 2020 Irrevocable Trust U/A Dtd 11/23/2020 and 605,936 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 document were as follows:

	Number of shares	% held
Plain Sight Systems, Inc.	2,430,410	12.50
Canaccord Genuity Group Inc.	2,300,580	11.84
State Street Nominees Limited	1,291,339	6.64
George D. Yancopoulos	880,920	4.53
Amati AIM VCT	814,660	4.19
Herald Investment Trust	642,526	3.31

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

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.

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 sections 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 2021 and 31 December 2021 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		2/2
Michael Reisman	6/6	2/2	2/2
Dan Ewell	6/6	2/2	
Laura Hills	6/6		

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)l. 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. 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 served 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 2020 annual accounts and the interim accounts to 30 June 2021. 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 UK adopted International Accounting Standards.

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 judgments 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 Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained there.

Independent Auditors' report to the members of Water Intelligence plc

Opinion

We have audited the financial statements of Water Intelligence plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2021, which comprise:

- the Group statement of comprehensive income for the year ended 31 December 2021;
- the Group and parent company statements of financial position as at 31 December 2021;
- 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 2021 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 are 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 $398,000 (2020: $321, 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 restrictions earlier in the year around travel, we have remotely reviewed the US work to carry out our review of component auditor working papers and have met 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	Our audit procedures consisted of: Validating that revenue is recognised in accordance with the accounting policies for appropriateness in accordance

has a number of different revenue streams, some of which contain judgements, particularly in 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.	with International Financial Reporting Standard 15 'Revenue from Contract with Customers' and performed 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, 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

Consolidated Statement of Comprehensive Income for the year ended 31 December 2021

	Notes	Year ended 31 December 2021 $	Year ended 31 December 2020 $
Revenue	4	54,543,408	37,933,896
Cost of sales		(8,964,486)	(8,830,250)
Gross profit		45,578,922	29,103,646
Administrative expenses			
– Other Income		69,484	93,066
– Share-based payments	7	(442,708)	(233,584)
– Amortisation of intangibles	13	(470,226)	(524,017)
– Other administrative costs		(38,131,195)	(23,879,139)
Total administrative expenses		(38,974,645)	(24,543,674)
Operating profit		6,604,277	4,559,972
PPP loan forgiveness	23	1,869,800	-
Finance income	8	51,092	88,753
Finance expense	9	(969,130)	(445,351)
Profit before tax		7,556,039	4,203,374
Taxation expense	10	(1,641,350)	(1,273,319)
Profit for the year		5,914,689	2,930,055
Attributable to:			
Equity holders of the parent		5,764,952	2,892,974
Non-controlling interests		149,737	37,081
		5,914,689	2,930,055
Other Comprehensive Income			
Exchange differences arising on translation of foreign operations		(221,281)	32,375
Fair value adjustment on listed equity investment (net of deferred tax)		(300,049)	(236,900)
Total comprehensive profit for the year		5,393,359	2,725,530

Consolidated Statement of Financial Position as at 31 December 2021

	Notes	2021 $	2020 $
ASSETS			
Non-current assets			
Goodwill and indefinite life intangible assets	13	37,268,469	22,159,836
Listed equity investment	24	1,185,039	1,564,254
Other intangible assets	13	3,818,037	1,651,296
Property, plant and equipment	14	7,807,227	5,172,221
Trade and other receivables	17	429,219	581,191
		50,507,991	31,128,798
Current assets			
Inventories	16	677,218	444,791
Trade and other receivables	17	8,379,894	6,049,067
Cash and cash equivalents	18	23,802,352	6,818,715
		32,859,464	13,312,573
TOTAL ASSETS		83,367,455	44,441,371
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent			
Share capital	21	142,260	116,212
Share premium	21	35,252,633	12,091,069
Shares held in treasury	21	(468,427)	(340,327)
Merger reserve		1,001,150	1,001,150
Share based payment reserve		1,092,993	650,286
Accumulated OCI		(1.095.492)	(874,212)
Reverse acquisition reserve	21	(27,758,088)	(27,758,090)
Equity investment reserve		46,672	346,721
Retained earnings		43,552,575	37,787,624
		51,766,276	23,020,433
Equity attributable to Non-Controlling interest			
Non-controlling Interest		612,528	346,124
Non-current liabilities			
Borrowings	23	8,176,893	6,839,981
Deferred consideration	12	8,220,613	3,421,936
Deferred tax liability	20	1,576,872	957,170
		17,974,378	11,219,087
Current liabilities			
Trade and other payables	19	4,194,031	3,900,465
Borrowings	23	3,325,579	3,713,323
Deferred consideration	12	5,494,663	2,241,939
		13,014,273	9,855,727
TOTAL EQUITY AND LIABILITIES		83,367,455	44,441,371

Company Statement of Financial Position as at 31 December 2021

	Notes	2021	2020
		$	$
ASSETS			
Non-current assets			
	15	7,411,852	7,459,645
Trade and other receivables	17	23,270,653	4,019,000
Listed equity investment	24	1,185,039	1,564,254
		31,867,544	13,042,900
Current assets			
Trade and other receivables	17	4,781,282	3,053,543
Cash and cash equivalents	18	1,865,798	366,737
		6,647,080	3,420,280
TOTAL ASSETS		38,514,624	16,463,180
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent			
Share capital	21	142,260	116,212
Share premium	21	35,252,633	12,091,069
Shares held in treasury	21	(468,427)	(340,327)
Merger reserve		1,001,150	1,001,150
Share based payment reserve		1,092,993	650,286
Accumulated OCI		(1,834,431)	(1,586,208)
Equity investment reserve		46,672	346,721
Retained earnings		3,154,925	3,963,789
		38,387,775	16,242,692
Non-current liabilities			
Deferred tax liability	20	(5,777)	77,943
		(5,777)	77,943
Current liabilities			
Trade and other payables	19	132,626	142,545
		132,626	142,545
TOTAL EQUITY AND LIABILITIES		38,514,624	16,463,180

