Water Intelligence plc (AIM: WATR.L)
Interim Results

Water Intelligence plc (AIM: WATR.L) (the "Group" or "Water Intelligence"), a leading multinational provider of precision, minimally-invasive leak detection and remediation solutions for both potable and non-potable water is pleased to provide its unaudited Interim Results for the period ended 30 June 2023.

Results are in-line with market expectations with strong profit growth as the Group continues to execute on its long-run growth plan.

Financial Highlights

- Revenue increased by 9% to $38.7 million (1H 2022: $35.6 million)
    - Franchise Royalty income grew 2% to $3.63 million (1H 2022: $3.57 million)
    - Franchise Related sales grew 14% to $5.9 million (1H 2022: $5.2 million)
    - Corporate Store sales grew 9% to $29.2 million (1H 2022: $26.9 million)
        - US Corporate store sales grew 8% to $25.2 million (1H 2022: $23.3 million)
        - International Corporate store sales grew 10% to $4.0 million (1H 2022: $3.6 million)
    - Network Sales (implied gross sales of franchisees from which reported royalty is derived plus direct sales of corporate locations) grew 5% to $89 million (1H 2022: $85 million)

- Statutory Profit Before Tax increased by 21% to $4.2 million (1H 2022: $3.5 million)
- Statutory EBITDA increased by 12% to $7.0 million (1H 2022: $6.2 million)
- PBT Adjusted* increased by 18% to $5.4 million (1H 2022: $4.6 million)
- EBITDA Adjusted** increased by 12% to $7.7 million (1H 2022: $6.9 million)

- EPS Basic increased by 18% to 16.4 cents (1H 2022: 13.9 cents)
- EPS Fully Diluted increased by 22% to 15.9 cents (1H 2022: 13.0 cents)

- PBT Margin increased to 11% (1H 2022: 10%)
- EBITDA margin increased to 18% (1H 2022: 17.5%)

- Cash and equivalents at 30 June of $18.7 million
    - Net Cash of $1.75 million (cash minus bank borrowings)
    - Bank borrowings amortized through 2028 at a blended fixed rate of 4.9%
    - Net Debt (including both Bank Debt and Deferred Acquisition Payments) to EBITDA ratio: 0.65x

*PBT Adjusted (adjusted for amortisation, share based payments and non-core costs)
**EBITDA Adjusted (adjusted for share based payments and non-core costs)

Corporate Development

- Accretive re-acquisitions:
    - Franchise Acquisition: Nashville, Tennessee
    - Subsequent to 1H: Franchise acquisition of Covina, California
- Technology:
    - Commercialisation of New Technology Offerings
        - IntelliDitch (Liner for open channel water conveyance and storm water run-off)
        - Pulse (Sewer diagnostics for municipal and residential customers respectively)
        - LS1 (Rapid municipal area surveys)
        - CreatorSuite (Video ecommerce of water and wastewater products & services; distance learning)
    - Salesforce.com implementation: on-boarding of all locations continuing

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

"We continue to deliver strong results while navigating market volatility produced by rising interest rates and inflationary pressures. Profits increased strongly. Margins improved. Our balance sheet remains strong enabling us to make investments for future growth both in terms of more trained technicians, new technology solutions for customers and software infrastructure to enable continuous customer engagement and operating efficiencies. We remain positive about the future as market demand for water infrastructure solutions continues to grow."

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Chairman's Statement

Overview

Our fundamentals remain strong despite volatile conditions in the broader marketplace. Business is growing, profits are strong, earnings per share is up and we have a balance sheet that provides the Group with flexibility to be opportunistic. Moreover, market demand for water and wastewater solutions is only expected to grow over the next decade around the world. The concerns expressed in the UK media during early July over the significant capital investment required for water infrastructure in the UK are generally shared with respect to national water infrastructure around the world.

