Watermark Global Plc

Annual Report and Accounts

31 December 2010

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Chairman's Statement

2010 was another year of further progress but continuing frustration in relation to our Acid Mine Drainage clean up project. The environmental and political profile of the AMD problem has continued to increase as the water becomes closer to polluting the water table around Johannesburg. However, there is still no definitive decision on the structure and process to be used to clean up the AMD nor a timeframe for the long term infrastructure project that will be required to be developed to facilitate the clean up. Due to the nature of the project and its dependence on South African Government approval as well as further financing all timelines remain uncertain although the release of a report by the Government in February 2011 regarding the problem noted that the Company's technology was one of the only viable clean up options. This is discussed further below.

At the date of this announcement and as previously announced our wholly owned subsidiary, Western Utilities Corporation (Pty) Ltd ("WUC") has completed 14 specialist studies as part of the EIA process which form the basis of the Environmental Impact Report (EIR). WUC also completed a Definitive Feasibility Study (DFS) which has been signed off by International Consultants, Golder & Associates and has remained ready to commence the construction of the required infrastructure. WUC has provided the Government and the mining houses with a clear, well documented, detailed and practical solution to the treatment of AMD and the Board believes that WUC remains several years ahead of the competition in terms of the work already completed and now awaits the Government's decision on how it intends to finance any project and how WUC would be involved.

During 2010 the Department of Water Affairs and Environment (DWAE) announced that it acknowledged its responsibility and liability associated with ownerless and abandoned mines within the project area and that a Public Private Partnership ("PPP") would be the preferred structure to be entered into between the State and the mines in respect of a long term solution to clean up the AMD.

The Government also announced that interim measures were being investigated with the mines and Government to prevent the occurrence of an environmental disaster. Quoted below is part of a budget address given by the Minister of Water Affairs and Environment on 15 April 2010, over 12 months ago.

"There is a big problem of Acid Mine Drainage in the Witwatersrand area which threatens our ground water resources and human survival. Even the famous Cradle of Humankind is under threat. We are currently involved with short term solutions to alleviate the worst effects…. We also need a sustainable long term strategy to manage this. I hope you will be encouraged when I tell you that we are presently hard at work with mining operators in search of a lasting solution."

In simple terms, and for the sake of re-inforcing a very significant point, WUC has:

- conducted pilot plant tests for the optimum method of treating AMD;
- completed 14 specialist studies as part of the EIA process and which will form the basis of the Environmental Impact Report (EIR);
- completed a Definitive Feasibility Study (DFS) which has been signed off by an Independent Third Party, Golder & Associates (a well established, international company);

A Government task force was established in 2010 whose role was to collect information, investigate the scope and scale of the problem, determine possible solutions and report back to a ministerial committee drawn from the Ministers of the various interested sectors (e.g. water affairs, mining, finance, etc.). On 24 February 2011, the DWA published this report entitled "Mine Water Management in the Witwatersrand Gold Fields with Special Emphasis on Acid Mine Drainage". (This can be viewed on line at: http://www.dwaf.gov.za/Documents/ACIDReport.pdf)

The report reviewed the technologies available for the treatment of the AMD within each of the Witwatersrand basins (Western, Central and Eastern). The report indicates that the Alkali Barium Calcium "ABC") and Magnesium Barium Alkaline ("MBA") processes, both of which were developed by the Council for Scientific and Industrial Research ("CSIR") and TUT ('Tshwane University of Technology") were economically viable. As WUC was involved in the technology developed it has retained rights to the ABC process and any additional improvements on the ABC process (which includes the MBA process). WUC would receive a fee if this chemical process is used anywhere in the world to treat AMD.

The Board believes that the appointment of the Trans-Caledon Tunnel Association (TCTA) in February 2011, a quasi state organisation tasked with the implementation of critical infrastructure projects with specific reference to bulk water supply, as the Government's implementation agent was an encouraging move. 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, which understands the commercial environment, on how it can assist in the short term solution whilst at the same realising value for its shareholders. Whilst the Company expects these negotiations will lead to a positive outcome, which would augur well for the Company's long-term prospects, it will not result in a substantial contract in the short-term. Any agreement reached would not prevent WUC from participating in the operation and maintenance of the short, medium or long term aspects of AMD treatment in respect of which WUC fully intends to tender.

Your Board understands that it has been a very frustrating time for all the stakeholders in Watermark. At the same time, shareholders need to understand that management has done everything within its power to effect a solution. We are pleased with the recent agreement and of course we will remain very active in engaging all interested parties – especially Government and industry as well as Black Economic Empowerment Groups – to continue working towards a long term solution. Whilst the press in South Africa and various pressure groups continue to raise the issue and apply pressure for urgent action it should be noted that at this stage the Company remains unable to provide a definitive timeframe as to when further progress will be made or what WUC's role in any solution will be. Accordingly, the Company will continue to manage its cash resources judiciously and reduce its costs in a manner that will enable it to continue to operate on a reduced basis until such time as its role becomes clear.

Conditional Placing

I am pleased to report that the Company announced on 1 June 2011 a conditional placing of up to 430,000,000 new ordinary shares in the Company at a price of 0.35p raising gross proceeds of £1,505,000. The Placing will ensure continuity of existing operations, without any interruption or loss of competitive advantage as we hope to move into a period where we can actively assist in the Government's plan to clean up AMD as part of the short term and long term projects. The Placing will be conducted in two tranches of £462,000 and £1,043,000 respectively with the second tranche subject to shareholder approval at the Company's AGM which is to be held on 30 June 2011. Your Board is unanimously recommending that shareholders vote for the approval of the second tranche of the Placing. The Placing will allow the Company to continue to progress discussions with the TCTA on how it can be involved further with both the short term and long term solutions. It will also provide sufficient working capital to allow us to expand our technical team should we need to as the projects advance. Whilst there remains no clarity or certainty on how the Company will be able to participate in a long term solution for the treatment of AMD, your Board remains critically aware of the need to continue to assess how the Company can ensure that shareholder value is created and maintained. For this reason, the Company is seeking to utilise its extensive intellectual property into other business areas. Accordingly, some of the Placing proceeds will be set aside for the purpose of reviewing and carrying out due diligence in relation to other investment opportunities which, if completed, would be expected to add to the Company's asset base and enhance shareholder value. There are at present two opportunities which we have identified as prospective. One is an AMD remediation project associated with anthracite coal mining and briquetting of the resulting waste fines. The other involves the separation of water and oil from an oil producing field to create industrial grade usable water. At this stage, any review or investigation of other opportunities should be considered preliminary. In the event that anything progresses to a more advanced stage, shareholders will be fully informed via an update to the market. It should be stressed that neither of these opportunities should in any way be seen as a diminution of our resolve or attitude towards the treatment of AMD in the gold fields of South Africa which remains the focus of Watermark's business.

