

Water Intelligence plc (AIM: WATR.L) ("Water Intelligence", the "Group" or the "Company")

Interim results for the six months to 30 June 2010

Water Intelligence is a leading provider of water monitoring products and leak detection and remediation services.

These results are for a period when the Company was known as Qconnectis plc, and were prior to the Reverse Takeover, announced on 7 July 2010, by which the Company, inter alia, acquired American Leak Detection Holding Corp., raised new funds and was re-named Water Intelligence plc.

Established in 1974, American Leak Detection now complements Qconnectis by providing non-invasive water leak detection and remediation services throughout the United States, as well as in Canada, Australia, Spain, Belgium and certain other countries.

Qconnectis continues to sell and maintain water monitoring products and services.

HIGHLIGHTS (Qconnectis plc)

- Revenue of £19,000 (2009: £32,000)
- Loss before taxation of £624,000 (2009: £279,000)
- Loss includes a £300,000 provision for estimated future losses on maintenance contracts and £122,000 on costs incurred in connection with the reverse takeover which was completed after the period end
- Loss per share (basic and diluted) of 0.01p (2009: 0.04p)

HIGHLIGHTS (Post period-end)

- Future of Group secured and AIM listing restored
- Completion of reverse takeover and Open Offer which raised gross proceeds of £826,000
- Appointment of experienced Board and management team
- Significant order of *Leakfrog* water monitoring units for £177,000, equivalent to three times the amount of product sales for the prior eighteen months
- Integration proceeding smoothly, with American Leak Detection's business stable
- Opportunities identified to expand leak detection business in the UK
- Negotiations taking place to secure UK master franchisee

Patrick DeSouza, Executive Chairman of Water Intelligence, comments:

"I am pleased to report that we have secured a new future for the Company following the reverse takeover and associated fund raising. Integration has proceeded smoothly and we were delighted to launch the new Group with the recently announced Leakfrog product sale to Thames Water.

"We are now focused on bringing the 30 years' experience of our principal subsidiary, American Leak Detection, into the UK market, both through the establishment of a franchise network and by benefiting from our existing relationships with the UK water industry to sell both products and services."

28 September 2010

ENQUIRIES:

Water Intelligence plc (*www.waterintelligence.co.uk*)

Patrick DeSouza, Executive Chairman
Stanford Berenbaum, Chief Executive Officer

Tel: +1 203 654 5426
Tel: +1 760 969 6830

Merchant Securities Limited

Bidhi Bhoma / David Worlidge

Tel: +44 20 7628 2200

College Hill

Gareth David

Tel: +44 20 7457 2020

CHAIRMAN'S STATEMENT

Introduction

I am pleased to provide my Chairman's Statement on the interim results for the six months to 30 June 2010 to shareholders, my first since joining the Board on 11 January 2010 and becoming Executive Chairman on 29 July 2010.

The merger in July 2010 of Qconnectis plc, with its water monitoring line of products and established relationships with UK water utilities, and American Leak Detection, Inc. ("ALD"), with its over 30 year history in providing premium non-invasive water leak detection services, presents the opportunity to provide the enlarged Group's existing and addressable customers with a broader and more complete range of products and services.

As the acquisition of ALD occurred after the period end, these interim results are solely for the Company in its former structure, being Qconnectis plc and its subsidiaries. ALD's performance for the six months to 30 June 2010 is described below.

Qconnectis - Performance

The loss before tax for the six months to 30 June 2010 was £624,000 (six months to 30 June 2009: loss £279,000). This loss includes a £300,000 provision for estimated future losses on maintenance contracts and £122,000 on costs incurred in connection with the Reverse Takeover which was completed after the period end.

Qconnectis – Business

The Company's product business is operated through Qconnectis Networks Limited, which provides a managed service to water and energy utilities that allows for remote and automated meter reading, data storage, analysis and presentations of meter data via the Internet.

Information from meters is logged remotely, stored and then sent to the Qconnectis data centre. It can then be accessed by customers for billings and for subsequent analysis. Customers can receive e-mails or SMS text messages in the event of surges in the use of electricity, gas or water. This can help pinpoint unusual consumption patterns of gas or water leaks.

Qconnectis' customers include Thames Water, NHS Hospitals, the London Fire Brigade, Scottish Water, Cambridge Water, Generale des Eaux, and a range of private manufacturing and service businesses. Through monitoring, the typical customer can be expected to save between 5 and 15 per cent. of the cost of a water bill. Importantly, the customer can also be alerted to the possibility of a water leak if there are anomalies in its usage levels. The Company is currently in development of its next generation monitoring product.