Consolidated Statement of Cash Flows for the Year Ended 31 December 2021

	Year ended 31 December 2021 $	**Year ended 31 December 2020 $**
Cash flows from operating activities		
Profit before tax	7,556,039	4,203,374
Adjustments for non-cash/non-operating items:		
Depreciation of plant and equipment	2,475,069	1,568,034
Amortisation of intangible assets	470,225	524,017
Share based payments	442,708	233,584
PPP loan forgiveness	(1,869,800)	-
Finance costs	969,130	445,351
Finance income	(51,092)	(88,753)
Operating cash flows before movements in working capital	9,992,279	6,885,607
Increase in inventories	(232,427)	(110,780)
Increase in trade and other receivables	(1,924,070)	(988,875)
(Decrease) / Increase in trade and other payables	(684,618)	1,683,009
Cash generated by operations	7,151,164	7,468,962
Income taxes paid	(1,021,648)	(982,776)
Net cash generated from operating activities	6,129,516	6,486,186
Cash flows from investing activities		
Purchase of plant and equipment	(517,707)	(717,519)
Purchase of intangible assets	(2,078,559)	-
Acquisition of subsidiaries	(979,782)	(300,000)
Reacquisition of franchises	(5,239,558)	(9,229,647)
Finance income	51,092	88,753
Net cash used in investing activities	(8,764,514)	(10,158,413)
Cash flows from financing activities		
Issue of ordinary share capital	21,291	8,128
Premium on issue of ordinary share capital	22,185,641	2,031,084
Share buyback	(466,551)	(715,911)
Sale of treasury shares	559,469	1,225,292
Options exercised	714,950	25,083
Finance costs	(969,130)	(445,351)
Proceeds from borrowings	3,200,000	6,153,836
Repayment of borrowings	(1,827,765)	(848,421)
Repayment of notes	(2,350,676)	(1,409,939)
Repayment of lease liabilities	(1,448,594)	(813,667)
Net cash generated from financing activities	19,618,635	5,210,134
Net increase in cash and cash equivalents	16,983,637	1,537,907
Cash and cash equivalents at the beginning of year	6,818,715	5,280,808
Cash and cash equivalents at end of year	23,802,352	6,818,715

Company Statement of Cash Flows for the Year Ended 31 December 2021

	Year ended 31 December 2021 $	Year ended 31 December 2020 $
Cash flows from operating activities		
Loss before tax	(808,865)	(636,089)
Adjustments for non-cash/non-operating items:		
Share based payment expense	442,708	233,585
Operating cash flows before movements in working capital	(366,157)	(402,504)
Increase in trade and other receivables	(20,934,141)	(2,066,470)
(Decrease)/Increase in trade and other payables	(215,442)	66,286
Cash used by operations	(21,515,740)	(2,402,688)
Income taxes paid	-	-
Net cash used by operating activities	(21,515,740)	(2,402,688)
Cash flows from investing activities		
	-	-
Net cash used in investing activities	-	-
Cash flows from financing activities		
Issue of ordinary share capital	21,291	8,128
Premium on issue of ordinary share capital	22,185,641	2,031,084
Share buyback	(466,551)	(715,911)
Sale of treasury shares	559,469	1,225,292
Options exercised	714,950	25,083
Net cash generated from financing activities	23,014,800	2,573,676
Increase in cash and cash equivalents	1,499,061	170,988
Cash and cash equivalents at the beginning of period	366,737	195,749
Cash and cash equivalents at end of period	1,865,798	366,737

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 8 June 2022.

2 Adoption of a new International Financial Reporting Standards

The following new standards were mandatory for adoption for periods ending 31 December 2021; however, these standards do not affect the Group:

- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16
- Covid-19 Related Rent Concessions (Amendment to IFRS 16)

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective and they are not expected to have a material impact on the Group financial statements.

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 UK adopted International Accounting Standards (IFRS). The Parent Company's Financial Statements have also been prepared in accordance with UK adopted International Accounting Standards as applied by 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.

Trade and other payables in 2020 have been restated to include the appropriate current and non-current splits of lease liabilities.

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

Going concern

The Directors have prepared a business plan and cash flow forecast for the period to December 2023. 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 oversubscribed capital raises in July and November 2021 and expansion of its credit facilities in February 2021 and April 2022, The Directors believe that funding will be available on a case-by-case basis for additional initiatives.

Cash at 31 December 2021 increased to $23.8 million (2020: $6.8 million). At 31 December 2021, total debt (borrowings and deferred consideration from franchise acquisitions) was $22 million with amortisation of such amount spread through 2026. Meanwhile, operating cash flows (EBITDA) in 2021 increased by 45% to $10.0 million (2020: $6.9 million). For 2022, the Directors are monitoring inflationary pressures and investments, such as Salesforce.com and related software applications, geared to offset inflation through efficiencies.

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

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 through variants. 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. 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 2021. 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 2021 is $808,865 (2020: $636,089).

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.

Leases The 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, mainly in the UK, 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.

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 ECLs for trade receivables and contract assets. ECLs 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	1-6
Customer lists	5
Salesforce	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 UK adopted International Accounting 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 2021 $**	**Year ended 31 December 2020 $**
Franchise royalty income	6,803,489	6,691,433
Franchise related activities	9,769,657	9,513,209
US corporate operated locations	31,861,087	17,434,216
International corporate operated locations	6,109,175	4,295,037
Total	54,543,408	37,933,895

Profit/(Loss) before tax	**Year ended 31 December 2021 $**	**Year ended 31 December 2020 $**
Franchise royalty income	1,808,730	1,771,302
Franchise related activities	805,171	682,958
US corporate operated locations	6,007,153	3,795,753
International corporate operated locations	315,740	311,783

Unallocated head office costs	(2,927,132)	(2,257,323)
PPP loan forgiveness	1,869,800	-
Non-core costs	(323,423)	(101,099)
Total	7,556,039	4,203,374

