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**Watermark Global Plc**  
**Annual Report and Accounts**  
**31 December 2011**

TUESDAY



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COMPANIES HOUSE

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## CHAIRMAN'S STATEMENT

2011 was a significant year for the Company as we agreed to acquire the coal briquetting project and reduce our dependence on treatment of AMD. We also agreed a transaction relating to the sale of our operating subsidiary, Western Utilities Corporation (Pty) Limited ("WUC"). This will provide Watermark with a substantial cash payment and a significant on-going interest in WUC and provide the operating businesses greater financing security for the future.

Due to circumstances beyond our control, there was very limited progress made in terms of treatment of AMD involving ourselves, apart from the sale of a small part of our intellectual property which formed part of our Definitive Feasibility Study. This sale, for £120,000, was a poor return for the enormous effort which we have put into the project over the years. The appointment of Trans Caledon Tunnel Authority (TCTA) as the implementation agent of the government for the short term solution was welcomed by everyone as a signal that treatment of AMD was at last being addressed seriously by the government in South Africa.

Unfortunately, the government omitted to give them a sufficient budget to get the job done properly. Thus, the short term solution is a "band-aid" fix involving neutralizing the toxic water, but not removing the sulphates, thereby rendering the water unusable albeit less polluting. At the same time, the Department of Water Affairs commenced a tender process for the feasibility study to develop a Long Term Solution. This process is envisaged to take up to 18 months from the date the tender is awarded. Implementation of any project could be up to two years away at the earliest from when final decisions are made.

Therefore, whilst your Board remains of the view that the AMD project is still a very strong long-term investment which has the potential for significant value not only for Shareholders, but for the South African Government, the associated mining houses and the people of South Africa, it began assessing options for preserving value in Watermark in the intervening timeframe and stabilising the Company from a financing perspective. Although Watermark's water treatment technology is acknowledged as being the lowest cost and most appropriate technology as recorded in the Inter Ministerial Committee (IMC) report released by the South African government, it has not yet been granted the rights to implement its project. Instead, TCTA will liaise with a number of interested parties including Watermark to develop and implement a short-term solution (over the next three years) for AMD in the three basins.

In light of this prevarication, the Board decided in the middle of the year to begin looking for alternative investment opportunities where the Company could be more in control in terms of a return for shareholders. We announced in November that we were investigating an exciting project in coal briquetting in KwaZulu Natal. In order to provide greater security of financing for the Company and our businesses in future, in December we agreed terms for the exchange of our wholly-owned subsidiary, WUC, for a mix of cash and shares in a South African company, Mine Restoration Investments Limited ("MRI"), which was previously named Capricorn Investment Holdings Limited. Watermark will receive an aggregate of £1.81 million in cash (gross of transaction costs) and £2.69 million in shares of MRI giving a total consideration of £4.50 million. It has subsequently been agreed that approximately £1.55m of the proceeds will be lent for up to three months to an existing shareholder of MRI, secured against 105 million MRI shares with a guaranteed minimum share price on disposal of Rand 0.20p per share.

Capricorn, a suspended cash shell listed on the JSE, acquired WUC from the Company, undertook a number of restructure initiatives including the change of name to MRI as part of the acquisition transaction and has applied for the lifting of the suspension of the shares and listing on the Alternative Exchange of the JSE under the name MRI.

Following completion of the transaction, it is expected that Watermark will hold approximately 40% of the enlarged share capital of MRI and thereby, indirectly, of WUC. Importantly, MRI undertook a fundraising in connection with the transaction and intends to use a portion of the proceeds to fund WUC's coal briquetting project. The transaction will allow shareholders to retain a significant interest in Watermark's core AMD project and gain exposure to other potentially valuable projects whilst reducing financial risk. The relationship with MRI will provide on-going access to finance for WUC's projects, enabling Watermark shareholders to benefit from the development of those projects without further share issues by Watermark which, in the current climate, and given current market conditions, would be highly dilutive.

Following completion of the transaction the Company will become an investment company as opposed to an operating company.

### **Coal Briquetting**

On 15 December 2011, WUC entered into agreements to acquire 50% of the issued share capital of a South African registered company Prodiflex (Pty) Limited ("Prodiflex") that owns intellectual property in the binder, formulae and processes to be used in the briquetting of coal fines, for the sum of Rand 1,000,000 as well as 51% of the issued share capital of Octavovox (Pty) Ltd ("Octavovox"), a South African registered company, also for the total sum of Rand 1,000,000.

Octavovox has entered into an off-take agreement with an anthracite producing colliery located in Northern KwaZulu Natal, South Africa, to process coal fines into briquettes at a rate of approximately 5,000 tons per month. The quality of the material and briquettes makes it highly sought after in the metallurgical industry. The Mine will have the right of first refusal to acquire the briquettes at a discount to the spot price.

WUC has also entered into a loan agreement with Octavovox to enable Octavovox to acquire assets for the installation and assembly of the production plant and to put the production plant into operation. The loan, for an initial amount of Rand 2,607,605 with a facility for an additional Rand 12,800,000, is repayable on or before 31 December 2015 and will be secured by a notarial covering bond over the assets to be acquired by Octavovox. Under the terms of a shareholders agreement entered into with the other shareholders of Octavovox it is anticipated that WUC will continue to finance Octavovox's operations in proportion to its shareholding.

The coal briquetting project processing facility will be located immediately adjacent to the washing plant where there is already infrastructure established by the mine, which will significantly reduce the capital costs that WUC would ordinarily require for a project of this magnitude. WUC will also make use of the mine's already established distribution network. There are opportunities to tap into other operational and financial synergies that would further reduce the operational costs of WUC.

MRI has entered into an agreement to refund the Company the costs of the acquisitions of shares in Prodiflex and Octavovox as well as the initial amounts to be loaned to Octavovox post completion of the Transaction.

By way of background, coal fines arise from the washing of lump coal and are an unwanted by-product – they are not marketable and represent an environmental hazard. Briquetting can transform these fines into a saleable product at full market price. There is scope for briquetting at many other coal mining projects in South Africa. The anthracite colliery in KwaZulu Natal has 450,000 tonnes of coal fines available. The fines will be briquetted in a roller press with the use of binder material. The mine has reserves of 105 million tonnes of good quality bituminous coal and high grade anthracite. Procurement and construction of the briquetting plant is estimated to take 9 months and production of fines is estimated will be 5,800 tonnes per month. The sales price will be directly related to the anthracite spot price at a discount to the mine and currently would be approximately Rand 720 per tonne.

### **Corporate**

During the year, we welcomed Hartley Dikgale to the board as he replaced Adam Gunn. Adam helped enormously with his knowledge of environmental legislation. His new role at 1<sup>st</sup> Uranium meant he could not devote the same amount of time to board matters as before. Hartley is also a lawyer and general counsel at Rand Uranium (now Gold One International), so we are not without legal representation on the board which will be invaluable to us. Jaco Schoeman, who has originated and managed the transaction with MRI will be stepping down as CEO of Watermark. He has taken up a position as an executive with DRD Gold. I am pleased to say he will be staying on the board as a non-executive director. He will also be our representative on the board of MRI as interim Chief Executive Officer.

On behalf of the Board, I would like to thank all shareholders and other stakeholders for their on-going support for the Company during what has been a very challenging year. With the completion of the sale of WUC to MRI, due this month, the company will begin a new phase in its development. We look forward to bringing you further updates over the coming months.



**Peter Marks**

**Chairman**

**13 June 2012**

**Officers and Professional Advisers**

**Directors**

P A Marks

WJ Schoeman

A Gunn (non-executive) - Resigned 18 08 2011

H Dikgale (non-executive) - Appointed 18 08 2011

**Secretary**

Charles Zorab

**Registered office**

42, Queen Anne's Gate

London

SW1H 9AP

**Nominated Adviser and Broker**

Cenkos Securities Plc

6-8 Tokenhouse Yard

London

EC2R7AS

**Auditors**

Moore Stephens LLP

150 Aldersgate Street

London

EC1A 4AB

**Solicitors**

Ronaldsons LLP

55 Gower Street

London

WC1E 6HQ

**Registrars**

Share Registrars Limited

Craven House

West Street

Farnham

Surrey

GU9 7EN

**Directors' Report  
For the year ended 31 December 2011**

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The Directors submit their report and the financial statements of Watermark Global Plc for the year ended 31 December 2011

**Principal activities**

The principal activity of the Group during the period was that of commercialising process technologies and to act as project manager for the treatment of acid mine drainage (AMD) on the Witwatersrand Goldfields of South Africa. The principal activity of the Company was that of a holding Company.