Outlook

A year ago we stated that there were good reasons to believe that the Government and its agencies understood the pressing need to give the go ahead to the clean-up of AMD. It seems that they now believe that WUC's solution and its extensive feasibility work can help them to achieve this. We believe it is favoured by many of the mining companies themselves and we believe that we remain well ahead of any competing technologies in terms of getting our selected process, technology, and approvals to market. It is now clearly incumbent upon the Government and its various key agencies to urgently demonstrate that it can be an agent of change for good.

In closing, I would like to once again thank our dedicated staff in South Africa who have come through an incredibly difficult year. Not only have they pushed the project forward as well as they have been allowed to but they have doggedly kept Watermark very much in the frame whilst maintaining good relations with all participants in the project. In the face of the need to conserve cash, they have continued to maintain a number of important cost cutting measures to keep the project afloat while the Government considers the issue. I would also like to thank our strong shareholder base for their continued support and interest in the Company and for this very important project.

Peter Marks

2nd June 2011

WATERMARK GLOBAL PLC®

Officers and Professional Advisers

Directors
P A Marks
D A Kotze *(resigned 13.08.2010)*
W J Schoeman
A Gunn *(non-executive)*

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
EC2R 7AS

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 2010

The Directors submit their report and the financial statements of Watermark Global Plc for the year ended 31 December 2010.

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 gold fields 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 2010 was £1,086,292 (2009: £1,727,861). The Directors do not recommend the payment of a dividend (2009: £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. The Group is currently in the development phase of its water treatment project in South Africa and the focus of the Group is on overhead cost and cash management. The Group also employs tight control over its projects, with specific management measurements, such as effective project planning, timeline management, resource management and cost and risk management.

Key Performance Indicators for the Group are not considered relevant for the year ended 31 December 2010 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.

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.

A total of £675,000 was raised in May/June 2010 at 0.275p 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 2010.

Subsequent events

In February 2011, Adam Gunn was awarded 1,000,000 options exercisable at 10.0p and 1,000,000 ordinary shares to fulfil the outstanding terms of an agreement made when he joined the Board in 2008.

On 1 June 2011, the Company announced a firm placing of new ordinary shares to raise up to £1,505,000 in two tranches of £462,000 and £1,043,000 respectively. The first tranche of new shares is expected to be admitted to trading on 7 June 2011. The second tranche is subject to approval by shareholders at a general meeting to allow directors to allot the new shares. Admission for these shares is expected on 1 July 2011.

Directors

The following Directors have held office during the year:

P A Marks
W J Schoeman
DA Kotzé *(resigned 13.08.10)*
A Gunn *(non-executive)*

Directors' interests

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

	31 December 2010	31 December 2009
P A Marks	8,362,000	8,362,000
W J Schoeman	15,000,000	15,000,000

Directors also hold options over Ordinary Shares as follows:

	31 December 2010 No:	31 December 2009 No:
P A Marks	1,500,000	1,500,000

Directors' interests

No options were awarded to either Directors or employees during the financial year under review. In February 2011, Adam Gunn was awarded 1,000,000 options exercisable at 10.0p and 1,000,000 ordinary shares to fulfil the outstanding terms of an agreement made when he joined the Board in 2008.

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 17 May 2011 the Company was aware of the following interests in 3% or more of the nominal value of the Company's shares:

Name	Ordinary Shares of 0.15p	%
Bell Potter Securities	153,493,968	15.8%
Hargreave Hale	47,863,636	4.9%
HB Markets	53,318,000	5.5%
QMM (Pty) Ltd.	61,764,072	6.4%

Shares under option or issued on exercise of options

Shares held under option are detailed in the notes to the financial statements, note 19.

Directors' Report (continued)
For the year ended 31 December 2010

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 2010.

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

Mr Peter Marks – Chairman

Mr Jaco Schoeman – Managing Director

Mr Dirk Kotzé – Financial Director (resigned 13 August 2010)

Mr Adam Gunn – Non Executive Director

Mr Jaco Schoeman is also Chief Executive Officer of Western Utilities Corporation (Pty) Ltd.

	2010				2009 (restated)			
	Employee Benefits		Share Based Payments Options, rights and fully paid up shares		Employee Benefits		Share Based Payments Options, rights and fully paid up shares	
Name	**Salary & Fees £'000**	**Bonus £'000**	**£'000**	**Total £'000**	**Salary & fees £'000**	**Bonus £'000**	**£'000**	**Total £'000**
Executive Directors								
Peter Marks	100	–	–	100	99	–	–	99
Jaco Schoeman	132	–	–	132	145	25	45	215
Dirk Kotzé	85	–	–	85	145	25	19	189
Non-Executive Directors								
Adam Gunn	24	–	–	24	24	–	8	32

The total salary and fees paid to Jaco Schoeman consist of Directors fees paid by the Company and salary earned as a full time employee of the Group's South African subsidiary. (See note 10).

Adam Gunn's disclosed remuneration for 2009 has been restated to include £8,000 in respect of share options granted in 2008 but not formally awarded until 2011.

The Remuneration Committee consists of Peter Marks and Adam Gunn.

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 2010 were 30 days (2009: 76 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.

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.

Going Concern

The directors of the company are of the opinion that the Company will continue to trade as a going concern for the next twelve months despite the delay in government decisions. With the share placement in June 2011 and the significant cost savings already implemented, the Company will be able to continue to service its debts and its running costs.