Assets	**Year ended 31 December 2021 $**	**Year ended 31 December 2020 $**
Franchise royalty income	27,869,663	10,571,497
Franchise related activities	2,452,933	2,006,569
US corporate operated locations	43,050,953	24,932,417
International corporate operated locations	9,993,906	6,930,887
Total	83,367,455	44,441,371

Amortisation	**Year ended 31 December 2021 $**	**Year ended 31 December 2020 $**
US corporate operated locations	466,216	496,315
International corporate operated locations	4,009	27,702
Total	470,225	524,017

Depreciation	**Year ended 31 December 2021 $**	**Year ended 31 December 2020 $**
Franchise royalty income	-	-
Franchise related activities	-	-
US corporate operated locations	2,009,350	1,288,989
International corporate operated locations	465,719	279,045
Total	2,475,069	1,568,034

Finance Expense	Year ended 31 December 2021 $	Year ended 31 December 2020 $
US corporate operated locations	484,047	78,031
International corporate activities	13,719	8,769
Unallocated head office costs	471,363	358,553
Total	969,129	445,353

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 2021, outside the US sales have grown 41% to $6.2 million (2020: $4.4 million). Sales in the US have grown 44% to $48.3 million (2020: $33.5 million). The percentage of International sales to total sales has remained constant at 11% (2020: 11%).

Total Revenue

	Year ended 31 December 2021			Year ended 31 December 2020		
	US	**International**	**Total**	**US**	**International**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Franchise royalty income	6,698,729	104,760	6,803,489	6,572,162	119,271	6,691,433
Franchise related activities	9,769,657	-	9,769,657	9,513,209	-	9,513,209
US Corporate owned Stores	31,861,087	-	31,861,087	17,434,216	-	17,434,216
International corporate	-	6,109,175	6,109,175	-	4,295,037	4,295,038
Total	48,329,473	6,213,935	54,543,408	33,519,587	4,414,308	37,933,895

5 Expenses by nature

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

	Note	Year ended 31 December 2021 $	Year ended 31 December 2020 $
Raw materials and consumables used		1,954,849	752,670
Employee costs	6	24,226,020	14,444,268
Depreciation charge		2,475,069	1,568,034
Amortisation charge		470,225	524,017
Marketing costs		293,036	290,049
R&D		-	(3,034)
Foreign exchange (gain)/loss		1,624	(77,027)

	Year ended 31 December 2021 $	Year ended 31 December 2020 $
Auditors remuneration		
Fees payable to the Company's auditor for audit of Parent Company and Consolidated Financial Statements	54,000	52,000
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 $158,614 (2020: $142,336) for the audit of these companies and $38,899 (2020: $28,204) 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 2021	Year ended 31 December 2020
Short-Term employee benefits		
Directors fees, salaries and benefits	874,381	774,465
Employee wages and salaries	21,313,711	12,672,270
Employer payroll taxes	1,595,220	763,948
Long-Term employee benefits		
Share based payments	442,708	233,584
	24,226,020	14,444,268

Information regarding Directors' emoluments are as follows:

	Year ended 31 December 2021 $	Year ended 31 December 2020 $
Short-Term employee benefits		
Directors' fees, salaries and benefits	874,381	774,465
Employer payroll taxes	22,079	20,331
	896,460	794,796

The highest paid Director (Executive) received emoluments of $654,385 (2020: $606,515).

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

	Year ended 31 December 2021	Year ended 31 December 2020
Directors (executive and non-executive)	5	5
Management	48	26
Field Services	223	150
Franchise Support	20	20
Administration	83	46
	379	247

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 2021	Weighted average exercise price ($)	Number of share options 2020	Weighted average exercise price ($)
Outstanding at beginning of year	1,907,500	3.92	1,450,000	3.01
Granted during the year	555,500	10.66	525,000	5.63
Forfeited/lapsed during the year	-	-	-	-
Exercised during the year	(225,000)	2.54	(67,500)	1.23
Outstanding at end of the year	2,238,000	5.74	1,907,500	3.92
Exercisable at end of the year	682,500	1.58	697,500	1.15

Fair value of share options

During the year, the Group granted 555,500 Share Options to certain Employees, with exercise prices ranging from of £4.56 to £8.35 ($6.24 to $12.56).

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 $1.93 to $4.11. This is based on risk-free rates of 0.35% to 0.78% and volatility of 34.8% to 40.7%.

The Black Scholes calculations for the options granted during the year resulted in a charge of $442,708 (2020: $233,584) which has been expensed in the year.

The weighted average remaining contractual life of the share options as at 31 December 2021 was 7.10 years (2020: 7.12 years).

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

						Exercise period	
Grant	At report date	2021	2020	Date of Grant	Exercis e price	From	To
ALDHC Plan	67,500	67,500	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	122,500	122,500	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	25,000	25,000	45,000	19/12/2016	$1.24	19/12/2019	19/12/2026
2016 Employee	132,500	132,500	132,500	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	08/10/2018	$4.52	08/10/2021	08/10/2028
2019 Employee	425,000	425,000	475,000	04/04/2019	$6.24	04/04/2023	04/04/2029
2019 Acquisition	50,000	50,000	50,000	04/04/2019	$4.59	04/04/2023	04/04/2029
2020 Employee (1)	500,000	500,000	500,000	31/07/2020	$5.60	31/07/2023	31/07/2030
2020 Acquisition (2)	25,000	25,000	25,000	30/09/2020	$6.20	30/09/2024	30/09/2030
2021 Acquisition (3)	45,500	45,500		01/01/2021	$6.80	01/01/2025	01/01/2031
2021 Directors (4)	300,000	300,000		15/03/2021	$10.40	15/03/2024	15/03/2031
2021 Acquisition (5)	100,000	100,000		20/04/2021	$11.38	20/04/2025	20/04/2031
2021 Acquisition (6)	75,000	110,000		01/07/2021	$12.56	01/07/2025	01/07/2031
Total	**2,203,000**	**2,238,000**	**1,907,500**				

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 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.

(2) 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.