**Results and dividends**

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The loss of the Group for the year ended 31 December 2011 was £996,842 (2010 £1,086,292). The Directors do not recommend the payment of a dividend (2010 £nil).

**Business review**

A review of the Group's operations and management plans for the future of the business is included in the Chairman's Statement on pages 3-5. Prior to the year-end the company entered into a transaction which is intended to be completed in June 2012 by which its wholly-owned subsidiary, Western Utilities Corporation (Pty) Ltd ("WUC"), will be sold to Mine Restoration Investments Ltd in exchange for cash and shares in MRI. This will change the business of the group from an operating company to an investment company. For further details see "Subsequent Events".

Key Performance Indicators for the Group are not considered relevant for the year ended 31 December 2011 because the Group was not operational during the year. However, careful monitoring has been carried out in respect of cash management.

Intangible Assets relate to the development cost associated with the Definitive Feasibility Study for the Group's Acid Mine Drainage project in South Africa. Western Utilities Corporation (Pty) Ltd started with the development of the commercial scale plant through the development of a definitive feasibility study that among others included the design and costing of the full scale plant together with the Environmental Impact Assessment (EIA) and resource verification studies.

### **Business review (continued)**

The Group's AMD project reached the final stages of development during the fourth quarter of 2009, with the Definitive Feasibility Study being completed by Golder Associates and the submission of the detailed Scoping Report for the Environmental Impact Assessment. Since then, the project has effectively been in stand-by mode as the Group has been waiting for the Government in South Africa to determine how it wished the treatment of AMD to be pursued and also how it wished it to be financed. Although Watermark's water treatment technology is acknowledged as being the lowest cost and most appropriate technology as recorded in the Inter Ministerial Committee (IMC) report released by the South African government, it has not yet been granted the rights to implement its project. The South African government has appointed TCTA to liaise with a number of interested parties including Watermark to develop and implement a short-term solution (the next three years) for AMD in the three basins.

A total of £1,505,000 was raised in June 2011 at 0.35p from a placing to UK and Australian institutions and the authority to allot these shares was confirmed at the Annual General Meeting of the Company in June 2011. The placing was in two tranches of £462,000 and £1,043,000 respectively and admission to trading on AIM was granted on 7 June 2011 and 1 July 2011 respectively.

### **Subsequent events**

Prior to the year end, Watermark entered into an agreement to sell its wholly-owned operating subsidiary, Western Utilities Corporation (Pty) Ltd ("WUC") to Capricorn Investment Holdings Limited ("Capricorn") (which is in the process of being renamed Mine Restoration Investments Limited ("MRI")) for a consideration of £4.50 million comprising £1.81 million in cash and £2.69 million in Capricorn shares. Subsequent to the year-end the shareholders of both Watermark and Capricorn have approved the transaction, with all suspensive conditions achieved other than the listing of the MRI shares on the Johannesburg Stock Exchange ("JSE"), which is due to occur on or around 25 June 2012.

In order to ensure that MRI raised R40 million in additional equity to fund the cash element of the consideration payable to Watermark and provide growth capital for WUC, following the withdrawal of a third party investor the Company has entered into an interest bearing loan agreement with Trinity Asset Management (Proprietary) Limited ("TAM") to the value of R20 million. TAM will seek to place the MRI shares with investors and repay the loan and pending repayment of the loan the Company will benefit from a charge over approximately 105 million MRI shares. The Company has the option to acquire these shares at R0.19 and if the loan is not repaid by 12 September 2012 at R0.20 per share, the Company can elect to sell the shares at the market price. The Company is indemnified against any loss (the difference between R0.20 per share and the market related price) by TAM. The Board's expectation is, therefore, that the Company will receive consideration of approximately £4.5 million in aggregate of which approximately £2.69 million will be in shares in MRI (at a value of R0.19 per share), approximately £0.26 million in cash, on issue of the shares and approximately £1.55m in cash before 12 September 2012. A further £0.32m will be paid on issue of the shares in respect of the investment in and funds advanced to Octavovox (Pty) Ltd and Prodiflex (Pty) Limited.

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**Directors' Report (continued)**  
**For the year ended 31 December 2011**

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**Subsequent events (continued)**

Following completion of the Transaction and assuming it does not acquire further shares under the loan agreement described above it is expected that Watermark will hold approximately 40% of the share capital of MRI and thereby, indirectly, of WUC. MRI intends to use a portion of the proceeds of its fundraising to fund WUC's coal briquetting project, which the directors of Watermark consider to be a potentially profitable standalone project. The Directors consider that the Transaction will allow shareholders to retain a significant interest in Watermark's core Acid Mine Drainage (AMD) project and gain exposure to other potentially valuable projects whilst reducing financial risk. The relationship with MRI will provide access to another means by which to finance WUC's projects, enabling Watermark shareholders to benefit from the development of those projects without necessarily having to resort to further share issues which could be highly dilutive.

**Directors**

The following Directors have held office during the year

P A Marks

WJ Schoeman

H Dikgale (non-executive) appointed 18 08 2011

A Gunn (non-executive) resigned 18 08 2011

**Directors' Report (continued)**  
**For the year ended 31 December 2011**

**Directors' interests**

Directors' interests, including family interests, in the Ordinary Share capital, were as follows

	<b>31 December 2011</b>	<b>31 December 2010</b>
P A Marks	8,362,000	8,362,000
WJ Schoeman	<u>35,000,000</u>	<u>15,000,000</u>

Directors also hold options over Ordinary Shares as follows

	<b>31 December 2011</b>	<b>31 December 2010</b>
	<b>No:</b>	<b>No:</b>
P A Marks	<u>1,500,000</u>	<u>1,500,000</u>

**Company Secretary**

Mr Charles Zorab held the position of Company Secretary for the Company at the end of the financial year  
The registered office is at 42, Queen Anne's Gate, London SW1H 9AP

**Substantial shareholdings**

At 28 May 2012 the Company was aware of the following interests in % or more of the nominal value of the Company's shares

<b>Name</b>	<b>Ordinary shares of 0.15p</b>	<b>%</b>
TD Direct Investing Nominees	282,851,317	18
Barclayshare Nominees	169,675,963	11
Halifax Share Dealing Nominees	173,690,732	11
HSBC Global Custody Nominees	165,690,732	11
LR Nominees	72,431,875	4
Pershing Nominees	68,647,865	4
Investor Nominees	64,414,227	4

**Directors' Report (continued)**  
**For the year ended 31 December 2011**

**Shares under option or issued on exercise of options**

Shares held under option are detailed in the notes to the financial statements, note 16

**Indemnification of officers of the Company**

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company against liability when acting for the Company

**Remuneration Report**

The Remuneration Report that forms part of the Directors' Report, sets out information about the remuneration of the Company's directors for the financial year ended 31 December 2011

The following persons acted as directors of the Company during the financial year

Mr Peter Marks – Chairman

Mr Jaco Schoeman – Managing Director

Mr Hartley Dikgale – Non Executive Director (*appointed 18 August 2011*)

Mr Adam Gunn – Non Executive Director (*resigned 18 August 2011*)

Name	2011				2010			
	Employee Benefits		Share Based Payments	Total	Employee Benefits		Share Based payments	Total
	Salary & Fees	Bonus	Options, rights and fully paid up shares		Salary & fees	Bonus	Options, rights and fully paid up shares	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Executive Directors</b>								
Peter Marks	100	-	-	100	100	-	-	100
Jaco Schoeman	17	-	-	17	132	-	-	132
Dirk Kotze	-	-	-	-	85	-	-	85
<b>Non-Executive Directors</b>								
Adam Gunn	14	-	-	14	24	-	-	24
Hartley Dikgale	8	-	-	8	-	-	-	-

**Directors' Report (continued)**  
**For the year ended 31 December 2011**

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**Remuneration Report (continued)**

2010 comparatives include the total salary and fees paid to Jaco Schoeman by the Company and salary earned as a full time employee of the Group's South African subsidiary which at 31 December 2011 is classified within discontinued operations (see note 19)

The Remuneration Committee consisted of Peter Marks and Adam Gunn, until his resignation, to be replaced by Hartley Dikgale