The financial statements do not include adjustments that would result if the Company and group were unable to continue as a going concern. Please also see note 23.

Financial risks

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

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
2nd June 2011

Independent Auditors' Report to the Shareholders of Watermark Global Plc

We have audited the financial statements of Watermark Global Plc for the year ended 31 December 2010 which are set out on pages 14 to 43. 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 10, 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 2010 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.

Emphasis of matter – Going concern and Intangible Assets

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 2 to the financial statements concerning the company and group's ability to continue as a going concern. The going concern presumption may not be appropriate because its validity depends on the availability of funding from share placements to meet the group's running costs for the next 12 months. These conditions, along with the other matters explained in Note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company and group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company and group was unable to continue as a going concern.

We also draw attention to Note 13 to the financial statements which describes the uncertainty for the group awaiting government approval for its water treatment development project. The intangible asset of £3,473,549 represents capitalised development costs in relation to this project. If approval is not obtained and the project is not ultimately able to proceed as planned then the development costs will be impaired in value. The financial statements do not include the adjustments that would result, if the group was unable to successfully complete its project development.

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

3rd June 2011

WATERMARK GLOBAL PLC®

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2010

	Note	2010 £	2009 £
Continuing operations			
Revenue	2	130,458	11,975
Cost of sales		–	(11,191)
Gross profit		130,458	784
Interest income	6	1,672	8,030
Other gains and losses	7	(509)	40,826
Depreciation and amortisation expenses	14	(9,704)	(9,802)
Employee benefit expenses	19	–	(83,861)
Finance cost	8	(270,733)	(69,675)
Consulting expenses		(69,300)	(136,196)
Other expenses	25	(682,340)	(1,522,910)
Loss before tax		(900,456)	(1,772,804)
Taxation	11	(185,836)	44,943
Loss for the year		(1,086,292)	(1,727,861)
Other comprehensive income			
Exchange differences on translating foreign operations			
Exchange differences arising during the year		147,677	(50,370)
Total comprehensive income for the year		(938,615)	(1,778,231)
Loss per share		**Pence**	**Pence**
From continued operations			
Basic	12	(0.1)	(0.4)
Fully diluted	12	(0.1)	(0.4)

Consolidated Statement of Financial Position
As at 31 December 2010

	Note	2010 £	2009 £
Assets			
Non Current assets			
Intangible assets	13	3,473,549	2,778,863
Property, plant and equipment	14	9,198	17,177
Deferred tax	11	–	157,027
		3,482,747	2,953,067
Current assets			
Trade and other receivables	15	6,241	85,692
Cash and cash equivalents		396,182	278,381
		402,423	364,073
Total assets		3,885,170	3,317,140
Equity and liabilities			
Share capital	18	1,454,310	1,030,595
Share premium account	18	9,808,072	9,453,737
Share option reserve	20	1,420,361	1,420,361
Foreign exchange reserve	18	147,677	–
Retained earnings	20	(11,153,968)	(10,067,676)
Equity attributable to owners of the Company		1,676,452	1,837,017
Non current liabilities			
Borrowings	17	1,324,190	892,760
Current liabilities			
Trade and other payables	16	349,962	587,363
Borrowings	17	534,566	–
		884,528	587,363
Total liabilities		2,208,718	1,480,123
Total equity and liabilities		3,885,170	3,317,140

Approved by the Board and authorised for issue on 2nd June 2011

Signed on behalf of the Board

W J Schoeman
Director

Company Registration No. 5541602

Company Statement of Financial Position
As at 31 December 2010

	Note	2010 £	2009 £
Assets			
Non Current assets			
Investments	14	7	7
Property, plant and equipment	14	351	491
		358	498
Current assets			
Trade and other receivables	15	2,447	25,258
Cash and cash equivalents		347,833	216,303
		350,280	241,561
Total assets		350,638	242,059
Equity and liabilities			
Equity			
Share capital	18	1,454,310	1,030,595
Share premium account	18	9,808,072	9,453,737
Share option reserve	20	1,420,361	1,420,361
Retained earnings	20	(12,451,366)	(11,742,978)
Total equity		231,377	161,715
Current liabilities			
Trade and other payables	16	119,261	80,344
Total equity and liabilities		350,638	242,059

Approved by the Board and authorised for issue on 2nd June 2011

Signed on behalf of the Board

W J Schoeman
Director

Company Registration No. 5541602

WATERMARK GLOBAL PLC®

Consolidated Statement of Changes in Equity
For the year ended 31 December 2010

	Share Capital £	Share Premium £	Share Option Reserve £	FX reserves £	Retained Earnings £	Attributable To Owners £	Total £
Balance at 1 January 2009	379,304	8,053,737	1,418,450	50,370	(8,491,140)	1,410,721	1,410,721
Loss for the year	–	–	–	–	(1,727,861)	(1,727,861)	(1,727,861)
Other comprehensive income	–	–	–	(50,370)	–	(50,370)	(50,370)
Total comprehensive income for the year	–	–	–	(50,370)	1,727,861	(1,778,231)	(1,778,231)
Share placement	600,000	1,400,000	–	–	–	2,000,000	2,000,000
Shares issued to staff and directors	15,291	–	(10,381)	–	67,325	72,235	72,235
Options issued to staff	–	–	12,292	–	–	12,292	12,292
Issue of ordinary shares in lieu of fees	36,000	–	–	–	84,000	120,000	120,000
Balance at 31 December 2009	1,030,595	9,453,737	1,420,361	–	(10,067,676)	1,837,017	1,837,017
Loss for the year	–	–	–	–	(1,086,292)	(1,086,292)	(1,086,292)
Other comprehensive income	–	–	–	147,677	–	147,677	147,677
Total comprehensive income for the year	–	–	–	147,677	(11,153,968)	(938,615)	(938,615)
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
Balance at 31 December 2010	1,454,310	9,808,072	1,420,361	147,677	(11,153,968)	1,676,452	1,676,452

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 shares 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 2010