(3) On 01 January 2021, certain vendors, retained as employees, were granted options to purchase 45,500 New Ordinary Shares at a price of $6.80 pursuant to the acquisition of franchises acquired in 2020. These options have a four-year vesting requirement.

(4) 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.

(5) On 20 April 2021, certain vendors, retained as employees, were granted options to purchase 100,000 New Ordinary Shares at a price of $11.38 pursuant to the acquisition of certain IP Assets. These options have a four-year vesting requirement.

(6) On 1 July 2021, certain vendors, retained as employees, were granted options to purchase 110,000 New Ordinary Shares at a price of $12.56 pursuant to the acquisition of franchises acquired in 2021. These options have a four-year vesting requirement.

Patrick DeSouza received (i) 180,000 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. 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 2021 $	Year ended 31 December 2020 $
Interest income	51,092	88,753

9 Finance expense

	Year ended 31 December 2021 $	Year ended 31 December 2020 $
Interest expense	969,130	445,351

10 Taxation

Group	Year ended 31 December 2021 $	Year ended 31 December 2020 $
Current tax:		
Current tax on profits in the year	1,084,022	836,682
Prior year over provision	-	-
Total current tax	1,084,022	836,681
Deferred tax current year	557,329	436,637
Deferred tax prior year	-	-
Deferred tax (credit)/expense (note 20)	557,329	436,637
Income tax expense	1,641,350	1,273,319

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	7,556,039	4,203,374
Tax calculated at domestic rate applicable profits in respective countries (2021: 23.6% versus 2020: 31.7%)	1,457,165	882,709
Tax effects of:		
Non-deductible expenses	136,081	65,445
GILTI Inclusion	47,262	15,202
PPP loan forgiveness	(392,688)	-
Other tax adjustments, reliefs and transfers	136,062	95,620
State taxes net of federal benefit	263,377	190,419
Adjustment in respect of prior year	2,794	17,262
Changes in rates	(8,703)	6,662
Taxation expense recognized in income statement	1,641,350	1,273,319

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 £3,739,716 (2020: £5,898,312) available for offset against future profits. £934,929 (2020: £1,002,713) represents unrecognized deferred tax assets thereon at 25%. The deferred tax asset has not been recognized due to uncertainty over timing of utilization.

The effective rate for tax for 2021 is 23.6% (2020: 31.7%). It is anticipated that the Group will use the effective tax rate of 29.3% (no PPP tax benefit in the future) 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 2021 $	**Year ended 31 December 2020 $**
Profit for the year attributable to equity holders of the Parent ($)	5,764,952	2,892,974
Weighted average number of ordinary shares	15,972,588	14,832,294
Diluted weighted average number of ordinary shares	17,286,616	15,427,122
Profit per share (cents)	36.1	19.5
Diluted profit per share (cents)	33.3	18.8

Profit per share (cents)	(11.7)	-
Adjusted Profit per share (cents)	24.4	19.5
Diluted profit per share (cents)	(10.8)	-
Adjusted Diluted profit per share (cents)	22.5	18.8

12 Acquisitions

These can be summarised as follows:

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. 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. The purchase price of $0.66 million is based on 2020 full-year results of approximately $0.66 million in sales and $0.15 million in adjusted profits.

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. The purchase price for the IP reflects a 75% equity stake for the Group in the new Intelliditch subsidiary in exchange for options for 100,000 shares in Water Intelligence at an exercise price of 822.5 pence and a 25% equity stake in IntelliDitch for the former owners of FastDitch.

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.

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.

On 5 July 2021, the Group announced the reacquisition of its Northeast Florida (Jacksonville/Daytona) franchise territory within its ALD franchise business. Strategically, this reacquisition follows the Central Florida location reacquisition. The two reacquisitions enable ALD to link corporate operations along the eastern part of Florida from Jacksonville in the northeast to fast-growing corporate operations in Orlando and sizeable Melbourne and Miami operations, to the south. This operational scale should contribute to both growth and efficiencies. The purchase price of $2.75 million is based on 2020 full-year results of approximately $2 million in sales and $0.5 million in adjusted profits.

On 8 July 2021, the Group announced the reacquisition of its Las Vegas and Phoenix franchise territories within its ALD franchise business. Demand in Las Vegas and Phoenix is especially strong for ALD water leak detection and repair services, due to a variety of factors such as heat, drought, the number of swimming pools and higher income levels. Strategically, these reacquisitions follow the May reacquisition of its Reno, Nevada franchise and the Group's prior reacquisition of its franchise in Tucson, Arizona. It enables ALD to link existing corporate operations – Las Vegas with Reno and Phoenix with Tucson. The combined purchase price of $10.3 million will be paid over four years and is based on combined 2020 full-year results of approximately $5.75 million in sales and $1.6 million in adjusted profits.

On 1 November 2021, the Group announced the acquisition of Wat-er-save Services Limited ("WS"), a UK provider of leak detection, repair and water infrastructure services to UK commercial customers including universities and leisure resorts. The acquisition was led by the Group's UK-based Water Intelligence International ("WII"). Strategically, this acquisition provides the Group with a more substantial sales footprint in the UK. Financially, despite Covid-related restrictions, WS executed approximately £0.95 million of sales and £0.25 million of profit before tax for the year-ended 30 June 2021.The purchase price is £0.7 million.

On 1 December 2021, the Group announced the reacquisition of its South Oregon franchise territory within its ALD franchise business. Today's acquisition accelerates the Group's strong growth trajectory by adding scale to its regional hub of corporate operations in the northwest United States; a territory where green economy solutions are in high demand. The purchase price of $1.38 million in cash will be paid over the next twelve months and is based on a pro forma revenue of $1.15 million and $0.25 million in profit before tax for full year 2021.