In view of the Company's need to conserve cash, the Board decided on 14 June 2010 to suspend payments of Directors' fees, which will accrue until such time as the Company can properly afford to pay them, a situation which is being kept under review. Senior management of the Company have also agreed to accept a reduction in salary of 40% until such time as the financial position of the company is more secure

Executive Directors currently have employment contracts which may be terminated by the Company with up to six months notice. No other payments are made in compensation for loss of office

The Remuneration of the non-executive Directors is determined by the Board within the limits set out in the Articles of Association of the Company

**Policy on payment of trade payables**

The Group seeks to maintain good terms with all of its trading partners. In particular, it is the Group's policy to agree appropriate terms and conditions for its transactions with suppliers and, provided the supplier has complied with its obligations, to abide by the terms of payment agreed. The Group does not follow any particular code or standard on payment practice. Trade creditor days of the Company for the year ended 31 December 2011 were 30 days (2010: 30 days), calculated in accordance with the requirements set down by the Companies Act 2006. This represents the ratio, expressed in days, between the amounts invoiced to the Company by its suppliers in the year and the amounts due, at the year end, to trade creditors

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**Directors' Report (continued)**  
**For the year ended 31 December 2011**

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**Statement of Directors' responsibilities**

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors prepare the financial statements in accordance with IFRS as adopted by the European Union and applicable law. The financial statements must, in accordance with IFRS as adopted by the European Union, present fairly the financial position and performance of the Company, such references in the UK Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation. Under Company law Directors must not approve the financial statements unless they are satisfied that they give a true and fair view. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

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**Directors' Report (continued)  
For the year ended 31 December 2011**

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**Going Concern**

Subsequent to the year end the suspensive conditions to the disposal of Western Utilities Corporation (Pty) Limited to MRI have been fulfilled other than the listing of the shares on the Johannesburg Stock Exchange, expected on or around 25 June 2012

This will result in payment to the Group of approximately £1 8 million which, after transaction costs, will be sufficient to enable the continuing group to continue to trade until, at the earliest, 30 June 2013. The directors are presently not aware of any reason why the sale should not complete

**Principal risks and uncertainties**

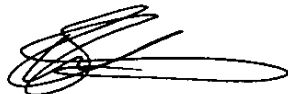
The Group's risks and use of financial instruments are described in Note 4 to the financial statements. Other risks are described in the Chairman's Statement

**Directors' Confirmation**

The Directors who held office at the date of approval of this Directors' Report confirm that so far as each Director is aware.

- (a) there is no relevant audit information of which the Company's auditors are unaware, and
- (b) each Director has taken all the steps that ought to have been taken as a Director, including making appropriate enquiries of fellow Directors and of the Company's auditors for that purpose, in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information

On behalf of the Board



**W J Schoeman  
Director**

13 June 2012

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## **Independent Auditor's Report to the Shareholders of Watermark Global Plc**

We have audited the financial statements of Watermark Global Plc for the year ended 31 December 2011 which are set out on pages 17 to 54. The financial reporting framework that has been applied in their preparation 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.

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2011 and of the group's loss 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.

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**Independent Auditors' Report to the Shareholders of Watermark Global Plc (continued)**

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

**Matters on which we are required to report by exception**

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



Paul Clark, *Senior Statutory Auditor*

For and on behalf of Moore Stephens LLP, Statutory Auditor

150 Aldersgate Street  
London  
EC1A 4AB

13 June 2012

**Consolidated Statement of Comprehensive Income**  
**For the year ended 31 December 2011**

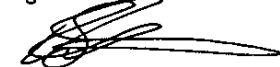
	Note	2011 £	2010 £
<b>Continuing operations</b>			
Revenue		-	-
Cost of sales		-	-
<b>Gross profit</b>		-	-
Interest income	6	1,329	694
Depreciation	5	(140)	(140)
Employee benefit expenses	16	(80,000)	-
Consulting expenses		(208,193)	(69,300)
Other expenses	23	(532,665)	(319,283)
<b>Loss before tax</b>		(819,669)	(388,029)
Taxation	9	-	-
<b>Loss for the year from continuing operations</b>		(819,669)	(388,029)
<b>Discontinued operations</b>			
Loss for the year from discontinued operations	18	(177,173)	(698,263)
<b>Loss for the year</b>		(996,842)	(1,086,292)
<b>Other comprehensive income</b>			
<i>Exchange differences on translating foreign operations</i>			
Exchange differences arising during the year		(69,786)	147,677
<b>Total comprehensive income for the year</b>		(1,066,628)	(938,615)
<b>Loss per share</b>			
		<b>Pence</b>	<b>Pence</b>
<i>Basic and fully diluted</i>			
From continuing operations	10	(0 06)	(0 05)
From discontinued operations	18	(0 02)	(0 08)
From continuing and discontinued activities		(0 08)	(0 13)

**Consolidated Statement of Financial Position  
As at 31 December 2011**

	Note	2011	2010
		£	£
<b>Assets</b>			
<b>Non-Current assets</b>			
Intangible assets	11	-	-
Property, plant and equipment	12	211	351
		211	351
<b>Current assets</b>			
Trade and other receivables	13	32,563	1,227
Cash and cash equivalents		764,280	347,833
		796,843	349,060
Assets of disposal groups classified as held for sale	19	3,662,716	3,535,759
		4,459,559	3,884,819
<b>Total assets</b>		<b>4,459,770</b>	<b>3,885,170</b>
<b>Equity and liabilities</b>			
Ordinary shares	15	2,247,060	1,454,310
Share premium account	15	10,856,029	9,808,072
Share option reserve	17	1,428,361	1,420,361
Foreign exchange reserve	17	77,891	147,677
Retained earnings	17	(12,150,810)	(11,153,968)
<b>Equity attributable to owners of the Company</b>		<b>2,458,531</b>	<b>1,676,452</b>
Non-controlling interest	19	74,461	-
<b>Total equity</b>		<b>2,532,992</b>	<b>1,676,452</b>
<b>Current liabilities</b>			
Trade and other payables	14	188,865	119,261
Liabilities of disposal groups classified as held for sale	19	1,737,913	2,089,457
<b>Total liabilities</b>		<b>1,926,778</b>	<b>2,208,718</b>
<b>Total equity and liabilities</b>		<b>4,459,770</b>	<b>3,885,170</b>

Approved by the Board and authorised for issue on 13 June 2012

Signed on behalf of the Board



**W J Schoeman**  
Director

Company Registration No. 5541602

**Company Statement of Financial Position  
As at 31 December 2011**

	Note	2011	2010
		£	£
<b>Assets</b>			
<b>Non Current assets</b>			
Investments	12	7	7
Property, plant and equipment	12	211	351
		218	358
<b>Current assets</b>			
Trade and other receivables	13	3,996,641	2,447
Cash and cash equivalents		764,280	347,833
		4,760,921	350,280
<b>Total assets</b>		<b>4,761,139</b>	<b>350,638</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Ordinary shares	15	2,247,060	1,454,310
Share premium account	15	10,856,029	9,808,072
Share option reserve	17	1,428,361	1,420,361
Retained earnings	17	(9,959,176)	(12,451,366)
<b>Total equity</b>		<b>4,572,274</b>	<b>231,377</b>
<b>Current liabilities</b>			
Trade and other payables	14	188,865	119,261
<b>Total equity and liabilities</b>		<b>4,761,139</b>	<b>350,638</b>