During 1H, we continued to execute our long-run growth plan to build a “One Stop Shop” for customers needing water and wastewater solutions; a strategic concept that we first articulated over a decade ago when we first came to AIM. Our plan continues to recognize two core attributes of our market presence. First, we solve problems for customers across the United States with over 200,000 customer visits annually. This is a significant installed base from which to grow the business through follow-on offerings. Second, we are uniquely positioned at the starting point of any customer’s journey by having proprietary solutions that address the customer’s first concern: “Do I have a leak and can you help me find it with minimal destruction?” As a trusted advisor to the customer from inception, we have the opportunity to upsell various solutions for related water and wastewater problems. Because of this unique value proposition or “USP”, we have a scalable model that has lower customer acquisition costs. Our results reinforce these key attributes for achieving a “One Stop Shop” distribution platform.

Results

During 1H, overall revenue grew by 9% to $38.7 million (1H 2022: $35.6 million). All key performance indicators grew. Franchise royalty grew by 2% to $3.63 million (1H 2022: $3.57 million). Franchise related activities grew 14% to $5.9 million (1H 2022: $5.2 million) with the sub-component of the insurance business-to-business channel growing by 15%. US Corporate stores grew by 8% to $25.2 million (1H 2022: $23.3 million). International corporate store sales grew by 10% to $4 million (1H 2022: $3.6 million).

The sharp rise in interest rates did adversely affect revenue growth, particularly US corporate store sales as new construction slowed dramatically. However, the biggest impact was concentrated in three regions: Texas, Kentucky and to a lesser degree Florida. In these corporate locations, sales declined by approximately $1.5 million versus 2022 1H sales. We are currently redeploying leak detection specialists to other water and wastewater projects in those same regions and are confident in the future growth rate of these locations. For example, instead of new construction, consumers and property managers are focusing on rental properties which also need pinpoint leak detection solutions. Moreover, our proprietary new offerings with respect to residential sewer diagnostics should assist with our adjustment to market changes regarding new construction by providing solutions for older properties.

As we navigate volatile market conditions, we are also mindful of profitability and operating efficiencies. During 1H, despite sharply rising interest rates, persistent inflation adversely affected our cost structure, particularly in terms of wages and health care benefits. However, we have navigated this backdrop successfully. Profits grew along all measures, whilst margins also grew along all measures. Statutory profit before tax (PBT) increased by 21% to $4.2 million (1H 2022: $3.5 million). PBT adjusted for non-cash amortization and share-based payment expenses and non-core costs grew by 18% to $5.4 million (1H 2022: $4.6 million). Earnings before interest, taxes, depreciation and amortization (EBITDA) grew by 12% to $7.0 million (1H 2022: $6.2 million). EBITDA Adjusted for share-based payments and non-core costs grew by 12% to $7.7 million (1H 2022: $6.9 million). PBT margins grew to 11% (1H 2022: 10%); EBITDA margins grew to 18% (1H 2022: 17.5%).

In navigating the dual shocks of rapidly rising interest rates and persistent inflation, we have been prudent in our corporate finance. Our balance sheet remains strong, enabling the Group to make both operating adjustments to navigate the short-run markets and the proper investments for long-run growth. In addition, we continued to reacquire franchises – Nashville, Tennessee and Covina, California - in strategic locations. Such acquisitions are fully accretive to our shareholders.

At 30 June, the Group had $18.7 million in cash and cash equivalents. Net cash after taking into account bank borrowings was $1.75 million. The Group’s bank facilities, locked-in prior to the interest rate hikes, are favourable with borrowings amortized through 2028 at a blended rate of 4.9%. As a result, Water

Intelligence has flexibility to increase its credit facilities if needed as the Group is under-leveraged. The Group's Net Debt (including both bank debt and deferred consideration) to EBITDA ratio is 0.65x. Such prudent corporate finance, combined with our results, enabled us to grow EPS - both basic and diluted. EPS (Basic) increased by 18% to 16.4 cents (1H 2022: 13.9 cents). EPS (Fully Diluted) increased by 22% to 15.9 cents (1H 2022: 13 cents).

Strategic Outlook
We will continue to execute our long-run growth plan to create a One-Stop Shop because we operate in a market where customer demand for solutions to water and wastewater problems will remain strong given the rising price of water and the reality of aging water and wastewater infrastructure. Because of underlying market demand, we are still hiring to put more service vehicles on the road and training more technicians to deploy our minimally-invasive technologies. Such new hires are an operating expense but should be considered an investment given the length of time it takes to train a leak detection professional and the importance of fully-trained technicians for future revenue generation based our USP of pinpointing water and wastewater leaks with minimal destruction. While we have the resources to make this investment, we will be prudent and monitor the general macroeconomic picture.

