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

Interim Results for the six months ended 30 June 2012

Water Intelligence, which is building a market-leading position as provider of water monitoring products and leak detection and remediation services to a broad range of customers including blue-chip UK utilities, such as Thames Water, announces strong interim results. The Group was established following completion of the reverse takeover of Qonnectis plc ('Qonnectis') by American Leak Detection Holding Corp ('ALDHC') in July 2010.

Financial Highlights

	Six months ended 30 June 2012 $'000	**Six months ended 30 June 2011 $'000**	**Year ended 31 December 2011 $'000**
Total revenue	3,262	3,374	6,358
Operating profit/(loss)	574	296	(99)
Profit /(Loss) before tax	456	143	(197)
Earnings/(Loss) per share (diluted)	2.78c	1.51c	(4.50c)

Highlights

- Profitability increased significantly; operating profits increased 94% and profits before tax increased 219%.
- Revenue stable in the period compared to previous year with approximately $400,000 in respect of a confirmed *Leakfrog* order in May 2012 from Thames Water which will not be recognised until 2H of this year based on delivery and payment schedule that started in August. If the Thames order had been delivered in 1H revenue would have increased 9% to $3.66 million.
- Qonnectis's *Leakfrog* sales for 2012 will have almost doubled over *Leakfrog* sales for 2011.
- American Leak Detection franchise royalty income increased 8%; corporate store sales increased 8.5% and returned to profitability.
- Strategic channel programs initiated at American Leak Detection to address customer needs in the insurance and restoration markets.
- *Domestic Reporter* tested successfully at Thames Water during June 2012.

Patrick DeSouza, Executive Chairman of Water Intelligence, comments:

"The Group is beginning to build real momentum. Whilst we are of course delighted with the improvement in financial performance, especially regarding earnings, the real excitement lies in the increasing demand and reach for American Leak Detection services and the traction we are gaining with major utility customers as they come to recognise the quality and value of our products. We believe that we can sustain this progress and take advantage of favourable market demand for water infrastructure

solutions despite general market conditions in Europe and the United States that are less certain for other sectors."

27 September 2012

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Executive Chairman's Statement

The Interim results for the six months ended 30 June 2012 demonstrate our continued growth in key business drivers – revenue, earnings, margin, product commercialisation and strategic channels - since *Water Intelligence plc* was admitted to the AIM market in July 2010. Most importantly, despite difficult macroeconomic conditions in Europe and in the United States, our core American Leak Detection (ALD) business is thriving, leading the way with strong top and bottom-line growth. We are focusing our operating plan for 2013 to take advantage of such stable growth. We have initiated strategic channel programmes during the first half at ALD to take advantage of opportunities with insurance and restoration customers. We expect these programmes to start producing results during the second half of the year. We are also pleased with the successful testing of *Domestic Reporter* with Thames Water in June 2012. We are enthusiastic that businesses providing solutions with respect to scarce natural resources, especially water, face favourable market trends at both product and services segments.

We noted in our 2011 Annual Report that we believed we had the balance right for our operating plan during 2011. Revenue grew 12% during 2011; operating profits returned with our first full year of operations; loss before tax narrowed significantly as we completed the integration of Qonnectis; we delivered a larger order of *Leakfrogs* to Thames Water compared with 2010 and we anticipated commercialisation of our next generation of products during the second half of 2012. We indicated that because the investments in the UK product business had largely been completed, we would focus on driving our growing franchise services business. We have done that and marched forward during the first half of 2012