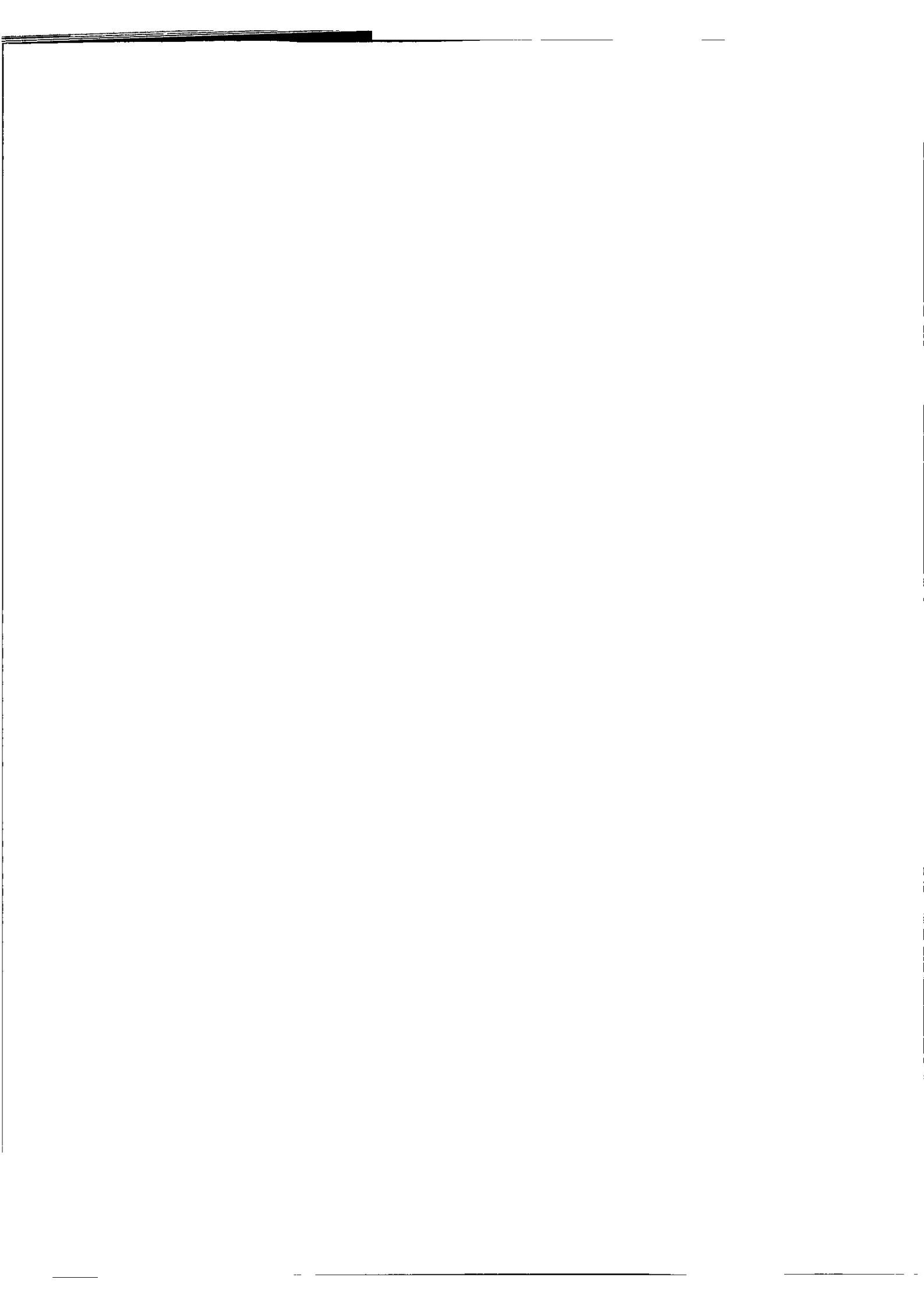
Approved by the Board and authorised for issue on 13 June 2012

Signed on behalf of the Board



W J Schoeman  
Director

Company Registration No. 5541602



**Consolidated Statement of Changes in Equity  
For the year ended 31 December 2011**

	Ordinary Shares	Share Premium	Share Option Reserve	FX reserves	Retained Earnings	Attributable To Owners	Total
	£	£	£	£	£	£	£
<b>Balance at 1 January 2010</b>	<b>1,030,595</b>	<b>9,453,737</b>	<b>1,420,361</b>	-	<b>(10,067,676)</b>	<b>1,837,017</b>	<b>1,837,017</b>
Loss for the year	-	-	-	-	(1,086,292)	(1,086,292)	(1,086,292)
Other comprehensive income	-	-	-	147,677	-	147,677	147,677
<b>Total comprehensive income for the year</b>	-	-	-	<b>147,677</b>	<b>(1,086,292)</b>	<b>(938,615)</b>	<b>(938,615)</b>
Share placement	368,181	306,819	-	-	-	675,000	675,000
Shares issued to staff and directors	1,125	975	-	-	-	2,100	2,100
Issue of ordinary shares for services rendered	36,000	31,200	-	-	-	67,200	67,200
Issue of ordinary shares in lieu of fees	18,409	15,341	-	-	-	33,750	33,750
<b>Balance at 31 December 2010</b>	<b>1,454,310</b>	<b>9,808,072</b>	<b>1,420,361</b>	<b>147,677</b>	<b>(11,153,968)</b>	<b>1,676,452</b>	<b>1,676,452</b>
Loss for the year	-	-	-	-	(996,842)	(996,842)	(996,842)
Other comprehensive income	-	-	-	(69,786)	-	(69,786)	(69,786)
<b>Total comprehensive income for the year</b>	-	-	-	<b>(69,786)</b>	<b>(996,842)</b>	<b>(1,066,628)</b>	<b>(1,066,628)</b>
Share placement	645,000	860,000	-	-	-	1,505,000	1,505,000
Shares issued to staff and directors	31,500	40,500	-	-	-	72,000	72,000
Issue of ordinary shares for services rendered	75,429	93,028	-	-	-	168,457	168,457
Options granted to Directors	-	-	8,000	-	-	8,000	8,000
Issue of ordinary shares in lieu of fees	40,821	54,429	-	-	-	95,250	95,250
<b>Balance at 31 December 2011</b>	<b>2,247,060</b>	<b>10,856,029</b>	<b>1,428,361</b>	<b>77,891</b>	<b>(12,150,810)</b>	<b>2,458,531</b>	<b>2,458,531</b>

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

Reserve	Description and purpose
Share capital	amount subscribed for share capital at nominal value
Share premium	amount subscribed for share capital in excess of nominal value, net of allowable expenses
Share option reserve	reserve for share options granted but not exercised
Retained Earnings	cumulative net gains and losses recognised in the statement of comprehensive income
Foreign exchange reserves	cumulative net gains and losses recognised on consolidation

**Company Statement of Changes in Equity  
For the year ended 31 December 2011**

	Share Capital	Share Premium	Share Option Reserve	Retained Earnings	Attributable To Owners	Total
	£	£	£	£	£	£
<b>Balance at 1 January 2010</b>	<b>1,030,595</b>	<b>9,453,737</b>	<b>1,420,361</b>	<b>(11,742,978)</b>	<b>161,715</b>	<b>161,715</b>
Loss for the year	-	-	-	(708,388)	(708,388)	(708,388)
Total comprehensive income for the year	-	-	-	(708,388)	(708,388)	(708,388)
Share placement	368,181	306,819	-	-	675,000	675,000
Issue of Ordinary shares to staff	1,125	975	-	-	2,100	2,100
Issue of ordinary shares for services rendered	36,000	31,200	-	-	67,200	67,200
Issue of ordinary shares in lieu of fees	18,409	15,341	-	-	33,750	33,750
<b>Balance at 31 December 2010</b>	<b>1,454,310</b>	<b>9,808,072</b>	<b>1,420,361</b>	<b>(12,451,366)</b>	<b>231,377</b>	<b>231,377</b>
Profit for the year	-	-	-	2,492,190	2,492,190	2,492,190
Total comprehensive income for the year	-	-	-	2,492,190	2,494,190	2,492,190
Share placement	645,000	860,000	-	-	1,505,000	1,505,000
Issue of Ordinary shares to staff	31,500	40,500	-	-	72,000	72,000
Issue of ordinary shares for services rendered	75,429	93,028	-	-	168,457	168,457
Options granted to Directors	-	-	8,000	-	8,000	8,000
Issue of ordinary shares in lieu of fees	40,821	54,429	-	-	95,250	95,250
<b>Balance at 31 December 2011</b>	<b>2,247,060</b>	<b>10,856,029</b>	<b>1,428,361</b>	<b>(9,959,176)</b>	<b>4,572,274</b>	<b>4,572,274</b>

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

Reserve	Description and purpose
Share capital	amount subscribed for share capital at nominal value
Share premium	amount subscribed for share capital in excess of nominal value, net of allowable expenses
Share option reserve	reserve for share options granted but not exercised
Retained Earnings	cumulative net gains and losses recognised in the statement of comprehensive income