Reverse takeover by American Leak Detection and change of name to Water Intelligence

On 29 July 2010, the Company completed the acquisition of 91.57 per cent. of the issued share capital of American Leak Detection Holding Corp. ("ALDHC"), which wholly own the entire issued capital of ALD ("Reverse Takeover"). In this context, the Company changed its name from Qconnectis plc to Water Intelligence plc to reflect the enlarged Group.

In addition, as part of the transaction, a capital re-organisation was effected on the basis of one New Ordinary Share and one B Deferred share for every 1,200 Existing Ordinary Shares.

Subsequently, a total of 8,987,053 New Ordinary Shares were admitted to trading on AIM, which included 1,101,310 New Ordinary Shares in respect of the gross proceeds from the Open Offer of £825,982.50.

On 27 August 2010 the remaining 8.43 per cent. of the issued share capital of ALDHC was purchased from the minority shareholders. Under the terms of the purchase agreements, the Company agreed to purchase the minority shareholders' holdings of 590,000 common shares in ALDHC for a consideration to be satisfied by the issue of 617,364 Ordinary Shares in the Company. Accordingly, ALDHC and ALD both became wholly-owned subsidiaries of the Company.

American Leak Detection, Inc. – Business

ALD is now the Group's principal operating subsidiary. It was established in California 1974 and, primarily through its franchisees, provides non-invasive water leak detection and remediation services throughout the United States, as well as in Canada, Australia, Spain, Belgium and certain other countries.

Unlike traditional plumbing methods, ALD leak specialists locate and pinpoint leaks without the breaking of walls or floors. Its technicians receive training in proprietary methodologies and use innovative technology including infrared, acoustic and correlation equipment. These non-invasive leak detection methods and technology significantly help lower repair costs and conserve water.

ALD's four corporate owned and 129 franchise units service over 100,000 homeowners and commercial businesses each year. Leak survey and detection work is also provided to municipalities and water systems as these utilities seek to reduce non-revenue generating water usage and water loss.

American Leak Detection, Inc. – Performance

Performance in the six months to 30 June 2010 may be summarised as:

	2010 US \$'000	2009 US \$'000	Change
Royalty income from franchisees	1,994	2,029	- 2%
Company stores and other income	962	993	-3%
Total	2,956	3,022	-2%

In the six months to 30 June 2010, some 95 per cent. of the royalty income arose in the United States.

Notwithstanding the continued difficult economic conditions that continue exist in parts of the US, ALD's royalty income was essentially stable compared with the same period in 2009.

The Company has experienced regional differences across the US. Compared with same period in 2009, royalty income in the southeast region of the US increased by 12 per cent. In California, Nevada and Arizona, however, there was a pronounced decrease of 9 per cent., generally due to the slumping real estate market as well as higher than national average unemployment. The remaining areas in the US in aggregate reported broadly stable royalty income.

Royalty income from outside the US was up 22 per cent.

Dividend

No interim dividend is being declared by the Directors.

Post period-end events

Bank facilities

As disclosed in the Admission Document, on 16 July 2010 ALDHC drew down a loan of US\$4.0 million from the Bank of Southern Connecticut. The proceeds were used by ALDHC to repay loan notes originally issued in connection with ALDHC's 2006 purchase of ALD.

The bank loan will be repayable in full on or before 16 July 2016 with monthly repayments of principal and interest at 8 per cent. per annum until the principal balance is reduced to US\$2 million when the interest rate becomes 2 per cent. above "Wall Street Journal Prime" adjusted annually. At that point, the Company has the option of pre-payment without penalty.

Sale of "Leakfrog" product

On 7 September 2010 the Company announced that it had received a significant order for its 'Leakfrog' product from Thames Water plc for an aggregate purchase price of £177,000. This is a very encouraging development, as the aggregate purchase price of £177,000 represents approximately three times Qconnectis's revenue for the 18 months to 31 December 2009.

The Leakfrog product provides water utilities with a fast, cost effective way to detect customer-side leakage. Given the very short installation time, the productivity of meter readers is not affected by deploying or recovering Leakfrog units which will show the presence and quantity of any leaks. Due to the fact that a Leakfrog unit can typically be used on many different meters during its life span, it provides utilities with an economical leak detection strategy.