Our prior technology investments will help manage our people investments in growing the business. On 11 September, we released an update on our new technology offerings that we are building into our sales plan for 2024: IntelliDitch (irrigation and stormwater run-off); Pulse (Resident and Municipal); LS1 (Municipal); CreatorSuite (ecommerce).

First, each of these offerings will add to our matrix of solutions – residential, commercial, municipal, clean water, wastewater – and enable us to further position ourselves to customers, whether homeowners or insurance companies, as a One Stop Shop. For example, with our Pulse product, rapid sewer diagnostics is a natural upsell during a visit to a home for water leak detection as most homeowners have insurance or warranty policies for both water damage and sewer blockages. This offering will also help to drive our business-to-business channels.

Having a matrix of solutions also helps with navigating changes in market segments and the management of our workforce. As noted above, the slowdown in new construction because of the spike in interest rates may be offset by a focus on aging rental properties, with problems such as sewer blockages. Our technicians are all cross-trained on the various technologies, making it easier to redeploy the technicians we have invested in. It should also be noted that our proprietary LS1 product for rapid, automated municipal surveys is geared for deploying headcount with less training than is required for pinpoint leak detection. As this offering is rolled-out, we are planning on using such surveys as a bridge for technicians to generate sales while training for full leak detection capabilities.

Second, our software infrastructure enabling customer relationship management (Salesforce) and video ecommerce (CreatorSuite) applications positions us to be part of the customer's entire journey across their lifecycle with sales opportunities to provide solutions to various problems related to water and wastewater. Given our sales footprint across the US and in the UK, Australia and Canada, we can also work with partner companies anywhere in the world to recommend their products to homeowners or property management. Related to demand for water and wastewater solutions, the development of the smart home is another sectoral trend that is expected to continue.

Our software infrastructure will also help with workforce management. With our Salesforce application, we will be more efficient with job scheduling for our technicians and achieve higher levels of service responsiveness to residential customers and business-to-business partners. We will also be able to better integrate work crews with trainees for on-the-job training. With our CreatorSuite video technology, we can not only use it for ecommerce but also for distance learning with short form training videos housed in a secure environment for our technicians. Cutting the time for training will enable the Group to accept more sales opportunities instead of managing backlogs of work.

In navigating market conditions, we will continue to execute our growth plan. However, we are mindful that it all starts with fundamentals, especially profits. As we build on the fundamentals by simply adding more trained technicians and service vehicles because of market demand for water and wastewater solutions, we will be integrating prior investments that make our operations more efficient and lower customer acquisition costs.

Patrick DeSouza
Executive Chairman
September 19, 2023

Interim Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2023

	Notes	Six months ended 30 June 2023 $ Unaudited	Six months ended 30 June 2022 $ Unaudited	Year ended 31 December 2022 $ Audited
Revenue	4	38,674,922	35,583,457	71,333,461
Cost of sales		(5,387,099)	(4,656,279)	(9,659,600)
Gross profit		**33,287,823**	**30,927,178**	**61,673,861**
Administrative expenses				
- Other income		10,716	41,631	130,405
- Share-based payments		(206,319)	(226,525)	(462,097)
- Amortisation of intangibles		(416,484)	(429,440)	(968,086)
- Other administrative costs		(27,909,904)	(26,074,124)	(53,528,825)
Total administrative expenses		(28,521,991)	(26,688,458)	(54,828,603)
Operating profit		**4,765,832**	**4,238,720**	**6,845,258**
Finance income		334,049	21,851	229,550
Finance expense		(864,530)	(753,508)	(1,570,592)
Profit before tax	4	**4,235,351**	**3,507,063**	**5,504,216**
Taxation expense		(1,266,129)	(1,106,026)	(1,837,737)
Profit for the period		**2,969,192**	**2,401,037**	**3,666,479**
Attributable to:				
Equity holders of the parent		2,854,408	2,407,239	3,566,540
Non-controlling interests		114,784	(6,202)	99,939
		2,969,192	**2,401,037**	**3,666,479**
Other comprehensive income				
Exchange differences arising on translation of foreign operations		238,363	(370,207)	(409,371)
Cash flow hedge movement not subsequently reclassified to the P&L		24,310	-	448,177
Fair value adjustment on listed equity investment (net of deferred tax)		(209,923)	(475,794)	(690,885)
Total comprehensive income for the period		**3,021,943**	**1,555,036**	**3,014,400**
Earnings per share		**Cents**	**Cents**	**Cents**
Basic	5	16.4	13.9	20.5
Diluted	5	15.9	13.0	19.2