**Consolidated Statement of Cash Flows**  
**For the year ended 31 December 2011**

	2011	2010
	£	£
<b>Cash flows from operating activities</b>		
Loss before taxation (continued and discontinued)	(1,340,233)	(900,456)
Depreciation	7,187	9,704
Foreign exchange differences	286,287	135,611
Finance cost	294,703	270,733
Loss on disposal of assets	-	509
Interest income	(2,061)	(1,672)
Expenses for equity settled share based payments	248,457	69,300
Expenses for equity settled commissions	95,250	33,750
	<u>(410,410)</u>	<u>(382,521)</u>
<b>Changes in working capital</b>		
(Increase)/Decrease in trade and other receivables	(31,544)	79,451
Decrease in trade creditors and other payables	(155,922)	(237,401)
<b>Net cash used in operating activities</b>	<u>(597,876)</u>	<u>(540,471)</u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment and development costs	(55,477)	(281,218)
Proceeds from disposal of fixed assets	9,564	776
Interest income	2,061	1,672
Purchase of investments	(155,000)	-
<b>Net cash used in investing activities</b>	<u>(198,852)</u>	<u>(278,770)</u>
<b>Cash flows from financing activities</b>		
Proceeds from share placement	1,505,000	675,000
Proceeds from loans	-	532,775
Finance cost	(294,703)	(270,733)
<b>Net cash from financing activities</b>	<u>1,210,297</u>	<u>937,042</u>
<b>Net increase in cash and cash equivalents</b>	413,569	117,801
<b>Cash and cash equivalents brought forward</b>	<u>396,182</u>	<u>278,381</u>
<b>Cash and cash equivalents carried forward</b>	<u>809,751</u>	<u>396,182</u>

**Company Statement of Cash Flows**  
**For the year ended 31 December 2011**

	2011 £	2010 £
<b>Cash flows from operating activities</b>		
Profit/(Loss) before taxation	2,492,190	(708,388)
Adjustment for		
Depreciation	140	140
Interest income	(18,909)	(16,011)
Expenses for equity settled share based payments	248,457	69,300
Expenses for equity settled commissions	95,250	33,750
(Write back)/provision for balance due from subsidiary	(3,312,057)	345,678
	<u>(494,929)</u>	<u>(275,531)</u>
<b>Changes in working capital</b>		
Increase in receivables	(682,137)	(322,867)
Decrease in payables	69,604	38,917
	<u>(1,107,462)</u>	<u>(559,481)</u>
<b>Net cash used in operating activities</b>		
<b>Cash flows from investing activities</b>		
Interest income	18,909	16,011
<b>Net cash from investing activities</b>	<u>18,909</u>	<u>16,011</u>
<b>Cash flows from financing activities</b>		
Proceeds from share placement	1,505,000	675,000
<b>Net cash from financing activities</b>	<u>1,505,000</u>	<u>675,000</u>
<b>Net increase in cash and cash equivalents</b>	416,447	131,530
<b>Cash and cash equivalents brought forward</b>	347,833	216,303
<b>Cash and cash equivalents carried forward</b>	<u>764,280</u>	<u>347,833</u>

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**Notes to the financial statements**  
**For the year ended 31 December 2011**

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**1. Incorporation and principal activities**

**Country of incorporation**

Watermark Global Plc was incorporated in the United Kingdom as a Public Limited Company on 19 August 2005. Its registered office is 42, Queen Anne's Gate, London SW1H 9AP. The Company is domiciled in South Africa.

**Principal activities**

The principal activity of the Group during the period was that of commercialising process technologies, namely the process technology for the treatment of acid mine drainage. The principal activity of the Company was that of a holding Company.

**2. Accounting policies**

**2.1 Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The principal accounting policies are set out below.

**2.2 Going Concern**

Subsequent to the year end the suspensive conditions to the disposal of Western Utilities Corporation (Pty) Limited to MRI have been fulfilled other than the listing of the shares on the Johannesburg Stock Exchange expected on or around 25 June 2012.

Completion will result in payment to the group of approximately £1.8 million of which approximately £1.55 million will be lent to an MRI shareholder for three months. The funding, together with the existing cash balances, will be sufficient to enable the continuing group to continue to trade until at the earliest 30 June 2013. The directors are presently not aware of any reason why the sale should not complete.

**2.3 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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**Notes to the financial statements (continued)**  
**For the year ended 31 December 2011**

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**2. Accounting policies (continued)**

**2.3 Basis of consolidation (continued)**

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group

All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation

**2.4 Revenue recognition**

Revenue represents amounts receivable for water, plant, management, service and Company administrative services, net of VAT, trade discounts and other sales tax and is recognised on the date the services are provided

**2.5 Interest Income**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable

**2.6 Foreign currencies**

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency) For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in pounds, which is the functional currency of the Company and the presentation currency for the consolidated financial statements

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use are included in the cost of those assets

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**Notes to the financial statements (continued)**  
**For the year ended 31 December 2011**

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**2. Accounting policies (continued)**

**2.6 Foreign currencies (continued)**

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Pounds using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

**2.7 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**2.8 Segment information**

Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision maker. The chief operating decision maker who is responsible for the allocating resources and assessing performance of the operating segments has been identified as the Board of Directors.

**2.9 Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand, with a maturity date of less than three months from inception.

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**Notes to the financial statements (continued)**  
**For the year ended 31 December 2011**

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**2. Accounting policies (continued)**

**2.10 Share-based payments**

IFRS 2 'Share-based Payment' requires the recognition of equity-settled share-based payments at fair value at the date of grant and the recognition of liabilities for cash-settled share based payments at the current fair value at each reporting date

The Group provides benefits to employees and service providers (including senior executives) of the Group in the form of share based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions)

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than market conditions linked to the price of the shares of Watermark Global Plc, if applicable

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or other service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period)

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The profit and loss account charge or credit for a period represents the movements in cumulative expense recognised as at the beginning and end of that period

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share

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**Notes to the financial statements (continued)**  
**For the year ended 31 December 2011**

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**2. Accounting policies (continued)**

**2.11 Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax

Current Tax

The tax currently payable is based on taxable profit for the year. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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**Notes to the financial statements (continued)**  
**For the year ended 31 December 2011**

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**2. Accounting policies (continued)**

**2.11 Taxation (continued)**

Deferred tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

**2.12 Investments**

Investments in subsidiary companies are stated at cost less impairment in value, which is recognised as an expense in the period the impairment is identified.

**2.13 Property, plant and equipment**

Assets in the course of construction for production, supply or administrative purposes, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than assets under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives and residual values are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2011**

**2. Accounting policies (continued)**

**2 13 Property, plant and equipment (continued)**

Fixtures, Fittings and Equipment	Over 3 and 4 years
Assets under construction	Not depreciated

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss

**2 14 Intangible assets**

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated

- the technical feasibility of completing the intangible asset so that it will be available for use or sale,
- the intention to complete the intangible asset and use or sell it,
- the ability to use or sell the intangible asset,
- how the intangible asset will generate probable future economic benefits,
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation, at the date the asset is brought into use, and accumulated impairment losses

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**Notes to the financial statements (continued)**  
**For the year ended 31 December 2011**

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**2. Accounting policies (continued)**

**2.15 Impairment of tangible and intangible assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, whereby impairment is first allocated to the revaluation reserve, to the extent that it has been previously revalued, with any excess taken to the statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in other comprehensive income, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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**Notes to the financial statements (continued)**  
**For the year ended 31 December 2011**

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**2. Accounting policies (continued)**

**2.16 Financial assets**

Loans and receivables are recognized when the Company and Group become party to the contractual provisions of the financial instrument

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

**2.17 Financial liabilities and equity instruments issued by the Group**

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are recognised when the Company and Group become party to the loan.

Financial liabilities represent trade payables and borrowings.

Trade payables are initially measured at fair value and subsequently at amortised cost. Trade payables are non-interest bearing.

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**Notes to the financial statements (continued)**  
**For the year ended 31 December 2011**

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**2. Accounting policies (continued)**

**2.17 Financial liabilities and equity instruments issued by the Group (continued)**

Financial liabilities (continued)

Borrowings are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company and Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

**3. Significant judgements and sources of estimation uncertainty**

In preparing the annual financial statements of the Group, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

**Development costs**

The group assess development costs as intangible assets which are recorded based on actual cost spent on development.

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**Notes to the financial statements (continued)**  
**For the year ended 31 December 2011**

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**3. Significant Judgements and Sources of Estimation Uncertainty (continued)**

**Impairment testing**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of intangible and tangible assets.

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors.