I am now pleased to report that we have achieved stronger results during 2012 across our operations. Although revenues for the six month period ended 30 June 2012 were $3.26 million compared with $3.37 million for the same period a year earlier, this excludes the $400,000 *Leakfrog* firm order received from Thames in May 2012, deliveries of which commenced in August 2012. The final delivery is expected to be completed in October 2012. Following the fulfilment of this order, *Leakfrog* sales will have almost doubled in 2012 compared to 2011. If the Thames order had been delivered in 1H, revenue would have been 9% higher than the comparable period, at approximately $3.66 million. In addition to these higher *Leakfrog* sales, franchise royalties and corporate-operated store revenue segments in the period ended 30 June 2012 increased 8% to $2.99 million from $2.76 million in the comparable 2011 period. Importantly, the margin from our activities increased which translated to the bottom-line. Earnings before interest and taxes (EBIT) increased 94% to $573,620 from $296,215. Profit before tax increased 219% to $456,482 from $143,473 translating to an increase of approximately 83% in earnings per share when compared to the same period in 2011.

Strategically, in June 2012 we completed a successful round of testing of our *Domestic Reporter* units with Thames Water. We have now moved to the next phase of the product cycle in preparing production-ready units. We are still hopeful on selling *Domestic Reporters* before the year-end and are working with UK water utilities to achieve this result. As profits have increased and our capital expenditure requirements for *Domestic Reporter* are complete, we are sticking to the operating plan and now re-investing in our franchise business to reinforce its strong performance for the second half and beyond.

Our balance sheet remains robust enabling us to plan for reinvestment to boost sustainable shareholder value. As noted above, earnings are up; meanwhile, the level of borrowing has been reduced. As of 30 June 2012, borrowings were steadily reduced in line with our bank amortisation schedule from $3.46 million at 30 June 2011 to $3.06 million at 30 June 2012. Net of cash, borrowings were reduced from $2.98 million at 30 June 2011 to $2.70 million at 30 June 2012.

We are now well positioned to achieve sustainable growth. As we develop our operating plan for 2013-14, we will be allocating resources between our product and services business lines not only to drive shareholder value but also to manage risk given global macroeconomic conditions. On the water leak detection services side, we have continued our growth and have positioned sales channels and reinvestment monies to accelerate that trend. Because of our core royalty-based franchise, with its distribution footprint across the U.S., we believe that sustainable growth carries less risk. The management team of American Leak and our franchisees are committed to exceed earnings plans with the right level of re-investment. Meanwhile, on the smart metering product side, we are pleased with the increasing size of the *Leakfrog* orders. And we believe that we now have exciting new products ready for the market led by *Domestic Reporter* that are expected to add scale to the Group's revenue and earnings. Like any product business line, we recognise that the opportunity cost and risk is relatively high reflecting the uncertain timing of technology adoption. We believe, however, that the potential for rapidly scaling the business supports the investment we have made.

Our focus for the second half of the year will be to build on the progress made in 1H and for the 2012 revenues to exceed those achieved in 2011. We believe we are now well on our way to building the business to generate shareholder value. We also believe that the strong and global market demand for complete solutions to monitoring, detecting and remediating water loss reinforces both our current and future operating plans. Our long-term macro-view with respect to the importance of water enables us to have confidence in building shareholder value irrespective of the economics affecting other industrial sectors.

Patrick De Souza
Executive Chairman

27 September 2012

Cautionary Statement

This interim financial information has been prepared for the shareholders of Water Intelligence, as a whole, and its sole purpose and use is to assist shareholders to exercise their governance rights. Water Intelligence 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 countries, sectors and business segments 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.*