Consolidated Statement of Financial Position as at 30 June 2023

	Notes	At 30 June 2023 $ Unaudited	At 30 June 2022 $ Unaudited	At 31 December 2022 $ Audited
ASSETS				
Non-current assets				
Goodwill		47,953,610	45,382,040	44,966,672
Listed equity investment		219,049	592,516	474,613
Other intangible assets		7,136,062	4,534,059	6,019,360
Interest rate swap		472,487	-	448,177
Property, plant and equipment		9,266,935	9,655,046	9,224,955
Trade and other receivables		267,612	454,619	287,572
		65,315,755	60,618,280	61,421,349
Current assets				
Inventories		802,904	735,722	759,070
Trade and other receivables		12,595,302	12,461,108	11,393,584
Cash and cash equivalents		18,731,207	21,907,224	23,014,454
		32,129,413	35,104,054	35,167,108
TOTAL ASSETS	4	97,445,168	95,722,334	96,588,457
EQUITY AND LIABILITIES				
Equity attributable to holders of the parent				
Share capital	6	143,192	142,260	143,192
Share premium	6	35,417,072	35,252,633	35,417,072
Shares held in treasury	6	(1,139,404)	(529,077)	(1,139,404)
Merger reserve		1,001,150	1,001,150	1,001,150
Share based payment reserve		1,816,423	1,319,519	1,555,090
Foreign exchange reserve		(1,266,500)	(1,465,700)	(1,504,863)
Reverse acquisition reserve	6	(27,758,089)	(27,758,089)	(27,758,088)
Equity investment reserve		(854,136)	(429,123)	(644,213)
Cash flow hedge reserve		472,487	-	448,177
Retained profit		49,951,542	45,959,816	47,097,133
		57,783,737	53,493,389	54,615,246
Equity attributable to Non-Controlling interest				
Non-controlling interest		416,539	568,513	598,636
Non-current liabilities				
Borrowings and lease liabilities		14,725,059	15,369,104	15,334,813
Deferred consideration		4,731,313	7,929,371	7,164,421
Deferred tax liability		3,092,054	2,502,840	1,915,581
		22,548,426	25,801,315	24,414,815
Current liabilities				
Trade and other payables		5,415,716	4,730,349	6,331,107
Borrowings and lease liabilities		6,634,568	5,365,027	5,519,560
Deferred consideration		4,646,182	5,763,741	5,109,093
		16,696,466	15,859,117	16,959,760
TOTAL EQUITY AND LIABILITIES		97,445,168	95,722,334	96,588,457

Interim Consolidated Statement of Changes in Equity
For the six months ended 30 June 2023