The recoverability of development costs and related impairment testing is dependent on the successful disposal of Western Utilities Corporation (Pty) Limited which is expected to be completed before the end of June 2012. In the event that this does not take place and in the absence of any formal project development by the South African government the carrying value of development costs is likely to be significantly impaired.

The ability of the group to continue as a going concern would then be dependent on the group's ability to raise new equity or other third party finance. This itself would be dependent on progress being made on formal project development by the South African government.

**4 Financial Risk Management**

**Policy**

The Group and Company regularly monitor the cash position to ensure liabilities can be met.

**Financial risk factors**

Financial assets are considered to be minimal and the risk is managed on a day-to-day basis.

The Group is exposed to liquidity risk, market risk (interest rate risk and currency risk) and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Group to manage these risks are discussed below.

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2011**

**4. Financial Risk Management (continued)**

**Liquidity Risk**

The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by monitoring cash flows and managing the maturity profiles of financial assets and liabilities within the bounds of contractual obligations

**Market Risk**

Interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in the market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group is exposed to interest rate risk in relation to its bank deposits. The Group manages this risk by reviewing cashflows on a regular basis to ensure liabilities can be met

The Group received an interest bearing loan from the Development Bank of South Africa at a fixed interest rate of 25%. The loan is furthermore a non-recourse loan payable on the achievement of the commercialisation of the AMD project in South Africa. The Group has also received a number of loans from individual mining companies which carry interest at a fixed rate of 8% per annum

The Group has monies on deposit which earn interest at rates from 4% to 10% depending on location. Interest rates in South Africa are more volatile than in the United Kingdom and hence a larger sensitivity range has been used. The sensitivity of interest rate increases and decreases is set out below

	<b>2011</b>	<b>2010</b>
	<b>Interest received reduction</b>	<b>Interest received reduction</b>
	<b>£</b>	<b>£</b>
<b>Interest rate decrease</b>		
1%	(4,647)	(2,293)
2%	(9,295)	(4,587)
3%	(13,942)	(6,880)
	<b>Interest received increase</b>	<b>Interest received increase</b>
<b>Interest rate increase</b>		
1%	4,647	2,293
2%	9,295	4,587
3%	13,942	6,880

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**Notes to the financial statements (continued)**  
**For the year ended 31 December 2011**

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**4. Financial Risk Management (continued)**

**Currency Risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a foreign currency that is not the Group's functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the South African Rand. The Group's management monitors the exchange rate fluctuations on a continuous basis. Given the current position of the Group and the immaterial nature of currency reserves, the directors consider the Group's exposure to currency risk to be minimal.

Loans between companies which are members of the Watermark Global Plc Group are made in the functional currency of the lending company. In all other respects, the policy for all Group companies is that they only trade in their principal functional currency, except in exceptional circumstances from time to time.

As at 31 December 2011 the Group held no monetary assets or liabilities in currencies other than the functional currency of the operating units involved. These operating units refer to South Africa and the UK and assets are held in both Sterling and Rand. Interest rate exposure has been included as part of the sensitivity calculations.

**Capital Risk Management**

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves less accumulated losses as disclosed in notes 15 and 17. The Group does not use derivative financial instruments and has no long term debt facilities.

**Fair value estimation**

The fair values of the Group's financial assets and liabilities approximate to their carrying amounts at the reporting date.

Notes to the financial statements (continued)  
For the year ended 31 December 2011

5. Segmental Information

5.1 Segmental information for the year ended 31 December 2011

For management purposes the Group is organised into two operating divisions, Corporate and Water Technology. These divisions are the basis on which the Group reports its primary segment information. This information also represents the geographical segments of the United Kingdom and South Africa. Due to events subsequent to the reporting date (Note 22) the water technology segment has been classified as discontinued.

	Corporate United Kingdom £
<b>Result</b>	
Segment result from continuing operations	(820,998)
Interest income	1,329
Loss before tax	<u>(819,669)</u>
Discontinued activities – water technology (South Africa)	(177,173)
	<u>(996,842)</u>

Other segment items included in the statement of comprehensive income

	Corporate United Kingdom £	Water Technology South Africa (discontinued) £	Total £
Depreciation (Note 12)	140	7,047	7,187
Share based payments	80,000	-	<u>80,000</u>

Notes to the financial statements (continued)  
For the year ended 31 December 2011

5. Segmental Information (continued)

5.1 Segmental information for the year ended 31 December 2011 (continued)

Statement of Financial Position	Corporate United Kingdom	Water Technology South Africa (discontinued)	Consolidation Adjustments	Total
	£	£	£	£
Segment assets	4,761,139	3,662,716	(3,964,085)	4,459,770
Segment liabilities	(188,865)	(5,592,645)	3,854,732	(1,926,778)
Net assets/(liabilities)	4,572,274	(1,929,929)	(109,353)	2,532,992

5.2 Segmental information for the year ended 31 December 2010

For management purposes the Group is organised into two operating divisions, Corporate and Water Technology. These divisions are the basis on which the Group reports its primary segment information. This information also represents the geographical segments of the United Kingdom and South Africa. Due to events subsequent to the reporting date (Note 22) the water technology segment for the prior period has been reclassified as discontinued.

	Corporate United Kingdom £
<b>Result</b>	
Segment result from continuing operations	(388,723)
Interest income	694
Loss before tax	(388,029)
Discontinued activities – water technology (South Africa)	(698,263)
	<u>(1,086,292)</u>

Notes to the financial statements (continued)  
For the year ended 31 December 2011

5. Segmental Information (continued)

5.2 Segmental information for the year ended 31 December 2010 (continued)

Other segment items included in the income statement

	Corporate United Kingdom	Water Technology South Africa (discontinued)	Total
	£	£	£
Depreciation	140	9,564	9,704

Statement of Financial Position	Corporate United Kingdom	Water Technology South Africa (discontinued)	Consolidation Adjustments	Total
	£	£	£	£
Segment assets	350,638	3,535,759	(1,227)	3,885,170
Segment liabilities	(119,261)	(5,391,516)	3,302,059	(2,208,718)
Net assets/(liabilities)	231,377	(1,855,757)	3,300,832	1,676,452

6. Interest Income

Interest on bank and cash balances received can be summarised as follows

	2011 £	2010 £
<b>Continuing Operations</b>		
Bank deposits		
UK	1,329	694

**Notes to the financial statements (continued)  
For the year ended 31 December 2011**

**7. Loss before taxation**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Loss before taxation is stated after charging		
Directors' emoluments	138,953	162,527
Depreciation	140	140
Auditors' remuneration – statutory audit	29,500	29,500

**8. Employees**

	<b>2011</b>	<b>2010</b>
The average monthly number of persons (including Directors) employed by the Group during the period was		
Company and Group – continuing	4	5
<b>Employment costs</b>	<b>£</b>	<b>£</b>
Wages and salaries (including directors)	138,953	162,527
<b>Directors' remuneration</b>		
Aggregate emoluments (including benefits in kind)	138,953	162,527
Emoluments of the Highest Paid Director	100,000	100,000

**Notes to the financial statements (continued)  
For the year ended 31 December 2011**

**9. Taxation**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
<b>Continuing operations</b>		
<b>Current Tax</b>		
Current tax on loss for the year	-	-
<b>Discontinued operations</b>		
Current tax	-	-
Deferred tax movement (Note 18)	(343,391)	185,836
	<u>(343,391)</u>	<u>185,836</u>
	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
<b>Continuing operations</b>		
<b>Factors affecting the tax charge for the period</b>		
Loss on ordinary activities before taxation	(819,669)	(388,029)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 26% (2010 28%)	(213,114)	(108,648)
<b>Effects of :</b>		
Depreciation	36	39
Share based employee costs	20,800	-
Losses carried forward	192,278	108,609
UK Corporation tax	<u>-</u>	<u>-</u>

A deferred tax asset of £701,372 (2010 £551,819) in respect of the parent company has not been recognised due to the uncertainty over the timing of future recoverability

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2011**

**10. Loss per share**

Loss for the year attributable to shareholders, including discontinued activities is £996,842 (2010 £1,086,292) This is divided by the weighted average number of shares outstanding calculated to be 1,220,358,976 (2010 834,224,090) to give a basic loss per share of 0.08p (2010 0.1p loss)

The calculation of dilutive loss per share, both including and excluding discontinued activities, is based on the weighted average number of shares outstanding adjusted by dilutive share options. The Group's share options are non-dilutive as the market price of the shares is below the exercise price. Consequently the diluted loss per share has been stated at the same figure as the basic loss per share.