2021 Acquisitions

	Sub. Aqu. Intelliditch	Sub. Aqu. Wat-er-save	Clermont	Reno	Las Vegas and Phoenix	Daytona	Medford	PlumbRight	Adjust-ments	Totals
	$	$	$	$	$	$	$	$	$	$
Fair value of assets and liabilities acquired										
Equipment	-	11,199	26,250	133,100	447,000	40,595	163,455	74,305	-	895,904
Vehicles	-	34,077	54,868	108,734	490,628	104,434	84,957	90,231	-	967,929
Non-compete	-	41,553	30,000	60,000	120,000	90,000	30,000	70,000	-	441,553
Liabilities / Other	116,667	539,854	-	(13,001)	(560,250)	-	(35,000)	-	-	48,269
Net assets acquired	116,667	626,684	111,118	288,833	497,378	235,029	243,412	234,536	-	2,353,655
Consideration										
Cash	-	1,502,277	330,000	21,000	3,000,000	900,000	688,559	300,000	-	6,741,835
Note payable	-	41,553	330,000	267,833	7,150,842	1,850,000	688,559	375,000	(100,000)	10,603,787
Non-controlling interest	116,667	-	-	-	-	-	-	-	-	116,667
Total consideration	116,667	1,543,830	660,000	288,833	10,150,842	2,750,000	1,377,117	675,000	(100,000)	17,462,288
Intangible assets arising on acquisition (see note 13)	-	917,146	548,882	-	9,653,464	2,514,971	1,133,705	440,464	(100,000)	15,108,633

The intangible assets arising on the above acquisitions of $15,108,633 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.

2020 Acquisitions

	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 amount of deferred consideration for 2021 acquisitions as well as the remaining deferred consideration for acquisitions made in 2018, 2019 and 2020 (after discounting anticipated cash flows to evaluate the fair value), can be summarized as follows:

Current	**Year acquired**	**Year ended 31 December 2021 $**	**Year ended 31 December 2020 $**
South Florida	2018	26,466	24,928
Tucson	2019	109,650	105,884
Minneapolis	2020	327,670	327,670
San Jose	2020	223,976	295,137
Seattle	2020	450,000	750,000
Melbourne, Florida	2020	400,000	
Baton Rouge	2020	175,000	700,000
Brisbane, Australia	2020		38,320
Clermont	2021	330,000	
Las Vegas and Phoenix	2021	1,713,343	
Daytona	2021	850,000	
Medford	2021	688,559	
PlumbRight	2021	200,000	
Total current deferred consideration		5,494,663	2,241,939

Non-Current	**Year acquired**	**Year ended 31 December 2021 $**	**Year ended 31 December 2020 $**
South Florida	2018	117,439	143,905
Tucson	2019	162,018	271,667
Minneapolis	2020	327,672	668,449
San Jose	2020	125,985	353,040
Seattle	2020	300,000	750,000
Melbourne, Florida	2020	350,000	462,375
Baton Rouge	2020	175,000	772,500
Reno	2021	50,000	
Las Vegas and Phoenix	2021	5,437,499	
Daytona	2021	1,000,000	
PlumbRight	2021	175,000	
Total non-current deferred consideration		8,220,613	3,421,936

13 Intangible assets

The calculation of amortisation 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 2020	3,039,251	6,995,968	636,711	10,671,930
Additions	267,570	12,801,565	-	13,069,135
At 31 December 2020	3,306,821	19,797,533	636,711	23,741,065
Additions (see note 12)	917,146	14,191,487	-	15,108,633
At 31 December 2021	4,223,967	33,989,020	636,711	38,849,698
Impairment				
At 1 January 2020	1,506,229	75,000	-	1,581,229
Impairment in year	-	-	-	-
At 31 December 2020	1,506,229	75,000	-	1,581,229
Impairment in year	-	-	-	-
At 31 December 2021	1,506,229	75,000	-	1,581,229
Carrying amount				
At 31 December 2020	1,800,592	19,722,533	636,711	22,159,836
At 31 December 2021	2,717,738	33,914,020	636,711	37,268,469

The increase in carrying value of Goodwill Acquisitions at 31 December 2021 relate to goodwill additions arising on the acquisitions outlined in Note 12 above during 2021.

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 2021. Details on additions in 2021 can be found in note 12 above.

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 - 2021 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 is allocated to separate cash generating units.

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

Goodwill on Franchisor Activities is considered to be related to a single 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 2021 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 2021 (2020: $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 $	Salesforce $	Enterprise Solution Development $	Total $
Cost									
At 1 January 2020	164,880	490,128	350,357	5,295,867	23,692	90,000	-	102,000	6,516,924
Additions	-	224,200	-	-	-	-	-	-	224,200
Disposals	-	(290,000)	(217,500)	(62,050)	(23,692)	(90,000)	-	-	(683,242)
At 31 December 2020	164,880	424,328	132,857	5,233,817	-	-	-	102,000	6,057,883
Additions	515,351	446,553	-	-	116,667	-	1,558,208	-	2,636,779
Disposals	(164,880)	(200,000)	-	-	-	-	-		(364,880)
At 31 December 2021	515,351	670,881	132,857	5,233,817	116,667	-	1,558,208	102,000	8,329,782
Accumulated amortisation									
At 1 January 2020	164,880	290,128	323,784	3,682,108	23,692	82,500	-	-	4,567,092
Amortisation expense	-	193,124	27,702	261,691	-	7,500	-	34,000	524,017
Disposals		(290,000)	(217,500)	(62,050)	(23,692)	(90,000)	-	-	(683,242)
Exchange differences	-	(151)	(1,130)	-	-	-	-	-	(1,281)
At 31 December 2020	164,880	193,101	132,857	3,881,749	-	-	-	34,000	4,406,587
Amortisation expense	-	91,976	-	261,691	5,833	-	129,851	(19,125)	470,226
Disposals	(164,880)	(200,000)	-	-	-	-	-	-	(364,880)
Exchange differences	-	(188)	-	-	-	-	-	-	(188)
At 31 December 2021	-	84,889	132,857	4,143,440	5,833	-	129,851	14,875	4,511,745
Carrying amount									
At 31 December 2020	-	231,227	-	1,352,068	-	-	-	68,001	1,651,296
At 31 December 2021	515,351	585,992	-	1,090,377	110,833	-	1,428,357	87,125	3,818,037

All intangible assets have been acquired by the Group.