	Share Capital	Share Premium	Shares held in treasury	Reverse Acquisition Reserve	Merger Reserve	Share based payment reserve	Foreign exchange reserve	Equity investment reserve	Cash Flow Hedge Reserve	Retained Profit	Total	Non-controlling interest	Total Equity
	$	$	$	$	$	$	$	$	$	$	$	$	$
As at 1 January 2022	**142,260**	**35,252,633**	**(468,427)**	**(27,758,088)**	**1,001,150**	**1,092,993**	**(1,095,492)**	**46,672**	**-**	**43,552,575**	**51,766,276**	**612,528**	**52,378,804**
Share based payment expense	-	-	-	-	-	226,525	-	-	-	-	226,525	-	226,525
Share buyback	-	-	(60,650)	-	-	-	-	-	-		(60,650)	-	(60,650)
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(37,813)	(37,813)
Profit for the period	-	-	-	-	-	-	-	-	-	2,407,239	2,407,239	(6,202)	2,401,037
Other comprehensive loss	-	-	-	-	-	-	(370,207)	(475,794)	-	-	(846,001)	-	(846,001)
As at 30 June 2022 (unaudited)	**142,260**	**35,252,633**	**(529,076)**	**(27,758,088)**	**1,001,150**	**1,319,518**	**(1,465,699)**	**(429,122)**	**-**	**45,959,814**	**53,493,389**	**568,513**	**54,061,902**
Options purchase	932	164,439	(584,150)	-	-	-	-	-		-	(418,779)	-	(418,779)
Share-based payment expense	-	-	-	-	-	235,572	-	-		-	235,572	-	235,572
Share buyback	-	-	(26,177)	-	-	-	-	-			(26,177)	-	(26,177)
Purchase non-controlling interest	-	-	-	-	-	-	-	-		(21,983)	(21,983)	(76,017)	(98,000)
Profit for the period	-	-	-	-	-	-	-			1,159,302	1,159,302	106,141	1,265,443
Other comprehensive income	-	-	-	-	-	-	(39,164)	(215,091)	448,177	-	193,922	-	193,922
As at 31 December 2022 (audited)	**143,192**	**35,417,072**	**(1,139,404)**	**(27,758,088)**	**1,001,150**	**1,555,090**	**(1,504,863)**	**(644,213)**	**448,177**	**47,097,133**	**54,615,246**	**598,636**	**55,213,882**
Share based payment expense	-	-	-	-	-	206,319	-	-		-	206,319	-	206,319
Transaction options	-	-	-	-	-	55,013	-	-			55,013	-	55,013
Partnership distribution	-	-	-	-	-	-	-	-		-	-	(296,882)	(296,882)
Profit for the period	-	-	-	-	-	-	-	-		2,854,409	2,854,409	114,784	2,969,193
Other comprehensive income	-	-	-	-	-	-	238,363	(209,923)	24,310	-	52,750	-	52,750
As at 30 June 2023 (unaudited)	**143,192**	**35,417,072**	**(1,139,404)**	**(27,758,088)**	**1,001,150**	**1,816,422**	**(1,266,500)**	**(854,136)**	**472,487**	**49,951,542**	**57,783,738**	**416,539**	**58,200,277**

Interim Consolidated Statement of Cash Flows
For the six months ended 30 June 2023

	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
	$	$	$
	Unaudited	Unaudited	Audited
Cash flows from operating activities			
Profit before tax	4,235,351	3,507,063	5,504,216
Adjustments for non-cash/non-operating items:			
Depreciation of plant and equipment	1,776,887	1,559,464	3,236,683
Amortisation of intangible assets	416,484	429,440	968,086
Share based payments	206,319	226,525	462,097
Interest paid	864,530	466,225	1,570,591
Interest received	(334,049)	(21,851)	(229,550)
Operating cash flows before movements in working capital	7,165,521	6,166,866	11,512,123
Increase in inventories	(43,834)	(58,504)	(81,852)
Increase in trade and other receivables	(1,181,758)	(4,055,364)	(2,820,793)
Increase/(Decrease) in trade and other payables	(1,010,504)	509,562	1,932,825
Cash generated by operations	4,929,426	2,562,560	10,542,303
Income taxes	(44,045)	(60,046)	(1,670,816)
Net cash generated from operating activities	4,885,381	2,502,514	8,871,487
Cash flows from investing activities			
Purchase of plant and equipment	(1,050,204)	(649,120)	(1,202,705)
Purchase of intangibles	(1,335,772)	(1,165,452)	(2,424,395)
Acquisition of subsidiaries	-	(3,850,000)	(3,850,000)
Reacquisition of Franchises	(2,125,000)	(1,400,000)	(1,600,000)
Purchase of listed equity investment	-	-	(153,700)
Purchase of non-controlling interest	-	-	(98,000)
Interest received	334,049	21,851	229,550
Net cash used in investing activities	(4,176,927)	(7,042,720)	(9,099,250)
Cash flows from financing activities			
Share buy-back	-	(60,652)	(86,826)
Options exercised	-	-	(418,780)
Dividend paid	-	(37,812)	(37,812)
Partnership distribution	(296,882)	-	-
Interest paid	(643,506)	(466,225)	(1,202,378)
Proceeds from borrowings	3,358,458	10,057,373	12,356,696
Repayment of borrowings	(2,330,903)	(1,778,343)	(3,815,204)
Repayment of notes	(4,242,043)	(4,309,447)	(5,759,978)
Repayment of lease liabilities	(836,825)	(759,815)	(1,595,853)
Net cash generated by/(used in) financing activities	(4,991,702)	2,645,079	(560,135)
Net (decrease)/increase in cash and cash equivalents	(4,283,247)	(1,895,128)	(787,898)
Cash and cash equivalents at the beginning of period	23,014,454	23,802,352	23,802,352
Cash and cash equivalents at end of period	18,731,206	21,907,224	23,014,454