	Share Capital £	Share Premium £	Share Option Reserve £	Retained Earnings £	Attributable To Owners £	Total £
Balance at 1 January 2009	379,304	8,053,737	1,418,450	(8,187,822)	1,663,669	1,663,669
Loss for the year	–	–	–	(3,706,481)	(3,706,481)	(3,706,481)
Total comprehensive income for the year	–	–	–	(3,706,481)	(3,706,481)	(3,706,481)
Share placement	600,000	1,400,000	–	–	2,000,000	2,000,000
Shares issued to staff and directors	15,291	–	(10,381)	67,325	72,235	72,235
Options issued to staff	–	–	12,292	–	12,292	12,292
Issue of ordinary shares in lieu of fees	36,000	–	–	84,000	120,000	120,000
Balance at 31 December 2009	1,030,595	9,453,737	1,420,361	(11,742,978)	161,715	161,715
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
Balance at 31 December 2010	1,454,310	9,808,072	1,420,361	(12,451,366)	231,377	231,377

Consolidated Statement of Cash Flows
For the year ended 31 December 2010

	2010 £	2009 £
Cash flows from operating activities		
Loss before taxation	(900,456)	(1,772,804)
Depreciation	9,704	9,802
Foreign exchange differences	135,611	(68,017)
Finance cost	270,733	69,675
Loss/(gain) on disposal of assets	509	(3,030)
Impairment of assets under construction	–	651,229
Interest income	(1,672)	(8,030)
Expenses for equity settled share based payments	69,300	204,527
Expenses for equity settled commissions	33,750	–
	(382,521)	(916,648)
Changes in working capital		
Decrease in trade and other receivables	79,451	469,982
(Decrease)/increase in trade creditors and other payables	(237,401)	14,761
Net cash used in operating activities	(540,471)	(431,905)
Cash flows from investing activities		
Payments for property, plant and equipment and development costs	(281,218)	(2,784,014)
Proceeds from disposal of fixed assets	776	11,466
Interest income	1,672	8,030
Net cash used in investing activities	(278,770)	(2,764,518)
Cash flows from financing activities		
Proceeds from share placement	675,000	2,000,000
Proceeds from loans	532,775	893,161
Finance cost	(270,733)	(69,675)
Net cash from financing activities	937,042	2,823,486
Net increase/(decrease) in cash and cash equivalents	117,801	(372,937)
Cash and cash equivalents brought forward	278,381	651,318
Cash and cash equivalents carried forward	396,182	278,381

WATERMARK GLOBAL PLC®

Company Statement of Cash Flows
For the year ended 31 December 2010

	2010 £	2009 £
Cash flows from operating activities		
Loss before taxation	(708,388)	(3,706,481)
Adjustment for:		
Depreciation	140	140
Interest income	(16,011)	(13,252)
Expenses for equity settled share based payments	69,300	204,527
Expenses for equity settled commissions	33,750	–
Provision for balance due from subsidiary	345,678	2,966,379
	(275,531)	(548,687)
Changes in working capital		
Increase in receivables	(322,867)	(1,312,040)
Decrease in payables	38,917	(15,727)
Net cash used in operating activities	(559,481)	(1,876,453)
Cash flows from investing activities		
Interest income	16,011	13,252
Net cash from investing activities	16,011	13,252
Cash flows from financing activities		
Proceeds from share placement	675,000	2,000,000
Net cash from financing activities	675,000	2,000,000
Net increase in cash and cash equivalents	131,530	136,798
Cash and cash equivalents brought forward	216,303	79,505
Cash and cash equivalents carried forward	347,833	216,303

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*

The directors of the company are of the opinion that the Company and Group will continue to trade as a going concern for the next twelve months despite the delay in government decisions. With the share placement in June 2011 and the significant cost savings already implemented, the Company and Group will be able to continue to service its debts and its running costs from this placement.

The financial statements do not include adjustments that would result if the share placement were unsuccessful and the Company and group were unable to continue as a going concern.

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.

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. Accounting policies (continued)

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;

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 *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.

2.9 *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).

2. Accounting policies (continued)

2.9 *Share-based payments (continued)*

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.

2.10 *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

2. Accounting policies (continued)

2.10 *Taxation (continued)*

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.

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.

2.11 *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.

2.12 *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.

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. Accounting policies (continued)

2.13 *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.

2.14 *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

2. Accounting policies (continued)

2.14 *Impairment of tangible and intangible assets (continued)*

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 revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.15 *Financial assets*

Loans and receivables are recognized when they 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.

2.16 *Leasing commitments*

Operating lease payments are recognized as an expense on a straight line basis over the lease term.

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 recognized when they become party to the loan.

Financial liabilities are classified as either financial liabilities or 'other financial liabilities'.

Financial liabilities represent trade payables and are initially measured at fair value and subsequently at amortized cost. Trade payable are non-interest bearing.

2. Accounting policies (continued)

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

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities 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 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. Due to the nature of the development and the dependency on government approval, development costs could be impaired in future. (See note 13)

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.

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:

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. Due to the uncertainty over government approvals in South Africa wording has been inserted in Note 2.2 in respect of going concern.

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 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:

Interest rate decrease	**2010 Interest received reduction £**	**2009 Interest received reduction £**
1%	(2,293)	(3,642)
2%	(4,587)	(7,284)
3%	(6,880)	(10,926)

Interest rate increase	**Interest received increase £**	**Interest received increase £**
1%	2,293	3,642
2%	4,587	7,284
3%	6,880	10,926

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 US Dollar and 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 2010 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 18 and 20. 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 approximate to their carrying amounts at the reporting date.

The fair values of the Group's financial liabilities cannot be quantified given the uncertainty over government approvals in South Africa.

5. Segmental Information

5.1 *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.