Interim Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2012

	Notes	Six months ended 30 June 2012 $ Unaudited	Six months ended 30 June 2011 $ Unaudited	Year Ended 31 December 2011 $ Audited
Revenue	4	3,262,168	3,374,463	6,358,272
Cost of sales		(238,796)	(365,412)	(498,704)
Gross profit		**3,023,372**	**3,009,051**	**5,859,568**
Administrative expenses				
- Share-based payments		(15,240)	(12,561)	(36,643)
- Impairment of Goodwill		-	-	(75,000)
- Amortisation of intangibles		(131,732)	(130,030)	(264,062)
- Other administrative costs		(2,302,780)	(2,570,245)	(5,385,136)
Total administrative expenses		(2,449,752)	(2,712,836)	(5,760,841)
Operating profit		**573,620**	**296,215**	**98,727**
Finance income		13,527	9,522	22,808
Finance expense		(130,685)	(162,264)	(318,578)
Profit/(Loss) before tax		**456,462**	**143,473**	**(197,043)**
Taxation (expense)/credit		(168,128)	5,932	(264,145)
Profit/(Loss) for the period		**288,334**	**149,405**	**(461,188)**
Other comprehensive income				
Exchange differences arising on translation of foreign operations		(13,196)	1,596	34,031
Total comprehensive profit/(loss) for the period		**275,138**	**151,001**	**(427,157)**
Earnings/(loss) per share		**Cents**	**Cents**	**Cents**
Basic	5	2.86	1.56	(4.5)
Diluted	5	2.78	1.51	(4.5)

	At 30 June 2012	At 30 June 2011	At 31 December 2011
	$	**$**	**$**
	Unaudited	**Unaudited**	**Audited**
ASSETS			
Non-current assets			
Goodwill	2,294,940	2,369,940	2,294,940
Other intangible assets	3,734,423	3,841,091	3,709,060
Property, plant and equipment	26,565	47,526	35,692
Deferred tax asset	-	198,927	55,218
Trade and other receivables	57,494	62,424	44,839
	6,113,422	6,519,908	6,139,749
Current assets			
Inventories	110,591	104,277	91,270
Deferred tax asset	-	80,461	779,840
Trade and other receivables	1,433,281	986,380	62,724
Cash and cash equivalents	365,610	478,355	364,099
	1,909,482	1,649,473	1,297,933
TOTAL ASSETS	8,022,904	8,169,381	7,437,682
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent			
Share capital	12,716,863	12,716,863	12,716,863
Share premium	4,203,812	4,203,812	4,203,812
Capital redemption reserve	6,517,644	6,517,644	6,517,644
Merger reserve	8,501,150	8,501,150	8,501,150
Other reserves	71,969	14,758	69,925
Reverse acquisition reserve	(27,758,088)	(27,758,088)	(27,758,088)
Retained loss	(879,031)	(556,772)	(1,167,365)
	3,374,319	3,639,367	3,083,941
Non-current liabilities			
Borrowings	2,273,084	2,879,724	2,582,964
Provision of onerous contracts	64,436	159,022	72,359
	2,337,520	3,038,746	2,655,323
Current liabilities			
Trade and other payables	1,339,117	772,527	970,984
Deferred tax	89,196	-	-
Borrowings	791,521	576,648	600,521
Promissory notes	-	58,858	7,272
Provision of onerous contracts	91,231	83,235	119,641
	2,311,065	1,491,268	1,698,418
TOTAL EQUITY AND LIABILITIES	8,022,904	8,169,381	7,437,682

Interim Consolidated Statement of Changes in Equity
For the six months ended 30 June 2012

	Share Capital	Share Premium	Capital Redemption Reserve	Reverse Acquisition Reserve	Merger Reserve	Other Reserves	Retained Profit/ (Loss)	Total Equity
	$	$	$	$	$	$	$	$
As at 1 January 2011	**12,716,863**	**4,203,812**	**6,517,644**	**(27,758,088)**	**8,501,150**	**601**	**(706,177)**	**3,475,805**
Share based payment expense	-	-	-	-	-	12,561	-	12,561
Total Comprehensive Income	-	-	-	-	-	1,596	149,405	151,001
As at 30 June 2011 (unaudited)	**12,716,863**	**4,203,812**	**6,517,644**	**(27,758,088)**	**8,501,150**	**14,758**	**(556,772)**	**3,639,367**
Share based payment expense	-	-	-	-	-	24,082	-	24,082
Foreign exchange	-	-	-	-	-	(1,350)	-	(1,350)
Total comprehensive loss	-	-	-	-	-	32,435	(610,593)	(578,158)
As at 31 December 2011 (audited)	**12,716,863**	**4,203,812**	**6,517,644**	**(27,758,088)**	**8,501,150**	**69,925**	**(1,167,365)**	**3,083,941**
Share based payment expense	-	-	-	-	-	15,240	-	15,240
Total comprehensive profit	-	-	-	-	-	(13,196)	288,334	275,138
As at 30 June 2012 (unaudited)	**12,716,863**	**4,203,812**	**6,517,644**	**(27,758,088)**	**8,501,150**	**71,969**	**(879,031)**	**3,374,319**