Unaudited net debt as at 31 August 2010 of the enlarged Group

	US\$ '000	£'000
6 Year Term Loan	4,000	2,581
Lease Finance	119	<u>77</u>
		2,658
Less : Cash		
Held in US Dollars	460	297
Held in £ Sterling		<u>518</u>
		815
Total Net Debt		<u><u>1,843</u></u>

As set out in the Admissions Document, the term loan of US\$4,000,000 (£2,581,000) is repayable over six years on a straight-line basis. Annual principal and interest payments amount to approximately \$840,000 (£541,000).

The exchange rate used to translate the US Dollar was £1.00 = \$1.55.

Board

On 29 July 2010, upon completion of the Reverse Takeover, Harry Offer, the then Chairman of Qconnectis plc, became a non-executive Director and Barbara Spurrier, interim CEO and Finance Director, resigned from the Board. The Board thanks both Barbara and Harry for their assistance in completing the merger of Qconnectis and American Leak Detection.

On 29 July 2010, I became Executive Chairman, Stan Berenbaum became CEO and Stephen Leeb, Michael Reisman and Ric Piper joined the Board as non-executive Directors.

Principal Risks

As disclosed in the Admission Document at the time of the fundraising in July 2010, change in the global economic environment is one of the principal key risks for the Company and both the Board and the Management team remain vigilant to this, including on operational costs.

The Board considers strategic, financial and operational risks and identifies actions to mitigate those risks. Key risks and their mitigation are disclosed in the Admission Document of 7 July 2010, which is available on the Company's website. No other significant new risks have been identified in the period.

Strategy

The Board intends to use the net proceeds from its recent fundraising to:

- maximize ALD's franchise and corporate run-opportunities;
- establish a UK operation, which will facilitate ALD's services being utilised in the UK water services industry, and an additional US operation in Connecticut; and
- develop additional water metering products and services, including a next generation wireless water flow analyser to be called "Reporter", which is expected to be in production by the end of 2011.

In the short period since the Reverse Takeover was completed on 29 July, good initial progress on integration has been made by the new Board and management in working together and beginning to implement common procedures and operational practices. Furthermore, the Company achieved a sale of Leakfrogs to Thames Water that, as noted above, was three times greater than had been achieved in the prior 18 months. Also as noted above, the Company is involved in negotiations to sell a master leak detection franchise for the UK. Meanwhile, the American Leak business continues to be stable.

Outlook

Although the economic climate in the United States, the Company's most important market, remains challenging, the continued efforts of our franchisees and staff in maintaining and developing our business give the Board encouragement in its outlook for the current financial year. Our initial progress further reinforces our belief in the reverse takeover and the synergies of the enlarged Group.

We are now focused on bringing the 30 years' experience of our principal subsidiary, ALD, into the UK market, both through the establishment of a franchise network and by leveraging our existing relationships with the UK water industry.

The Board remains confident about Water Intelligence's prospects over the medium term.

Patrick DeSouza
Executive Chairman

28 September 2010

Condensed consolidated statement of comprehensive income for the six months to 30 June 2010

		Six months to 30 June 2010 Unaudited £	Six months to 30 June 2009 Unaudited £	18 months to 31 December 2009 Audited £
Revenue	3	19,021	32,245	55,282
Cost of sales		(7,636)	(26,999)	(36,473)
Gross profit		11,385	5,246	18,809
Other income		-	57,373	75,287
Impairment of goodwill		-	-	(603,473)
Administrative expenses		(635,147)	(347,812)	(1,095,586)
Of which:				
Continuing trading operations	7	(512,902)	(347,812)	(1,095,586)
In connection with Reverse Takeover		(122,245)	-	-
Operating loss		(623,762)	(285,193)	(1,604,586)
Of which:				
Continuing trading operations		(501,517)	(285,193)	(1,604,586)
In connection with Reverse Takeover		(122,245)	-	-
Finance income		6	6,599	9,241
Finance cost		(310)	(229)	(2,007)
Loss for the period before tax		(624,066)	(278,823)	(1,597,352)
Corporation tax		-	-	55,093
Total comprehensive loss for the period		(624,066)	(278,823)	(1,542,259)
Loss per share (basic and diluted)	4	0.01p	0.04p	0.10p

The Company has no other comprehensive income for the period.