	Corporate United Kingdom £	Water Technology South Africa £	Total £
Revenue			
External	–	130,458	130,458
Total revenue from continuing operations	–	130,458	130,458
Result			
Segment result from continuing operations	(383,016)	(519,112)	(902,128)
Interest income			1,672
Loss before tax			(900,456)
Taxation			(185,836)
			(1,086,292)

Other segment items included in the income statement:

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

Statement of Financial Position	Corporate United Kingdom £	Water Technology South Africa £	Consolidation Adjustments £	Total £
Segment assets	3,317,007	3,534,543	(2,966,380)	3,885,170
Segment liabilities	(119,261)	(5,391,516)	3,302,059	(2,208,718)
Net assets/(liabilities)	3,197,746	(1,856,973)	335,679	1,676,452

5. Segmental Information (continued)

5.2 *Segmental information for the year ended 31 December 2009*

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.

	Corporate United Kingdom £	Water Technology South Africa £	Total £
Revenue			
External	–	11,975	11,975
Total revenue from continuing operations	–	11,975	11,975
Result			
Segment result from continuing operations	(768,353)	(1,012,481)	(1,780,834)
Interest income			8,030
Loss before tax			(1,772,804)
Tax credit			44,943
			(1,727,861)

Other segment items included in the income statement:

	Corporate United Kingdom £	Water Technology South Africa £	Total £
Depreciation	140	9,662	9,802
Share based employee payments	83,861	–	83,861
Impairment of assets under construction	–	651,229	651,229

Statement of Financial Position	Corporate United Kingdom £	Water Technology South Africa £	Consolidation Adjustments £	Total £
Segment assets	2,764,921	3,518,598	(2,966,379)	3,317,140
Segment liabilities	(80,344)	(4,281,962)	2,882,183	(1,480,123)
Net assets/(liabilities)	2,684,577	(763,364)	(84,196)	1,837,017

6. Interest Income

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

	2010 £	2009 £
Continuing Operations		
Bank deposits		
UK	693	1,028
South Africa	979	7,002
	1,672	8,030

7. Other gains and losses

	2010 £	2009 £
From continuing operations		
Services to related parties	–	37,796
(Profit)/Loss on disposal of assets	(509)	3,030
	(509)	40,826

8. Finance cost

	2010 £	2009 £
Mintails South Africa (Pty) Ltd)	555	–
Rand Uranium (Pty) Ltd	555	–
West Wits Mining Limited	555	–
Interest on non-recourse loan (DBSA)	269,068	69,675
	270,733	69,675

Interest payable on the Development Bank of South Africa (“DBSA”) loan is based on a fixed contract rate of 25%. The loan of ZAR 10 million is a non-recourse loan based on the final implementation of the AMD project in South Africa. Should financial closure for the AMD project not be reached, the loan is written-off, alternatively if the project reaches financial closure, the DBSA has the right to fund up to 50% of the debt portion for the project. The contract was signed on 25 February 2009.

The loans from Mintails, Rand Uranium and West Wits Mining carry interest at 8% per annum and the capital balances are held as security.

9. Loss before taxation

	2010 £	2009 £
Loss before taxation is stated after charging/(crediting):		
Directors’ emoluments	341,000	526,874
Depreciation	9,704	9,802
Auditors’ remuneration – audit	30,000	30,000
Subsidiary auditor’s fees	10,801	15,000
Exchange gain	(88,186)	(238,106)

10. Employees

The average monthly number of persons (including Directors) employed by the Group during the period was:

	2010	2009
Group	8	8
Company	5	5
Employment costs	**£**	**£**
Wages and salaries (including directors)	499,855	594,165
Directors' remuneration		
Aggregate emoluments (including benefits in kind)	341,000	534,874
Emoluments of the Highest Paid Director	132,000	215,000

The total salaries and wages cost includes payment to Jaco Schoeman as a full time employee of the Group's South African subsidiary, Western Utilities Corporation (Pty) Ltd. An amount of £88,000 has been accrued as foregone salary for directors at the year end and remains outstanding as at the date of these accounts. An amount of £34,328 has similarly been accrued as foregone salary for employees, including £31,782 in respect of J Schoeman, director, at the year end which also remains outstanding as at the date of these accounts.

Directors emoluments for 2009 have been restated to include £8,000 in respect of share options granted in 2008 but not formally awarded until 2011.

11. Taxation

	2010	2009
Group	**£**	**£**
Current Tax		
Current tax on profits for the year	–	–
Total current tax	–	–
Deferred tax movement	185,836	(44,943)
Tax charge/(credit)	185,836	(44,943)

	2010	2009
	£	**£**
Factors affecting the tax charge for the period		
Loss on ordinary activities before taxation	(900,456)	(1,772,804)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28% (2009: 28%)	(252,127)	(496,371)
Effects of:		
Depreciation	2,717	2,745
Impairment of assets under construction	–	182,344
Loss/(Profit) on disposal of fixed assets	143	(849)
Share based employee costs	2,100	57,267
Deferred tax (Western Utilities Corporation Pty Ltd)	–	44,943
Losses carried forward	247,167	209,921
UK Corporation tax	–	–

11. Taxation (continued)

A deferred tax asset of £653,398 (2009: £496,371) has not been recognised due to the uncertainty over the timing of future recoverability. Included within this balance is an amount of £157,027 (2009: £Nil) in respect of a previously recognised deferred tax asset which has been written back due to uncertainty of government approvals in South Africa.

Deferred tax

	2010 £
At 1 January 2010	157,027
Provision	(157,027)
At 31 December 2010	–

12. Loss per share

Loss for the year attributable to shareholders is £1,086,292 (2009: £1,727,861). This is divided by the weighted average number of shares outstanding calculated to be 834,224,090 (2009: 480,443,691) to give basic loss per share of 0.1p (2009: 0.4p loss)

The calculation of dilutive loss per share 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 loss per share.

13. Intangible assets

	£
Cost	
At 1 January 2009	–
Additions	2,778,863
At 31 December 2009	2,778,863
Additions	251,935
Foreign exchange movement	442,751
At 31 December 2010	3,473,549

	£
Net book value	
31 December 2010	3,473,549
31 December 2009	2,778,863
31 December 2008	–

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 Definitive 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

13. Intangible assets (continued)

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 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. These timeframes will be determined by DWA, but it is anticipated that both the short term solution and the long term tender will commence in 2011.

Despite the uncertainty above, the directors consider it appropriate to carry these costs as an asset as they believe there will be a readily ascertainable market in the future.