Interim Consolidated Statement of Cash Flows
For the six months ended 30 June 2012

	Notes	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
		$	$	$
		Unaudited	Unaudited	Audited
Net cash generated from operating activities	6	415,111	322,740	653,231
Cash flows from investing activities				
Interest received		13,527	9,522	22,808
Interest paid		(127,386)	(152,729)	(318,578)
Purchase of plant and equipment		-	-	(3,883)
Purchase of intangible assets		(157,095)	-	-
Sale of fixed assets		-	-	300
Net cash used in investing activities		(270,954)	(143,207)	(299,353)
Cash flows from financing activities				
Proceeds from borrowings		162,380	-	-
Principal payments on long term debt		(284,558)	(272,010)	(630,192)
Repayment of loan note funding		(7,272)	(43,244)	-
Net cash used in financing activities		(129,450)	(315,254)	(630,192)
Net increase/(decrease) in cash and cash equivalents		14,707	(135,721)	(276,314)
Cash and cash equivalents at the beginning of period		364,099	606,382	606,382
Effect of foreign exchange rate changes		(13,196)	7,694	34,031
Cash and cash equivalents at end of period		365,610	478,355	364,099

Notes to the Interim Consolidated Financial Information
for the six months ended 30 June 2012

1 General information

The Group is a leading provider of water monitoring products, leak detection equipment and remediation services. The Group's strategy is to focus on providing a critical mass of water management products and services and to be a "one-stop" shop for leak alerts, precision, non-invasive leak detection and remediation.

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 Hexagon Business Centre, Hexagon House, Station Lane, Witney, Oxfordshire, OX28 4BN.

2 Adoption of new and revised International Financial Reporting Standards

No new IFRS standards, amendments or interpretations became effective in the six months to 30 June 2012 which had a material effect on this interim consolidated financial information.

3 Significant accounting policies

Basis of preparation
The accounting policies adopted are consistent with those of the previous financial year.

This interim consolidated financial information for the six months ended 30 June 2012 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 2011, 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 2012 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 2011 are unaudited.

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

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

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 2012 was £1 = US$1.57095 (*30 June 2011: £1 = US$ 1.6018*).

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. 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 discussed in the relevant notes.

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 2011.

4 Revenues

In the opinion of the Directors, the operations of the Group currently comprise four operating segments, being the franchises, corporate owned stores and other activities including product and equipment sales and head office costs.

The Group mainly operates in the US, with operations in the UK and certain other countries. In the six months to 30 June 2012, 96% of its revenue came from the US based operations, the remaining 4% of its revenue came from either UK or overseas based operations.

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

Segment information

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 three segments

- Franchisor royalties
- Corporate-operated stores
- Other activities including product and equipment sales

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

Revenue	**Six months ended 30 June 2012**	**Six months ended 30 June 2011**	**Year ended 31 December 2011**
	$ Unaudited	**$ Unaudited**	**$ Audited**
Royalties from franchisees	2,270,088	2,103,582	4,131,459
Corporate-operated Stores	716,640	660,182	1,367,645
Other activities	275,440	610,699	859,168
Total	**3,262,168**	**3,374,463**	**6,358,272**