The results reflected above related to continuing operations

Condensed consolidated statement of financial position as at 30 June 2010

		As at 30 June 2010	As at 30 June 2009	As at 31 December 2009
	Notes	Unaudited £	Unaudited £	Audited £
ASSETS				
Non-current assets				
Intangible assets		-	603,473	-
Property, plant and equipment		13,018	20,323	16,285
		13,018	623,796	16,285
Current assets				
Inventories		-	33,823	33,689
Trade and other receivables		84,316	59,882	65,815
Cash and cash equivalents		62,252	20,073	105,728
		146,568	113,778	205,232
TOTAL ASSETS		159,586	737,574	221,517
EQUITY AND LIABILITIES				
Equity attributable to the holders of parent				
Share capital		12,172,276	12,020,588	12,020,588
Share premium		1,600,717	1,600,717	1,600,717
Retained loss		(14,534,576)	(13,052,880)	(13,910,510)
		(761,583)	568,425	(289,205)
Current liabilities				
Trade and other payables		438,280	169,149	347,833
Short term borrowings	6	332,889	-	162,889
		771,169	169,149	510,722
Non-current liabilities				
Provision	7	150,000	-	-
		150,000	-	-
TOTAL EQUITY AND LIABILITIES		159,586	737,574	221,517

Condensed consolidated statement of changes in equity for the six months to 30 June 2010 (unaudited)

	Share Capital £	Share Premium £	Retained Loss £	Total £
Balance as at 1 January 2009	12,020,588	1,600,717	(12,774,057)	847,247
Total comprehensive loss for the period	-	-	(278,823)	(278,823)
Balance as at 30 June 2009	12,020,588	1,600,717	(13,052,880)	568,424

	Note s	Share Capital £	Share Premium £	Retained Loss £	Total £
Balance as at 1 January 2010		12,020,588	1,600,717	(13,910,510)	(289,205)
Total comprehensive loss for the period		-	-	(624,066)	(624,066)
Issue of share capital	5	151,688	-	-	151,688
Balance as at 30 June 2010		12,172,276	1,600,717	(14,534,576)	(761,583)

The following describes the nature and purpose of each reserve within owners' equity:

Share Capital	Amount subscribed for share capital at nominal value
Share Premium	Amount subscribed for share capital in excess of nominal value
Retained Loss	Cumulative net losses recognised in the financial statements

Condensed consolidated statement of cash flows for the six months to 30 June 2010

	Notes	Six months to 30 June 2010 Unaudited £	Six months to 30 June 2009 Unaudited £	18 months to 31 December 2009 Audited £
Net cash flows from operating activities	8	(364,860)	(283,873)	(733,211)
Cash flows from investing activities				
Purchase of property, plant and equipment		-	(6,956)	(22,525)
Interest received		6	6,599	9,241
Interest paid		(310)	(229)	(2,007)
Net cash used in investing activities		(304)	(586)	(15,291)
Cash flows from financing activities				
Proceeds from issue of share capital		151,688	-	-
Proceeds from loan notes issued		205,000	-	72,889
Proceeds from loan notes to be issued (restricted cash)		-	-	90,000
Repayment of borrowings		(35,000)	-	(6,000)
Net cash used in financing activities		321,688	-	156,889
Net decrease in cash and cash equivalents		(43,476)	(284,459)	(591,613)
Cash and cash equivalents at beginning of period		105,728	304,532	697,341
Cash and cash equivalents at end of period		62,252	20,073	105,728

1. General Information

The financial information for the six months to 30 June 2010 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the 18 months ended 31 December 2009 has been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2. Accounting policies

Basis of preparation

The annual financial statements of Qconnectis plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union.

Going concern

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Changes in accounting policy

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the 18 months ended 31 December 2009, except for the adoption of new standards and interpretations, noted below. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

In the current financial year, the Group has adopted International Financial Reporting Standard 3, 'Business Combinations (revised 2008)', and International Accounting Standard 27, 'Consolidated and Separate Financial Statements (revised 2008)'.

3. Operating segments

The Group has only one reportable segment, which is the supply of an integrated solution for remote data communications and leak detection. There has been no change in the basis of segmentation or the basis of measurement of segment profit or loss since the last annual financial statements. The Group's revenue and assets for its one reportable segment can be determined by reference to the Group's statement of comprehensive income and statement of financial position.

There is no recognised pattern of seasonality to the Group's sales.