WATERMARK GLOBAL PLC®

14. Fixed assets

14.1 *Property, plant and equipment – Group*

	Fixtures, Fittings & Equipment £	Assets under construction £	Total £
Cost			
At 31 December 2008	38,961	651,229	690,190
Additions	5,151	–	5,151
Disposals	(11,465)	–	(11,465)
Foreign exchange movement	2,505	–	2,505
At 31 December 2009	35,152	651,229	686,381
Disposals	(2,602)	–	(2,602)
Foreign exchange movement	5,934	5,934	
At 31 December 2010	38,484	651,229	689,713
Accumulated depreciation			
At 31 December 2008	13,083	–	13,083
Charge for the year	9,802	–	9,802
Disposals	(5,124)	–	(5,124)
Impairment	–	651,229	651,229
Foreign exchange movement	214	–	214
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
At 31 December 2010	29,286	651,229	680,515
Net Book Value			
At 31 December 2010	9,198	–	9,198
At 31 December 2009	17,177	–	17,177
At 31 December 2008	25,878	651,229	677,107

Impairment losses recognised in prior years

Assets under construction relate to costs incurred by Western Utilities Corporation (Pty) Limited (WUC) 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 has assessed the carrying value for assets under construction and decided in 2009 to impair the assets as they were no longer in use.

14. Fixed assets (continued)

Property, plant and equipment – Company

Company	Fixtures, Fittings & Equipment £	Total £
Cost		
At 31 December 2008, 31 December 2009 and at 31 December 2010	1,401	1,401
Accumulated Depreciation		
At 1 January 2009	770	770
Charge for the year	140	140
At 31 December 2009	910	910
Charge for the year	140	140
At 31 December 2010	1,050	1,050
Net book value		
At 31 December 2010	351	351
At 31 December 2009	491	491
At 31 December 2008	631	631

14.2 *Investments*

Company	£
Cost	
At 1 January 2009	1,600,007
Disposal	(1,600,000)
At 31 December 2009 and at 31 December 2010	7
Provision for impairment	
At 1 January 2009	1,600,000
Disposal	(1,600,000)
At 31 December 2010	–
Net book value	
At 31 December 2010	7
At 31 December 2009	7
At 31 December 2008	7

14. Fixed assets (continued)

MicroFuze International Pty Limited was disposed of on 20 March 2009 for $1. The balance due from the subsidiary was fully written down as at 31 December 2008.

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

Name and nature of business	Country of Registration	Class of shares	% held
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

15. Trade and other receivables

	2010 £	2009 £
Group		
Other debtors and prepayments	6,241	85,692
	6,241	85,692
Company		
Amounts owed by group undertakings (see below)	–	–
Other debtors and prepayments	2,447	25,258
	2,447	25,258

As at 31 December 2010 the amounts owed by Western Utilities Corporation (Pty) Limited amounted to £3,312,057 (2009: £2,966,379). Interest is payable at LIBOR. The full amount has been provided for due to the present uncertainties with current government approval in South Africa.

16. Trade and other payables

	2010 £	2009 £
Group		
Trade payables	197,632	554,945
Accruals and deferred income	152,330	32,418
	349,962	587,363
Company		
Trade payables	1,259	50,344
Accruals and deferred income	118,002	30,000
	119,261	80,344

17. Other financial liabilities

Held at amortised cost

	2010 £	2009 £
Group		
Borrowings	1,858,756	892,760
Current		
Borrowings	534,446	–
Non-current		
Borrowings	1,324,190	892,760

Borrowing comprise the following:

	2010 £	2009 £
Development Bank of Southern Africa Limited Security held: First ranking pledge and cession in security of the Borrower's shareholder claims in the borrower; first ranking cession security of all the bank and investment accounts of the borrower; first ranking pledge and cession of all debtors' balances and claims which the borrower may have against third parties. The loan bears interest at 25% per annum.	1,324,190	892,760
Industrial Development Corporation of Southern Africa Limited If the project is implemented, the Industrial Development Corporation will have the opportunity to fund the project. This is non-interest bearing.	487,650	–
Mintails South Africa (Proprietary) Limited The capital balance of R87 000 is held as security. The loan is subject to interest at 8% per annum.	9,007	–
Central Rand Gold Limited The capital balance of R87 000 is held as security. There is no interest subject to the loan. The loan is a non-recourse loan.	8,485	–
Harmony Gold Mining Company Limited The capital balance of R87 000 is held as security. There is no interest subject to the loan. The loan is an non-recourse loan.	8,485	–
Rand Uranium (Proprietary) Limited The capital balance of R87 000 is held as security. The loan is subject to interest at 8% per annum.	9,007	–
Western Basin Environmental Corporation There is no interest subject to the loan. The loan is a non-recourse loan.	2,925	–
West Wits Mining Limited The capital balance of R87 000 is held as security. The loan is subject to interest at 8% per annum.	9,007	–
	1,858,756	892,760

Loans received from the various mining houses are repayable on continuation of the project.

18. Share capital

Group and company

	2010 £	2009 £
Capital comprises		
Authorised		
1,000,000,000 ordinary shares of 0.15p each	1,500,000	1,500,000
Allotted, issued and fully paid		
969,540,827 (2009: 687,063,554) ordinary shares of 0.15p each.	1,454,310	1,030,595

18.1 *Fully paid ordinary shares*

	Number of Shares	Share Capital	Share Premium
Balance at 1 January 2009	252,869,110	379,304	8,053,737
Issue of shares for cash	400,000,000	600,000	1,400,000
Issue of shares for in lieu of fees	24,444,444	36,666	–
Issue of shares in lieu of options to Director	2,000,000	3,000	–
Issue of shares under employee share scheme	7,750,000	11,625	–
Balance at 31 December 2009	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

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 750,000 ordinary shares were awarded to employees under the terms of the company share and share option policy. Under this policy the directors may issue all unissued shares, however no more than 5% of the issued share capital may be issued by way of options at any one time.

19. Share based payment arrangements

Shares issued during the year

During the year shares were issued to employees amounting to £2,100. The fair value of the services received is deemed to be equivalent to salary based on current employment contracts. The amount of shares issued was determined by the share price on the date of issue.