The calculation of amortisation 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 2020	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**
Acquired on acquisition of subsidiary	77,684	115,371	-	-	-	-	193,055
Additions	1,587,515	789,876	4,148	-	1,947,086	899,061	5,227,687
Purchase ROU Vehicles	-	280,124	-	-	(280,124)	-	-
Exchange differences	(23,687)	(39,043)	-	17	(1,517)	(7,754)	(71,984)
Disposals	-	(122,810)	-	-	-	(538,979)	(661,789)
At 31 December 2021	**4,693,694**	**3,350,021**	**87,820**	**156,259**	**3,114,413**	**2,029,904**	**13,432,111**
Accumulated depreciation							
At 1 January 2020	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**
Acquired on acquisition of subsidiary	66,485	81,294	-	-	-	-	147,778
Eliminated on disposals	-	(91,014)	-	-	-	(449,014)	(540,027)
Purchase ROU Vehicles	-	256,007	-	-	(256,007)	-	-
Depreciation expense	705,334	560,828	15,789	12,086	428,548	752,483	2,475,069
Exchange differences	(10,728)	(16,485)	-	(63)	(270)	(3,312)	(30,858)
At 31 December 2021	**2,002,288**	**1,572,391**	**38,875**	**62,787**	**934,704**	**1,013,838**	**5,624,883**
Carrying amount							
At 31 December 2020	1,810,985	1,544,742	60,587	105,479	686,533	963,896	5,172,221

At 31 December 2021	**2,691,406**	**1,777,630**	**48,945**	**93,472**	**2,179,709**	**1,016,067**	**7,807,228**

The value of the assets charged as security for the bank debt is $3,341,176 (2020: $2,056,692).

15 Investment in subsidiary undertakings

Company	Subsidiary Undertakings $
Cost	
At 31 December 2020	13,860,551
Exchange difference	(47,794)
At 31 December 2021	13,812,758
Impairment	
At 31 December 2020	6,400,906
Exchange difference	-
At 31 December 2021	6,400,906
Carrying amount	
At 31 December 2020	7,459,645
At 31 December 2021	7,411,782

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%
Wat-er-save Services Limited	Agriculture house, Acland Rd, Dorchester DT1 1EF		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. Wat-er-save, Water Intelligence Australia, Canadian Leak Detection and American Leak Detection Inc. are also wholly-owned by the two principal subsidiaries and indirectly owned by the Parent.

The Company's strategy involves acquisitions, especially of franchisees. Not all acquisitions are 100% owned. American Leak Detection has as a 60% stake in a reacquired franchise in Bakersfield, California. 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 also has a 51% stake in a former franchise located in Denver, Colorado. Finally, American Leak Detection owns 75% of the IntelliDitch subsidiary that was set up as part of the acquisition of IP assets from FastDitch in 2021.

16 Inventories

	Group	
	Year ended 31 December 2021 $	**Year ended 31 December 2020 $**
Group Inventories	677,218	444,791

During the year ended 31 December 2021, an expense of $8,964,486 (2020: $8,830,250) was recognized in the Consolidated Statement of Comprehensive Income, including business to business expenses of $8,288,217 (2020: $8,024,178). There has been no write down of inventories during 2021.

17 Trade and other receivables

	Group		**Company**	
	Year ended 31 December 2021 $	**Year ended 31 December 2020 $**	**Year ended 31 December 2021 $**	**Year ended 31 December 2020 $**
Trade notes receivable	429,219	581,191	-	-
Due from Group undertakings	-	-	23,270,653	4,019,000

All trade notes receivables are due within five years from the end of the reporting period.

	Group		Company	
	Year ended 31 December 2021 $	Year ended 31 December 2020 $	Year ended 31 December 2021 $	Year ended 31 December 2020 $
Trade receivables	4,414,329	2,843,462	-	-
Prepayments	1,928,308	899,903	110,917	3,973
Due from Group undertakings	-	-	4,670,366	3,049,570
Accrued royalties receivable	513,853	673,832	-	-
Trade notes receivable	194,590	212,681	-	-
Other receivables	997,709	1,093,994	-	-
Due from related party	331,106	325,195	-	-
Current portion	8,379,894	6,049,067	4,781,282	3,053,543

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 (2020: 39 days). The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	Year ended 31 December 2021 $	Year ended 31 December 2020 $
US Dollar	7,108,323	5,229,898
UK Pound	905,624	504,926
Australian Dollar	286,598	293,179
Canadian Dollar	34,100	21,063
	8,334,644	6,049,067

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 2021 $	Year ended 31 December 2020 $	Year ended 31 December 2021 $	Year ended 31 December 2020 $
Cash at bank and in hand	23,802,352	6,818,715	1,865,798	366,737

19 Trade and other payables

	Group		Company	
	Year ended 31 December 2021 $	Year ended 31 December 2020 $	Year ended 31 December 2021 $	Year ended 31 December 2020 $
Trade payables	723,458	1,526,733	6,881	21,094
Accruals and other payables (Note 2)	3,470,573	2,373,732	125,745	121,452
Due to Group undertakings	-	-	-	-
	4,194,031	3,900,465	132,626	142,546

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 (2020:16 days).

20 Deferred Tax

The analysis of deferred tax liabilities is as follows:

Group	**2021**	**2020**
	$	**$**
Deferred tax (liability)/assets	(1,576,872)	(957,170)

The movement in deferred tax liabilities is as follows:

2021	**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	(957,170)	(557,329)	(62,373)	(1,576,872)
	(957,170)	(557,329)	(62,373)	(1,576,872)

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)

At the balance sheet date, the Group's UK trading subsidiaries had unused tax losses (as reported on the Group's tax returns) of £3,739,716 (2020: £5,898,312) available for offset against future profits. £934,929 (2020: £1,002,713) represents unrecognized deferred tax assets thereon at 25%. 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 2020	15,434,784	65,538	15,500,322
At 31 December 2021	17,366,688	51,000	17,417,688

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Group & Company

	Share capital $	Share premium $	Shares in Treasury $
At 31 December 2020	116,212	12,091,069	(340,327)
At 31 December 2021	141,594	35,208,586	(468,425)

At various times during 2021, the Company bought 51,000 shares into treasury at a purchase price range of 600p to 992p.