4. Loss per share

Basic loss per share amounts are calculated by dividing the loss for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. As the Group has made a loss in the period and there were no options or warrants no dilutive loss per share has been calculated. The calculation of the basic and diluted earnings per share is based on the following data:

Six months to 30 June 2010 Unaudited	Six months to 30 June 2009 Unaudited	18 months to 31 December 2009 Audited
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Net loss attributable to shareholders of the Company (£)	£(624,066)	£(278,823)	£(1,542,259)
Weighted average number of ordinary shares	4,884,477,378	688,814,040	1,615,373,072
Basic and diluted Loss per share (pence)	0.01p	0.04p	0.10p

5. Changes in share capital

During the six months to 30 June 2010 151,688,080 ordinary shares were issued as debt conversion instruments.

As at 30 June 2010 there were 4,896,219,070 shares in issue.

On 29 July 2010, a capital re-organisation was effected on the basis of one New Ordinary Share and one B Deferred share for every 1,200 Existing Ordinary Shares.

6. Short term borrowings

	As at 30 June 2010 Unaudited £	As at 30 June 2009 Unaudited £	As at 31 December 2009 Audited £
Unsecured borrowings at amortised cost			
Loan notes	295,000	-	72,889
Other borrowings – loan from ALD Inc.	37,889		90,000
Total	332,889	-	162,889

Upon the acquisition of ALDHC (as detailed in Note 8 below), the loan notes and the interest due on them were converted into New Ordinary Shares in Water Intelligence plc.

7. Provision

The provision is for the costs to be incurred on loss-making contracts in place. There is a further £150,000 included in current liabilities in trade and other payables. The total provision of £300,000 is included in continuing trading operations expenses in the income statement.

8. Notes to the statement of cash flows

	Six months to 30 June 2010 Unaudited £	Six months to 30 June 2009 Unaudited £	18 months to 31 December 2009 Audited £
Net cash outflow from operating activities			
Operating loss	(623,762)	(285,193)	(1,604,586)
Depreciation	3,267	4,060	10,735
Impairment losses	-	-	603,473
Corporation tax credit	-	-	55,093
Operating loss before working capital changes	(620,495)	(281,133)	(935,285)
Decrease / (Increase) in inventories	33,689	22,445	(3,552)
(Increase) / Decrease in trade and other receivables	(18,501)	(5,058)	27,512
Increase / (Decrease) in trade and other payables	240,447	(20,127)	187,114
Net cash outflow from operating activities before taxation	(364,860)	(283,873)	(733,211)

9. Events after the reporting period

Reverse takeover of Qconnectis by ALDHC and change of name to Water Intelligence.

On 29 July 2010, following shareholder approval at a General Meeting, the Company completed the acquisition of 91.57 per cent. of the issued share capital of ALDHC (and its wholly owned subsidiary ALD) and changed its name from Qconnectis plc to Water Intelligence plc. As part of the transaction, a capital re-organisation was effected on the basis of one New Ordinary share and one B Deferred share for every 1,200 Existing Ordinary Shares.

Subsequently, a total of 8,987,053 New Ordinary Shares were admitted to trading on AIM, which included 1,101,310 New Ordinary Shares in respect of the gross proceeds from the Open Offer of £825,982.50.

On 27 August 2010 the remaining 8.43 per cent. of the issued share capital of ALDHC was purchased from the minority shareholders. Under the terms of the purchase agreements, the Company has agreed to purchase the minority shareholders' holdings of 590,000 common shares in ALDHC for a consideration to be satisfied by the issue of 617,364 Ordinary Shares. Accordingly, ALDHC and ALD both became wholly-owned subsidiaries of the Company.

Due to the fact that the acquisition was completed in July and August and that the Group's interim results are required to be announced to shareholders by 30 September 2010, it was not possible for reliable figures to be prepared for this statement regarding ALD's identifiable assets and liabilities and certain other information.

10. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

There have been no material changes in the type of related party transactions described in the last Annual Report in Note 24 Related party transactions and Note 25 Events after the reporting period.

11. Cautionary Statement

This half year financial information has been prepared for the shareholders of the Company, as a whole, and its sole purpose and use is to assist shareholders to exercise their governance rights. In particular, this announcement has not been audited or otherwise independently verified. The Company and its directors and employees are not responsible for any other purpose or use or to any other person in relation to this announcement.

The report contains indications of likely future developments and other forward-looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the sectors in which the Group operates. These and other factors could adversely affect the Group's results, strategy and prospects. Forward-looking statements involve risks, uncertainties and assumptions. They relate to events and/or depend on circumstances in the future which could cause actual results and outcomes to differ. No obligation is assumed to update any forward-looking statements, whether as a result of new information, future events or otherwise.

12. Copies of the Interim Results

A copy this announcement is available from the Company's website at www.waterintelligence.co.uk.