Loss for the year attributable to shareholders, excluding discontinued activities, is £819,669 (2010 £388,029) This is divided by the weighted average number of shares outstanding calculated to be 1,220,358,976 (2010 834,224,090) to give a basic loss per share of 0.06p (2010 0.05p loss)

**11. Intangible assets**

	£
<b>Cost</b>	
At 31 December 2009	2,778,863
Additions	442,751
Foreign exchange movement	251,935
Transferred to assets held for sale (Note 19)	<u>(3,473,549)</u>
At 31 December 2010	-
Additions	55,477
Disposals	(9,564)
Foreign exchange movement	(630,968)
Transferred to assets held for sale (Note 19)	<u>585,055</u>
At 31 December 2011	<u>-</u>
	£
<b>Net book value</b>	
31 December 2011	<u>-</u>
31 December 2010	<u>-</u>
31 December 2009	<u>2,778,863</u>

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**Notes to the financial statements (continued)**  
**For the year ended 31 December 2011**

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**11. Intangible assets (continued)**

Intangible Assets relate to the development cost associated with the Definitive Feasibility Study for the Group's AMD project in South Africa. Western Utilities Corporation (Pty) Ltd started with the development of the commercial scale plant through the development of a definitive feasibility study that among others included the design and costing of the full scale plant together with the Environmental Impact Assessment (EIA) and resource verification studies.

WUC submitted its long term sustainable solution to the Department of Water Affairs (DWA) in February 2010 based on the completion of its Bankable Feasibility Study and the Final Scoping Report of the Environmental Impact Study in 2009. After numerous discussions with the various regulators, a revised proposal was submitted in July 2010 which addressed concerns raised by the DWA on the initial submission. The Minister of Water Affairs appointed an Inter-Ministerial Committee (IMC) to evaluate various proposals and implement an action plan. In February 2011, the DWA, through the IMC, appointed the Tans-Caledon Tunnel Association (TCTA), which is a quasi state organization tasked with implementation of critical infrastructure with specific reference to bulk water supply, as its implementation agent. TCTA's role is to implement a short term solution to prevent AMD from causing further damage to the environment. WUC has been discussing with the TCTA to assist in the short term solution whilst at the same time realizing value for its shareholders. However, the Group has focussed, and will continue to focus, on the implementation of a long term sustainable solution. It is our understanding that the long term solution will form part of a DWA tender process in which WUC has every intention to participate.

The board is still of the view that WUC has a significant advantage over its competitors. Unfortunately Watermark cannot provide defined timeframes associated with the short and long term solutions or the processes to be followed. The Board has therefore decided to sell 100% of Western Utilities Corporation (Pty) Limited for an equity stake in a South African listed company, Mine Restoration Investments Limited. As part of this transaction the carrying value of the intangible assets will be recovered in full (see Note 22).

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2011**

**12. Fixed assets**

*12.1 Property, plant and equipment – Group continuing operations*

	Fixtures, Fittings & Equipment £	Assets under construction £	Total £
<b>Cost</b>			
At 31 December 2009	35,152	651,229	686,381
Disposals	(2,602)	-	(2,602)
Foreign exchange movement	5,934	-	5,934
Transferred to assets held for sale	(37,083)	(651,229)	(688,312)
At 31 December 2010	1,401	-	1,401
Foreign exchange movement	(7,616)	-	(7,616)
Transferred to assets held for sale	7,616	-	7,616
At 31 December 2011	1,401	-	1,401
<b>Accumulated depreciation</b>			
At 31 December 2009	17,975	651,229	669,204
Charge for the year	9,704	-	9,704
Disposals	(1,386)	-	(1,386)
Foreign exchange movement	2,993	-	2,993
Transferred to assets held for sale	(28,236)	(651,229)	(679,465)
At 31 December 2010	1,050	-	1,050
Charge for the year	7,187	-	7,187
Foreign exchange movement	(6,587)	-	(6,587)
Transferred to assets held for sale	(460)	-	(460)
At 31 December 2011	1,190	-	1,190
<b>Net Book Value</b>			
At 31 December 2011	211	-	211
At 31 December 2010	351	-	351
At 31 December 2009	17,177	-	17,177

**Impairment losses recognised in prior years in respect of assets reclassified as held for sale**

Assets under construction relate to costs incurred by Western Utilities Corporation (Pty) Limited (WUC) in respect of a pilot plant which was established to develop and commercialise a process technology which will facilitate the treatment of acid water, which is an industrial by-product of the mining process, and to sell the treated water to industrial customers. The group assessed the carrying value for assets under construction and decided in 2009 to impair the assets as they were no longer in use.

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2011**

**12. Fixed assets (continued)**

*12.2 Property, plant and equipment - Company*

<b>Company</b>	<b>Fixtures, Fittings &amp; Equipment £</b>
<b>Cost</b>	
At 31 December 2009, at 31 December 2010 and at 31 December 2011	<u>1,401</u>
<b>Accumulated Depreciation</b>	
At 31 December 2009	910
Charge for the year	<u>140</u>
At 31 December 2010	1,050
Charge for the year	<u>140</u>
At 31 December 2011	<u>1,190</u>
<b>Net book value</b>	
At 31 December 2011	<u>211</u>
At 31 December 2010	<u>351</u>
At 31 December 2009	<u>491</u>

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2011**

**12 Fixed Assets (continued)**

**12.3 Investments**

**Company**

**Cost and Net book value**

At 31 December 2009, 31 December 2010 and at 31  
December 2011

£

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Investments in subsidiaries comprise the following, all of which are fully consolidated

<b>Name and nature of business</b>	<b>Country Registration</b>	<b>Class of shares</b>	<b>% held</b>
Water Utilities Limited (dormant intermediate holding Company)	BVI	Ordinary	100
Western Utilities Corporation (Pty) Limited (acid mine drainage process development) -held indirectly	South Africa	Ordinary	100

Western Utilities Corporation (Pty) Limited holds a 51% stake in Octavovox (Pty) Limited (see note 19) and 50% of Prodiflex (Pty) Limited, a joint venture company, both are incorporated in South Africa

Western Utilities Corporation (Pty) Limited is being treated as an asset held for sale (see Note 19)

The shares in Western Utilities Corporation (Pty) Limited are held as security in respect of bank finance, granted to the company, in the sum of approximately £1.3m

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2011**

**13. Trade and other receivables**

<b>Group - continuing</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Other debtors and prepayments	32,563	1,227
<b>Company</b>		
Amounts owed by group undertakings (see below)	3,964,087	-
Other debtors and prepayments	32,554	2,447
	<u>3,996,641</u>	<u>2,447</u>

As at 31 December 2011 the amount owed by Western Utilities Corporation (Pty) Limited ("WUC") was £3,964,087 (2010 £3,312,057) Interest is payable at LIBOR At 31 December 2010 the amount of £3,312,057 had been fully provided for due to the ongoing uncertainties with current government approval in South Africa In 2011 this amount has been written back following the intended sale of WUC to Mine Restoration Investments Limited (see Note 22) since the balance is now considered fully recoverable

**14 Trade and other payables**

<b>Group – continuing</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Trade payables	65,865	1,259
Accruals and deferred income	123,000	118,002
	<u>188,865</u>	<u>119,261</u>
<b>Company</b>		
Trade payables	65,865	1,259
Accruals and deferred income	123,000	118,002
	<u>188,865</u>	<u>119,261</u>

**Notes to the financial statements (continued)  
For the year ended 31 December 2011**

**15. Share capital**

**Group and company**

	2011 £	2010 £
<i>Capital comprises</i>		
<i>Authorised</i>		
1,000,000,000 ordinary shares of 0 15p each	1,500,000	1,500,000
<i>Allotted, issued and fully paid</i>		
1,498,041,017 (2010 969,540,827) ordinary shares of 0 15p each	2,247,060	1,454,310

**15.1 Fully paid ordinary shares**

	Number of Shares	Share Capital	Share Premium
Balance at 1 January 2010	687,063,554	1,030,595	9,453,737
Issue of shares for cash	245,454,546	368,181	306,819
Issue of shares in lieu of fees	12,272,727	18,409	15,341
Issue of shares under employee share scheme	750,000	1,125	975
Issue of shares for services rendered	24,000,000	36,000	31,200
Balance at 31 December 2010	969,540,827	1,454,310	9,808,072
Issue of shares for cash	430,000,000	645,000	860,000
Issue of Shares in lieu of fees	27,214,286	40,821	54,429
Issue of shares to directors	21,000,000	31,500	40,500
Issue of shares for services rendered	50,285,904	75,429	93,028
Balance at 31 December 2011	1,498,041,017	2,247,060	10,856,029

The above represent fully paid ordinary shares, which have a par value of 0 15p carry one vote per share and carry the right to dividends

During the year 21,000,000 ordinary shares were awarded to Directors, 20,000,000 to Jaco Schoeman, in lieu of his continued effort to bring the Water project to a close and 1,000,000 to Adam Gunn as part of his contractual arrangement

Notes to the financial statements (continued)  
For the year ended 31 December 2011

16 Share based payment arrangements

Shares issued during the year

During the year shares amounting to £263,707 were issued to consultants and other service providers for services rendered/in lieu of fees for the year ended 31 December 2011. The fair value is deemed to be the market value of the services/fees received based on agreed supplier terms which is also deemed to be the fair value of the equity instruments granted. The amount of shares issued was determined by the share price on the date of issue.