During the year shares amounting to £100,950 were issued to consultants and other service providers for services rendered/in lieu of fees for the year ended 31 December 2010. The fair value is deemed to be the market value of the service fees received based on agreed supplier terms. Amount of shares issued was determined by the share price on the date of issue.

Share options

Name	Date granted	Number	Exercise price Pence	Expiry date
Duncan Clegg	2006/02/13	1,500,000	10	2011/02/13
Peter Marks	2006/02/13	1,500,000	10	2011/02/13
Doug Parrish	2006/02/13	4,000,000	10	2011/02/13
Timothy Wall	2006/02/13	2,000,000	10	2011/02/13
Nabarro Wells	2006/02/13	3,700,000	10	2011/02/13
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
Bertie Steytler	2009/07/01	1,000,000	3	2014/06/30
Charles Zorab	2009/07/01	1,000,000	3	2014/06/30
		28,087,000		

No options expired and none were forfeited or exercised during the year and no options were awarded during the course of the year. The options granted on 13/02/2006 expired on 13/02/2011 and were unexercised.

During 2009 options granted to D Kotze, former director, were cancelled and replaced by 2,000,000 fully paid ordinary shares. The fair value of the allotted shares is included in the share calculations.

Share options

The following table summarise the total share based payments effected for the year 31 December 2010:

	2010 Value £	2009 Value £
Issued to		
Directors	–	64,819
Service providers	–	120,666
Total	–	204,527

Options outstanding

	2010 No	2009 No
At 31 December 2010	28,087,000	28,087,000

20. 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 2008	50,370	1,418,450	8,053,737	(8,491,140)	(8,187,822)
Loss for the year	–	–	–	(1,727,861)	(3,706,481)
Exchange difference	(50,370)	–	–	–	–
New shares issued	–	–	1,400,000	151,325	151,325
Share based payments	–	1,911	–	–	–
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)
New shares issued for cash	–	–	306,819	–	–
New shares issued in lieu of fees	–	–	47,516	–	–
At 31 December 2010	–	1,420,361	9,808,072	(11,153,968)	(12,451,366)

The company has taken advantage of the exemption conferred by section 408 of Companies Act 2006 from presenting its own income statement. A loss after taxation of £708,388 (2009: £3,706,481) has been included in the financial statements of the parent company.

21. Related party transactions

Other than transactions with Group companies and Directors as disclosed in the Notes 10, 15 and the Directors' Report, there were no transactions with other related parties.

During the year loans totalling £345,678 were made to the subsidiary company, Western Utilities Corporation (Pty) Limited. The amount has been fully provided for.

22. Ultimate controlling party

There was no ultimate controlling party during the year.

23. Subsequent events

In February 2011, Adam Gunn was awarded 1,000,000 options exercisable at 10.0p and 1,000,000 ordinary shares to fulfil the outstanding terms of an agreement made when he joined the Board in 2008.

On 1 June 2011, the Company announced a firm placing of new ordinary shares to raise up to £1,505,000 in two tranches of £462,000 and £1,043,000 respectively. The first tranche of new shares is expected to be admitted to trading on 7 June 2011. The second tranche is subject to approval by shareholders at a general meeting to allow directors to allot the new shares. Admission for these shares is expected on 1 July 2011.

24. Commitments

Operating lease	2010	2009
	£	£
Minimum lease payment due		
Within one year	–	18,197
In second to fifth year inclusive	–	–
	–	18,197

Operating lease payments represents rentals payable by the Groups subsidiary in South Africa for its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

25. Other expenses

The following significant expenses have been included in other expenses

	2010	2009
	£	£
Audit Fees	30,000	30,000
Directors fees	256,000	413,000
Foreign exchange gains	(88,186)	(238,106)
Impairment of assets under construction	–	651,229
Legal Fees	7,381	85,132
Professional Fees	69,300	64,711
Broker & Nomad fees	58 750	50,000
Salary & Wages	335,855	325,291

26. Standards issued but not in force

At the year end the following accounting standards were issued by the International Accounting Standards Board but were not yet effective:

IFRS 9 'Financial Instruments'

Issued in November 2009 and applicable from 1 January 2013, this standard has yet to be endorsed by the EU. The new standard is the first step in the process to replace IAS 39 'Financial Instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets.

IAS 24 (Revised) 'Related party disclosures'

Issued in November 2009 and mandatory for periods beginning on or after 1 January 2011, the new standard clarifies and simplifies the definition of a related party.

IFRIC 19 'Extinguishing financial liabilities with equity instruments

Effective for periods beginning on or after 1 July 2010.

'Prepayments of a minimum funding requirement (amendments to IFRIC 14 – 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'

This has been amended and is effective for periods beginning 1 January 2011.

The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Group.

In addition the IASB undertakes an annual improvements project. The current project is not expected to have a material effect on the financial statements of the Group.

WATERMARK GLOBAL PLC®

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Watermark Global Plc ('the Company') will be held at 42 Queen Anne's Gate, London SW1H 9AP on 30 June 2011 at 09.00 am for the purpose of considering and, if thought fit, passing the following Resolutions which will be proposed as ordinary resolutions in the cases of Resolutions 1-4 and as a special resolution in the case of Resolution 5.

ORDINARY BUSINESS

1 To receive the report of the Directors and the audited financial statements of the Company for the year ended 31 December 2010.

2 To re-elect as a Director of the Company Peter Ashley Marks, who retires by rotation under the Articles of Association of the Company and, being eligible, offers himself for re-election.

3 To re-appoint Moore Stephens LLP as auditors of the Company to act until the conclusion of the next Annual General Meeting and to authorise the Directors to determine the remuneration of the auditors.