Notes to the Interim Consolidated Financial Information
for the six months ended 30 June 2023

1 General information

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

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

2 Significant accounting policies

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

The accounting policies adopted in the preparation of the interim consolidated financial information are consistent with those of the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022.

This interim consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with IAS 34, "Interim financial reporting". This interim consolidated financial information is not the Group's statutory financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards (IFRS) and have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis of matter without qualifying their report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The interim consolidated financial information for the six months ended 30 June 2023 is unaudited. In the opinion of the Directors, the interim consolidated financial information presents fairly the financial position, and results from operations and cash flows for the period. Comparative numbers for the six months ended 30 June 2022 are unaudited.

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

Foreign currencies

(i) Functional and presentational currency

Items included in this interim consolidated financial information are measured using the currency of the primary economic environment in which each entity operates ("the functional currency") which is considered by the Directors to be the Pounds Sterling (£) for the Parent Company and US Dollars ($) for American Leak Detection Holding Corp. This interim consolidated financial information has been presented in US Dollars which represents the dominant economic environment in which the Group operates and is considered to be the functional currency of the Group. The effective exchange rate at 30 June 2023 was £1 = US$ 1.2627 (*30 June 2022: £1 = US$ 1.2161*).

Critical accounting estimates and judgments

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

In preparing this interim consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

3 Significant events and transactions

As detailed in Footnote 7 – "Reacquisition of franchisee territories and other acquisitions" the Group reacquired the following franchises and 3rd party companies: Franchises – Nashville Tennessee (7 February 2023) and as a Subsequent Event to 1H, Covina, California (23 July 2023).

4 Segmental information

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

The Group mainly operates in the US, with operations in the UK, Canada and Australia. In the six months to 30 June 2023, 89.7% (1H 2022: 89.8%) of its revenue came from the US-based operations; the remaining 10.3% (1H 2022: 10.2%) of its revenue came from its international corporate operated locations.

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

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

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

- Franchise royalty income;
- Franchise-related activities (including sale of franchise territory, product and equipment sales and Business-to-Business sales);
- US corporate operated locations; and
- International corporate operated locations.

Items that do not fall into the four segments have been categorised as unallocated head office costs and non-core costs.

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

Revenue	**Six months ended 30 June 2023 $ Unaudited**	**Six months ended 30 June 2022 $ Unaudited**	**Year ended 31 December 2022 $ Audited**
Franchise royalty income	3,629,081	3,574,855	6,746,928
Franchise related activities	5,870,970	5,154,080	10,624,268
US corporate operated locations	25,224,557	23,267,410	47,296,711
International corporate operated locations	3,950,314	3,587,113	6,665,554
Total	**38,674,922**	**35,583,457**	**71,333,461**

Profit before tax	**Six months ended 30 June 2023 $ Unaudited**	**Six months ended 30 June 2022 $ Unaudited**	**Year ended 31 December 2022 $ Audited**
Franchise royalty income	1,040,511	963,463	1,956,609
Franchise related activities	483,872	497,801	964,667