Share options

<u>Name</u>	<u>Date granted</u>	<u>Number</u>	<u>Exercise price</u> <u>Pence</u>	<u>Expiry date</u>
Sandy Barblett	2007/06/06	3,000,000	10	2012/06/06
Art Greenberg	2007/06/06	1,000,000	10	2012/06/06
Harley Grant	2007/06/06	2,000,000	10	2012/06/06
Jeff Henry	2007/06/06	2,000,000	10	2012/06/06
Mike Dureau	2007/06/06	110,000	10	2012/06/06
Steven Ribich	2007/12/10	1,947,000	10	2012/12/10
Rockbury	2008/04/30	3,330,000	7.5	2013/04/30
Adam Gunn	2008/02/11	1,000,000	10	2016/02/10
Bertie Steytler	2009/07/01	1,000,000	3	2014/06/30
Charles Zorab	2009/07/01	1,000,000	3	2014/06/30
		<u>16,387,000</u>		

12,700,000 options expired and none were forfeited or exercised during the year. 1,000,000 options, which were granted in 2008 under the terms of his contract, were formally awarded to Adam Gunn during 2011.

A further 8,100,000 options expired subsequent to the year end.

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2011**

**16. Share based payment arrangements (continued)**

The following table summarise the total share based payments effected for the year 31 December 2011

	<b>2011 Value £</b>	<b>2010 Value £</b>
<b>Issued to Directors</b>	80,000	-
<b>Options outstanding</b>		
	<b>2011 No</b>	<b>2010 No</b>
At 31 December 2011	16,387,000	28,087,000

Notes to the financial statements (continued)  
For the year ended 31 December 2011

17. Reserves

	Group foreign exchange reserve	Company and Group share option reserve	Company and Group share premium account	Group profit and loss account	Company profit and loss account
	£	£	£	£	£
At 31 December 2009	-	1,420,361	9,453,737	(10,067,676)	(11,742,978)
Loss for the year	-	-	-	(1,086,292)	(708,388)
Foreign exchange difference	147,677	-	-	-	-
New shares issued for cash	-	-	306,819	-	-
New shares issued in lieu of fees	-	-	47,516	-	-
At 31 December 2010	147,677	1,420,361	9,808,072	(11,153,968)	(12,451,366)
(Loss)/profit for the Year	-	-	-	(996,842)	2,492,190
Foreign exchange difference	(69,786)	-	-	-	-
New Shares Issued for cash	-	-	860,000	-	-
New shares issued to Directors	-	-	40,500	-	-
Options awarded to Directors	-	8,000	-	-	-
New shares issued in lieu of services	-	-	93,028	-	-
New shares issued in lieu of commission	-	-	54,429	-	-
At 31 December 2011	77,891	1,428,361	10,856,029	(12,150,810)	(9,959,176)

The Company has taken advantage of the exemption conferred by section 408 of Companies Act 2006 from presenting its own statement of comprehensive income. A profit after taxation of £2,492,190 (2010 loss - £708,388) has been included in the financial statements of the parent company.

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2011**

**18. Discontinued operations**

*Discontinued operation*

A discontinued operation is a component of the Group's activities that is distinguishable by reference to geographical area or line of business that is held for sale, has been disposed of or discontinued, or is a subsidiary acquired exclusively for resale. When an operation is classified as discontinued, the comparative income statement is represented as if the operation had been discontinued from the start of the comparative period.

*Plan to dispose of an operation*

On 15 December 2011 Watermark entered into a conditional agreement to sell its wholly-owned operating subsidiary, Western Utilities Corporation (Pty) Limited to Mine Restoration Investments Limited for a consideration of £4.50 million comprising £1.81 million in cash and £2.69 million in MRI shares. Further details of this disposal are given in the Directors' Report.

*Loss for the year from discontinued operations*

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Revenue	122,140	130,458
Operating costs	(348,733)	(373,131)
Interest income	732	979
Finance costs	(294,703)	(270,733)
Loss before tax	(520,564)	(512,427)
Taxation	343,391	(185,836)
Loss from discontinued activities after taxation	(177,173)	(698,263)
<i>Loss per share relating to discontinued operation (see note 10 for details on weighted average number of shares)</i>		
Basic	0.02	0.08
Diluted	0.02	0.08
<i>Cashflows relating to the discontinued operation are as follows</i>		
Operating cash flows	(1,322,607)	(456,856)
Investing cash flows	1,057,553	(370,501)
Financing cashflows	262,176	(282,372)

The loss before tax included £110,000 (2010 - £132,000) in respect of a group directors' remuneration.

Notes to the financial statements (continued)  
For the year ended 31 December 2011

**19. Disposal groups held for sale**

At 31 December 2011 Watermark had entered into a conditional agreement to sell its wholly-owned operating subsidiary, Western Utilities Corporation (Pty) Limited, together with its finance obligations which have been reclassified as a disposal group held for sale within the financial statements, details of which are

	2011	2010
	£	£
<i>Assets held for sale</i>		
Intangible assets	3,040,455	3,473,549
Property plant and equipment	771	8,847
Investments	77,500	-
Deferred tax	493,297	-
Trade and other receivables	5,222	5,014
Cash and cash equivalents	45,471	48,349
Assets held for sale	<u>3,662,716</u>	<u>3,535,759</u>
<i>Related liabilities</i>		
Borrowings	1,732,728	1,858,756
Trade and other payables	5,185	230,701
Liabilities directly related to with assets classified as held for sale	<u>1,737,913</u>	<u>2,089,457</u>

The investment of £77,500 represents a 50% holding in Prodiflex (Pty) Limited, a joint venture company incorporated in South Africa, owning intellectual property in the binder formulae and processes to be used in the briquetting of coal fines

On 15 December 2011 Western Utilities Corporation (Pty) Limited acquired 51% of Octavovox (Pty) Limited, a company incorporated in South Africa, for £77,500. The company has not traded and at the year-end held intangible assets of £151,961

The disposal will also result in the release of the non-controlling interest of £74,461

Western Utilities Corporation (Pty) has entered into a loan agreement with Octavovox (Pty) Limited to acquire assets for the company in the sum of approximately £1.2m. At the date of approval of these financial statements approximately £100,000 (31 December 2011: £nil) had been advanced.

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2011**

**20. Related party transactions**

Other than transactions with Group companies and Directors as disclosed in the Notes 8, 22 and the Directors' Report, there were no transactions with other related parties

**21. Ultimate controlling party**

There was no ultimate controlling party during the year

**22. Events after the reporting date**

Subsequent to the year-end the shareholders of both Watermark and Mine Restoration Investments Limited have approved the disposal of Western Utilities Corporation (Pty) Limited and the suspensive conditions have been fulfilled other than listing of the MRI shares expected on or around 25 June 2012. Further details are given in Note 19

**23. Other expenses**

The following significant expenses have been included in other expenses

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Audit fees	29,500	29,500
Directors' fees	138,953	164,000
Legal fees	115,803	7,381
Professional fees	156,816	-
Broker & Nomad fees	12,659	25,000

**24. Standards issued but not in force**

At the year end the directors have considered standards in issue but not in force and expect that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Group