On 8 February 2021, the Company issued 6,500 shares to Bobby Knell in lieu of 2019 and 2020 director fees.

On 12 March 2021, the Company issued 20,000 shares pursuant to an exercise of options.

On 14 July 2021, the Company announced a capital raise, pursuant to which the Company sold 547,078 new ordinary shares to raise £5.0 million. At the same time, Patrick DeSouza, Executive Chairman of the Company, fully paid 120,000 of his partly paid shares and, in addition, options over 130,000 ordinary shares were exercised and sold to incoming investors. All of these shares were admitted to trading on AIM on 19 July 2021.

On 12 November 2021, the Company announced a capital raise, pursuant to which the Company sold 1,041,667 new ordinary shares to raise £12.5 million. These shares were admitted to trading on AIM on 17 November 2021.

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 Lease liability

	Year ended 31 December 2021 $	Year ended 31 December 2020 $
Lease liabilities in statement of financial position		
Amounts due within one year	1,161,879	771,713
Amount due after more than one year	2,048,288	991,720
	3,210,167	1,763,433
Amount recognized in the statement of comprehensive income		
Interest on leasehold liabilities	136,986	93,912
Amount recognized in the statement of cash flows		
Repayment of lease liabilities	1,448,594	813,667

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 2021 no trading in financial instruments was undertaken (2020: 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 2021, 70.39% was held with one counterparty with a credit rating of Aaa and a further 14.83% 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 2021, trade receivables of $438,284 (2020: $281,805) 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 2021 $	Year ended 31 December 2020 $
60-90 days	196,106	87,621
90+ days	242,178	194,184
	438,284	281,805
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 2021 $	Year ended 31 December 2020 $	Year ended 31 December 2021 $	Year ended 31 December 2020 $
Loans and receivables	-		-	-
Cash and cash equivalents	23,802,352	6,818,715	1,865,798	366,737
Trade and other receivables – current	8,379,894	6,049,067	28,051,935	7,072,544

Trade and other receivables – non-current	429,219	581,191	-	-
Financial Liabilities measured at amortised cost				
Trade and other payables	4,194,031	3,900,465	132,626	142,545
Borrowings – current	3,325,579	3,713,323	-	-
Borrowings – non-current	8,176,893	6,839,981	-	-
Deferred consideration – current	5,494,663	2,241,939	-	-
Deferred consideration – non-current	8,220,613	3,421,936	-	-

Borrowings

Bank Debt

The Group has a commercial banking relationship with People's United Bank (People's) (acquired in April 2022 by M&T Bank) with various facilities: a working capital line of credit ("WCL"); acquisition lines of credit ("ALOCs"), and term loans ("Term Loans").

A $2,000,000 WCL is secured by substantially all of the assets of the Group. On October 13, 2020, the WCL was extended to a maturity date of December 5, 2021 and bore an annual variable interest rate equal to equal to LIBOR plus 3.00%. On December 4, 2021, the WCL was extended to a maturity date of December 5, 2023 and bears an annual variable interest rate equal to LIBOR plus 3.00%. At December 31, 2021 and 2020, the interest rate was 4.00%. Monthly interest only payments on any unpaid balance were made during 2021 and 2020. The balance outstanding at December 31, 2021 and 2020 was $226,737, and is included within line of credit on the consolidated balance sheets.

In addition to the $2,000,000 line of credit, People's had provided the Group with two acquisition lines of credit (ALOC 1 and ALOC 2). 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 at December 31, 2021 and 2020 was $3,497,907 and $4,521,685, respectively 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 line bears interest at a rate equal to LIBOR plus 3.00%. As of December 31, 2021 and 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, the New ALOC advance 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.

The balance outstanding at December 31, 2021 and 2020 was $1,831,546 and $2,309,342, respectively and is included within notes payable on the balance sheets.

In February 2021, the Group was advanced $3,200,000 from the New ALOC which converted the New ALOC into a new term loan ("New Term Loan"). The New Term Loan bears interest at a rate equal to 3.64% and requires installments consisting of principal and interest amounting to $53,333 to be paid monthly beginning in March 2021 until maturity in February 2026. The New Term Loan is secured by substantially all of the assets of the Group. The balance outstanding at December 31, 2021 and 2020 was $2,666,667 and $0, respectively and is included within notes payable on the balance sheets.

To summarize the above, the total amount of prior borrowings that have been refinanced at December 31, 2021 and 2020 was $3,497,907 and $4,521,685 respectively. In addition, the total amount of borrowings under new ALOC facilities at December 31, 2021 and 2020 was $4,498,213 and $2,309,341 respectively.

As noted in the subsequent events, the Group expanded its credit facilities in April 2022. The interest rate for the new acquisition line of credit was established using the SOFR index. Additionally, the existing working capital line of credit interest rate was amended upon renewal in December 2021 to be calculated using the SOFR index. Therefore, the Group will not be impacted by the IBOR reform.

In connection with the People's line of credit, ALOC, and term note facilities, the Group is required to comply with certain financial and non-financial covenants. 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, 2021.

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. The gain on the loan forgiveness was recognized in 2021, with the related expenses recognized in 2020.

	Current		**Non-Current**	
Financial Instruments	**Year ended 31 December 2021 $**	**Year ended 31 December 2020 $**	**Year ended 31 December 2021 $**	**Year ended 31 December 2020 $**
Term loans	1,106,366	1,074,507	2,676,484	3,585,440
PPP Loan	-	1,449,769	-	420,031
Working Capital Line of Credit	-	-	226,737	226,737
Acquisition Line of Credit	1,117,795	477,795	3,380,418	1,831,546
Less: Loan Closing Costs	(60,461)	(60,461)	(155,034)	(215,495)
Lease Liabilities	1,161,879	771,713	2,048,288	991,721
Total	3,325,579	3,713,323	8,176,893	6,839,981

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.