SPECIAL BUSINESS

ORDINARY RESOLUTION

4 That in substitution for all existing and unexercised authorities, the directors of the Company be and they are hereby generally and unconditionally authorised for the purpose of section 551 of the Companies Act 2006 ('the Act') to exercise all or any of the powers of the Company to allot Relevant Securities (as defined in this Resolution) up to a maximum nominal amount of £985,000 provided that this authority shall, unless previously revoked or varied by the company in general meeting, expire on the earlier of the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of this Resolution, unless renewed or extended prior to such time except that the directors of the Company may before the expiry of such period make an offer or agreement which would or might require Relevant Securities to be allotted after the expiry of such period and the directors of the Company may allot Relevant Securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired. In this Resolution, "Relevant Securities" means any shares in the capital of the Company and the grant of any right to subscribe for, or to convert any security into, shares in the capital of the Company ("Shares") but does not include the allotment of Shares or the grant of a right to subscribe for Shares in pursuance of an employee's share scheme or the allotment of Shares pursuant to any right to subscribe for, or to convert any security into, Shares.

SPECIAL RESOLUTION

5 That in substitution for all existing and unexercised authorities and subject to the passing of the preceding Resolution 4, the directors of the Company be and they are hereby empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred upon them by the preceding Resolution 4 as if section 561(1) of the Act did not apply to any such allotment provided that the power conferred by this Resolution, unless previously revoked or varied by special resolution of the Company in general meeting, shall be limited to:

(a) the allotment of ordinary shares of 0.15p each in the capital of the Company ("Ordinary Shares") arising from the exercise of options and warrants outstanding at the date of this Resolution;

(b) the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interest of all such shareholders are proportionate (as nearly as may be) to the respective numbers of the ordinary shares held by them subject only to such exclusions or other arrangements as the directors of the Company may consider appropriate to deal with fractional entitlements or legal and practical difficulties under the laws of, or the requirements of any recognised regulatory body in, any territory;

(c) the allotment of equity securities, pursuant to a placing of equity securities being undertaken by the Company pursuant to the terms of an agreement dated 31 March 2011, up to an maximum aggregate nominal amount of £495,000; and

(d) the allotment (otherwise than pursuant to sub-paragraphs (a), (b) and (c) above) of equity securities up to an aggregate nominal amount of £490,000;

and shall expire on the earlier of the date of the next Annual General Meeting of the Company or 15 months from the date of the passing of this Resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

Registered Office:	*By order of the Board*
42 Queen Anne's Gate	Charles Zorab
London SW1H 9AP	Company Secretary

3 June 2011

Notes to the Notice of Annual General Meeting

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members 48 hours before the time of the Meeting shall be entitled to attend and vote at the Meeting.

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, whether or not you are able to attend the meeting, you may use the enclosed form of proxy to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the registrars of the Company, Share Registrars Limited on 01252 821 390.
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

   To appoint a proxy using the proxy form, the form must be:

   completed and signed;

   sent or delivered to Share Registrars Limited at Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL or by facsimile transmission to 01252 719 232; and

   received by Share Registrars Limited no later than 48 hours (excluding non-business days) prior to the Meeting.

   In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company.

   Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxy by joint members

7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

8. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

   Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Share Registrars Limited on 01252 821 390.

   If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

9. In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:

   By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited at Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL or by facsimile transmission to 01252 719 232. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

   In either case, the revocation notice must be received by Share Registrars Limited no later than 48 hours (excluding non-business days) prior to the Meeting.

   If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

   Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Issued shares and total voting rights

10. As at [date] 2011, the Company's issued share capital comprised 970,540,827 Ordinary Shares. Each Ordinary Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at [date] 2011 is 970,540,827.

Communications with the Company

11. Except as provided above, members who have general queries about the Meeting should telephone the Company Secretary, Charles Zorab, on (020) 7233 1462 (no other methods of communication will be accepted). You may not use any electronic address provided either in this notice of general meeting; or any related documents (including the chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

CREST

12. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual.

    CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

    In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual (available via euroclear.com/CREST).

    The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID: 7RA36) by the latest time(s) for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

    CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of CREST by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

    The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Form of Proxy for use at the Annual General Meeting

I, a Member of **WATERMARK GLOBAL PLC** (hereinafter referred to as 'the Company') and entitled to vote, hereby appoint the Chairman, or .... as my proxy to attend and vote for me and on my behalf at the Annual General Meeting of the Company to be held on 30 June 2011 at 9.00am and at any adjournment thereof.

(Please indicate below how you wish your votes to be cast. If the Form of Proxy is returned without any indication as to how the proxy should vote on any particular matter, the proxy will vote as they think fit.)

Ordinary Resolutions	**FOR**	**AGAINST**	**ABSTAIN**
1 To receive the report of the Directors and the audited financial statements of the Company for the year ended 31 December 2010.			
2 To re-elect P A Marks as a Director.			
3 To re-appoint Moore Stephens as auditors of the Company and to authorise the Directors to determine their remuneration.			
4 To authorise the Directors to allot relevant securities up to a maximum nominal amount of £985,000.			
Special Resolution			
5 To dis-apply pre-emption rights up to a maximum aggregate nominal amount of £985,000.			

Signature
Date
Full name
Address

NOTES

1. Only holders of Ordinary Shares, or their duly appointed representatives, are entitled to attend and vote at the Meeting. A member so entitled may appoint (a) proxy(ies), who need not be (a) member(s), to attend and vote on his/her behalf.
2. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the registrars of the Company, Share Registrars Limited on 01252 821 390.
3. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please insert his/her name and delete "the Chairman of the Meeting or".
4. Please indicate how you wish your proxy to vote by deleting either for or against. Unless otherwise instructed the person appointed a proxy will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting on any particular resolution as he/she thinks fit.

5. A corporation must seal this Form of Proxy or have it signed by an officer or attorney or other person authorised to sign on its behalf. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with this Proxy Form.
6. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
7. Pursuant to regulation 41 of The Uncertificated Securities Regulations 2001, members will be entitled to attend and vote at the meeting if they are registered on the Company's register of members 48 hours before the time appointed for the meeting or any adjournment thereof.
8. To be valid this Form of Proxy must reach **Share Registrars Limited**, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL or by facsimile transmission to 01252 719 232 not later than 48 hours (excluding non-business days) before the time of the Meeting. Lodgement of a Form of Proxy does not preclude a member from attending the Meeting and voting in person.

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