US corporate operated locations	4,393,824	4,462,386	8,252,651
International corporate operated locations	338,847	39,007	85,599
Unallocated head office costs	(1,490,273)	(2,035,594)	(4,915,011)
Non-core costs	(531,430)	(420,000)	(840,299)
Total	**4,235,351**	**3,507,063**	**5,504,216**

Assets	**Six months ended 30 June 2023 $ Unaudited**	**Six months ended 30 June 2022 $ Unaudited**	**Year ended 31 December 2022 $ Audited**
Franchise royalty income	27,255,768	28,132,461	29,945,794
Franchise related activities	3,095,479	2,725,813	3,166,036
US corporate operated locations	50,991,843	48,408,920	47,356,148
International corporate operated locations	16,102,079	16,455,139	16,120,479
Total	**97,445,168**	**95,722,334**	**96,588,457**

Geographic Information

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

Total Revenue

	Six months ended 30 June 2023 Unaudited			**Year ended 31 December 2022 Audited**		
	US $	**International $**	**Total $**	**US $**	**International $**	**Total $**
Franchise royalty income	3,577,830	51,252	3,629,081	6,636,512	110,416	6,746,928
Franchise related activities	5,870,970	-	5,870,970	10,624,268	-	10,624,268
US corporate operated locations	25,224,557	-	25,224,557	47,296,711	-	47,296,711
International corporate operated locations	-	3,950,314	3,950,314	-	6,665,554	6,665,554
Total	**34,673,356**	**3,635,985**	**38,674,922**	**64,557,491**	**6,775,970**	**71,333,461**

5 Earnings per share

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

	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
	Unaudited	**Unaudited**	**Audited**
Earnings attributable to shareholders of the Company ($)	2,854,409	2,407,239	3,566,540
Weighted average number of ordinary shares	17,358,688	17,361,439	17,360,189
Diluted weighted average number of ordinary shares	17,911,023	18,463,573	18,554,459
Earnings per share (cents)	16.4	13.9	20.5
Diluted earnings per share (cents)	15.9	13.0	19.2

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

6 Share capital

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

Group & Company	**Ordinary Shares of 1p each Number**	**Shares held in treasury Number**	**Total Number**
At 30 June 2023	**17,358,688**	**129,000**	**17,487,688**
At 30 June 2022	**17,366,688**	**56,500**	**17,423,188**
At 31 December 2022	**17,358,688**	**129,000**	**17,487,688**

On 6 February 2023, in lieu of compensation board members received options to purchase 105,000 New Ordinary Shares at a price of $8.18. These options have a four-year vesting requirement.

On 6 February 2023, certain vendors, retained as employees, were granted options to purchase 25,000 New Ordinary Shares at a price of $8.18 pursuant to the acquisition of a franchise acquired in 2023. These options have a four-year vesting requirement.

The net number of options including the new grants and leavers from the Company at 30 June 2023 is 2,358,000.

Group & Company	**Share Capital**	**Share Premium**	**Shares In Treasury**
	$	**$**	**$**
At 30 June 2023	**143,192**	**35,417,072**	**(1,139,404)**
At 30 June 2022	**142,260**	**35,252,633**	**(529,077)**
At 31 December 2022	**143,192**	**35,417,072**	**(1,139,404)**

Reverse acquisition reserve

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

7 Reacquisition of franchisee territories and other acquisitions in the period

On 7 February 2023, the Group announced the reacquisition of its Nashville, Tennessee franchise territory within the Group's ALD franchise business. The acquisition is pursuant to the Group's growth strategy of creating regional hubs and adds further corporate scale to operations in the Midwest, United States. The cash consideration for the acquisition is $3.25 million based on a 2022 Adjusted Income Statement of $2.4 million in revenue and $550,000 in profit before tax and includes the transfer of all operating assets to the Group.

Subsequent Event
On 23 July 2023, the Group announced the reacquisition of its Covina, California franchise territory within the Group's ALD franchise business. The cash consideration for the acquisition is $1.5 million based on the trailing twelve months pro forma of $1.3 million in revenue and $0.3 million in profit before tax and includes the transfer of all operating assets to the Group.

8 Publication of announcement and the Interim Results

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

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