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 2021 were $104,760 (2020: $119,271). No foreign exchange contracts were in place at 31 December 2021 (2020: Nil).

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

	Group	**Company**

	Year ended 31 December 2021 $	Year ended 31 December 2020 $	Year ended 31 December 2021 $	Year ended 31 December 2020 $
Assets				
Sterling, Australian and Canadian Dollars	4,288,235	1,685,233	29,917,733	7,439,281
Liabilities				
Sterling, Australian and Canadian Dollars	1,146,338	1,053,196	132,626	142,545

As shown above, at 31 December 2021 the Group had Sterling, Australian and Canadian denominated monetary net assets of $4,288,235 (2020: $1,685,233). If the foreign currency weakens by 10% against the US dollar, this would decrease net assets by $428,824 (2020: $168,523) with a corresponding impact on reported losses. Changes in exchange rate movements resulted in a loss from exchange differences on a translation of foreign exchange of $221,281 in 2021 (2020: gain of $33,375), 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 majority of borrowings are subject to fixed rates with only the WCL subject to variable rates. The fixed rate borrowings at the year end are $8,065,568 (2020: $8,563,132) and the variable rate borrowings are $226,767 for both years.

Interest rate sensitivity analysis

The losses recorded by both the Group and the Company for the year ended 31 December 2021 would not materially change if market interest rates had been 1% higher/lower throughout 2021 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 2023. 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 corporate-operated profits and franchisee 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** $
2021				
Payables	4,194,030	-	-	4,194,030
Lease liabilities	607,899	553,980	2,048,288	3,210,167
Borrowings	1,092,915	1,070,786	6,128,605	8,292,306

Deferred consideration	4,558,239	936,424	8,220,613	13,715,276

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

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

Group	**0-6 months** **$**	**6-12 months** **$**	**>12 months** **$**	**Total** **$**
2021				
Payables	-	-	-	-
Lease liabilities	79,609	80,041	250,157	409,807
Borrowings	220,481	277,735	942,856	1,441,072
Deferred consideration	365,666	304,101	646,268	1,316,034

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 2021	5,848,261	2,941,610	1,763,433	10,553,304
Cash flows				
- Repayment	(1,827,765)	-	(1,448,594)	(3,276,359)
- Proceeds	3,200,000	-	-	3,200,000
Non-cash				
- New Leases	-	-	2,895,328	2,895,328
- PPP loan forgiveness	(420,031)	(1,449,769)	-	(1,869,800)
- Reclassification	(671,860)	671,860	-	-
As at 31 December 2021	6,128,605	2,163,701	3,210,167	11,502,473

	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 2020	5,848,261	2,941,610	1,763,433	10,553,304

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 2021	1,185	1,185	-	-
SEEEN investment	31 December 2020	1,564	1,564	-	-

To estimate fair value, the lower end of the bid-offer spread as at 31 December 2021 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 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 23, 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 $18,937 and $18,062 for the years December 31, 2021 and 2020, respectively. The guarantee fee expense for the PSS guarantee amounted to $67,000 and $38,219 for the years ended December 31, 2021 and 2020, respectively. During 2021 the Company paid expenses on behalf of PSS in the amount of $54,374. The related receivable/prepaid balance remaining is $331,106 and $325,195 at December 31, 2021 and 2020, respectively.

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

Water Intelligence International Limited

	$
Balance at 31 December 2020	3,049,570
Net loans to subsidiary	-
Other expenses recharged and exchange differences	1,620,796
Balance at 31 December 2021	4,670,366

ALDHC	**$**
Balance at 31 December 2020	-
Loans prepaid by WI capital raise	-
Balance at 31 December 2021	-

ALD Inc.	**$**
Balance at 31 December 2020	4,019,000
Loans incurred due to WI capital raise	19,205,100
Loans paid to WI	-
Other expenses recharged and exchange differences	46,552
Balance at 31 December 2021	23,270,653

27 Subsequent events

On 19 January 2022, the Group announced the reacquisition of its Fort Worth, Texas franchise territory within the Group's ALD franchise business. The Fort Worth operation is fast-growing and expected to accelerate further by adding new service locations in north and west Texas during 2022. Moreover, this reacquisition reinforces the Group's strategy of establishing regional corporate hubs in the US that have scale to fuel growth in nearby corporate and franchise locations. The purchase price of $7.7 million in cash is to be paid over three years.. The purchase price is based on 2021 pro forma of $3.6 million in revenue and $1.2 million in profit before tax.

On 3 February 2022, the Group announced the sale of certain territory in rural North Carolina to an existing, fast-growing franchisee of American Leak Detection (ALD). The purchase price for the territory is $90,000, all of which is recognised as revenue at 100% profit margin. It is also expected that the franchise owner will be purchasing additional equipment from ALD to launch service vehicles to develop the territory. Finally, the commercialization of such "greenfield" territory will also add royalty income to the Group's ALD business unit during 2022.

On 7 April 2022, the Group announced the expansion of its acquisition line of credit to include an additional $15 million for further acquisitions of its franchises. As part of the facility, the Group entered into swap arrangements that maintain a fixed interest rate of approximately 5.5% on amounts drawn under the facility and are amortised over a term of five years. The covenants and guarantee requirements for the new facility remain the same all other credit facilities with People's Bank, now operating post-acquisition as part of M&T Bank.

On 12 May 2022, the Group announced the reacquisition of its American Leak Detection Central Texas franchise. The franchise includes the cities of Abilene, Lubbock and Midland which are west of recently launched corporate-operated locations of Fort Worth (via franchise acquisition) and Wichita Falls (greenfield). The purchase price of $0.75 million in cash is based on the franchise's 2021 Statement of Income of $0.65 million in revenue and $0.21 million in profit before tax.

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.