Profit/(Loss) before tax	Six months ended 30 June 2012 $ Unaudited	Six months ended 30 June 2011 $ Unaudited	Year ended 31 December 2011 $ Audited
Royalties from franchisees	870,836	829,661	883,051
Corporate-operated Stores	37,217	(33,193)	(105,164)
Other activities	(140,055)	(430,877)	(243,785)
Unallocated head office costs	(311,516)	(222,118)	(731,145)
Total	**456,482**	**143,473**	**(197,043)**

Assets	Six months ended 30 June 2012 $ Unaudited	Six months ended 30 June 2011 $ Unaudited	Year ended 31 December 2011 $ Audited
Royalties from franchisees	6,111,300	5,484,173	5,157,602
Corporate-operated Stores	264,793	378,245	300,424
Other activities	1,646,811	2,306,963	1,979,656
Total	**8,022,904**	**8,169,381**	**7,437,682**

For the purpose of monitoring segmental performance, no liabilities are reported to the Group's Chief Operating Decision Maker.

Geographic information

Total revenue

Total revenue from activities by geographical area is detailed below:

Revenue by geography	Six months ended 30 June 2011 $ Unaudited	Six months ended 30 June 2011 $ Unaudited	Year ended 31 December 2011 $ Audited
US	3,138,251	2,993,461	5,856,369
International	123,917	381,002	501,903
Total	**3,262,168**	**3,374,463**	**6,358,272**

Revenue from franchisor activities by geographical area is detailed below.

Royalties from franchisees	Six months ended 30 June 2011 $ Unaudited	Six months ended 30 June 2011 $ Unaudited	Year ended 31 December 2010 $ Audited
US	2,152,564	1,990,861	3,882,459
International	117,524	112,721	249,000
Total	**2,270,088**	**2,103,582**	**4,131,459**

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 2011 $ Unaudited	Six months ended 30 June 2011 $ Unaudited	Year ended 31 December 2011 $ Audited
Earnings/(loss) attributable to shareholders of the Company ($)	275,138	149,405	(427,158)
Weighted average number of ordinary shares	9,604,417	9,604,417	9,604,417
Earnings/(loss) per share (cents)	2.86	1.56	(4.5)
Diluted earnings/(loss) per share (cents)	2.78	1.51	(4.5)

The Company issued no share options in the six months to 30 June 2012 (six months to 30 June 2011: nil). For the purposes of the diluted loss per share the weighted average number of shares in issue and to be issued, allowing for the exercise of the share options is 9,898,085. The diluted loss per share has been kept the same as the basic loss per share as the conversion of share options decreases the basic loss per share, thus being anti-dilutive.

6 Notes to the statement of cash flows

	Six months ended 30 June 2011 $ Unaudited	Six months ended 30 June 2011 $ Unaudited	Year ended 31 December 2010 $ Audited
Cash flows from operating activities			
Profit/(Loss) before interest and taxation	573,620	296,215	98,727
Adjustments for:			
Depreciation of plant and equipment	9,884	29,983	45,414
Amortisation of intangible assets	131,732	132,031	264,061
Impairment	-		75,000
Gain on disposal of fixed asset	-	-	(300)
Share based payments	15,240	12,561	36,643
Operating cash flows before movements in working capital	730,476	470,790	519,545
(Increase)/Decrease in inventories	(19,321)	137,772	150,779
(Increase)/Decrease in trade and other receivables	(627,843)	(135,543)	59,594
Increase/(Decrease) in trade and other payables	331,799	(150,279)	(2,978)
Cash generated by operations	415,111	322,740	726,940
Income taxes	-	-	(73,709)
Net cash generated from operating activities	415,111	322,740	653,231

7 Publication of announcement and the Interim Results

A copy of this announcement will be available at the Company's registered office (Hexagon Business Centre, Hexagon House, Station Lane, Witney, Oxfordshire, OX28 4BN) 14 days from the date of this announcement and on its website – www.waterintelligence.co.uk.

This announcement is not being sent to shareholders. The Interim Results will be posted to shareholders shortly and will be made available on the website.