

**NOT FOR DISTRIBUTION IN THE UNITED STATES, CANADA, AUSTRALIA, THE  
REPUBLIC OF SOUTH AFRICA OR JAPAN**

**29 September 2009**

**AGUA TERRA LIMITED  
(the "Company")**

**AUDITED INTERIM FINANCIAL STATEMENTS**

Agua Terra Limited (LSE: ATE), the first development company dedicated exclusively to high quality mixed-use leisure real estate projects in Southeast Europe to be quoted on AIM, is pleased to announce its results for the period 3 July 2008 to 30 June 2009 and provide an update on operational progress.

**Operational highlights**

- **October 2008:** The Mykonos Azure sites were acquired shortly after listing for €8 million without recourse to borrowing
- **March 2009:** Planning permit was received for the Agrari site of Mykonos Azure
- **May 2009:** CBRE valued Mykonos Azure at €10 million, an uplift of 25% over the acquisition price
- **July 2009:** First two conditional villa sales booked;
  - Notarial pre-contracts signed for total sales consideration of €3 million
  - Realising a sales price of just over €10,000 per m<sup>2</sup>
  - Equates to a projected sales margin on the transaction of 46%
  - Notarial contracts will be entered into by parties once financing packages and planning approval are obtained.

**Commenting on the Annual Results, Lord Balfour, Chairman said:**

*"Aqua Terra's near-term concentration on Mykonos, coupled with the forecast cashflow position and resilient pricing should enable the Company to remain value accretive. Our strong project pipeline should allow any additional capital raised to be used immediately to acquire additional land for development use. The promising launch of Mykonos Azure in June 2009 has encouraged Aqua Terra's Board to explore all available funding options and ensure the continued growth of the Company through the acquisition of further carefully selected sites."*

**Markos Kashiouris, Chief Executive, said:**

*"We are pleased to report the profitable completion of the first year of our operations. Since admission to AIM in October 2008 Agua Terra has been value accretive marked by an increase in the value of its land holdings and the booking of the first two sales at Mykonos Azure in June 2009. We look forward to continuing the strong progress made by exploring the capital raising opportunities available to us in the near term."*

Copies of the Accounts will be sent to shareholders shortly via electronic mail. An electronic copy of the Accounts is available on the Company's website at [www.agua-terra.com](http://www.agua-terra.com). Printed copies of the Accounts are also available, free of charge, for one month from the date hereof from the Company's registered office, 197 Main Street, Road Town, Tortola, British Virgin Islands.

**- end -**

## **Enquiries to:**

### **Agua Terra**

Markos Kashiouris, Chief Executive      Tel: +44 (0) 20 7581 1423

### **Fairfax I.S. PLC**

James King / Rachel Rees      Tel: +44 (0) 20 7598 5368

## **Notes to Editors**

### **Agua Terra Limited**

Agua Terra Limited (LSE: ATE) is the first development company dedicated exclusively to high quality mixed-use leisure real estate projects in Southeast Europe to be quoted on AIM. The Company, whose shares were admitted to trading on AIM in October 2008, aims to establish itself as a leading developer and operator of high quality mixed-use leisure real estate projects in Greece and Cyprus. The Company's initial focus is on development opportunities within Greece and intends to expand into Cyprus within the next two years, when circumstances allow.

Agua Terra has recently launched its first project, "Mykonos Azure" on Mykonos island, Greece. Sales are currently underway and first deliveries are expected in 2010.

Agua Terra was founded by Markos Kashiouris, Peter Economides and Yiannis Panayi, the principal shareholders of the company, who control Aqua Sol Hotels Public Company Limited, Sol Terra Developers Limited and Totalserve Management Limited, some of the leading hotel, real estate development and financial services and advisory companies in the eastern Mediterranean. The principal shareholders have collectively over 50 years' experience in real estate and have completed or advised on over \$3 billion of real estate projects. They possess extensive local knowledge and contacts, as well as relationships with an international network of operators, architects and designers, marketing and branding companies and financial institutions. The principal shareholders also control Terra Sotheby's International Realty, the licensee of Sotheby's International Realty in the eastern Mediterranean.

Agua Terra Limited is incorporated in the BVI and has local offices in the United Kingdom, Greece and Cyprus.

[www.aqua-terra.com](http://www.aqua-terra.com)

# **Agua Terra Limited**

## **Report and consolidated interim financial statements for the period from 3 July 2008 (date of incorporation) to 30 June 2009**

### **Contents**

	<b>Page</b>
<b>Board of Directors and other officers</b>	<b>1</b>
<b>Chairman's statement</b>	<b>2</b>
<b>Independent Auditor's Report</b>	<b>3 - 4</b>
<b>Consolidated statement of comprehensive income</b>	<b>5</b>
<b>Consolidated balance sheet</b>	<b>6</b>
<b>Consolidated statement of changes in equity</b>	<b>7</b>
<b>Consolidated statement of cash flows</b>	<b>8</b>
<b>Notes to the consolidated interim financial statements</b>	<b>9 - 27</b>

# Agua Terra Limited

## Board of Directors and other officers

### Board of Directors

The Rt. Hon. Roderick Francis Arthur, Earl of Balfour (Non-executive Chairman)  
Andrew Hargreaves (Non-executive Vice Chairman)  
Markos Kashiouris (Chief Executive)  
Anthony Travis (Non executive Director)  
Peter Economides (Non executive Director)  
Mehmet Onkal (Non executive Director)  
Stephen Hammond (Non executive Director) (appointed 3 August 2009)

### Registered office

c/o Totalserve Trust Company Limited  
197 Main Street  
Road Town  
Tortola  
British Virgin islands

### Administrator

**Totalserve Trust Company Limited**  
197 Main Street  
Road Town  
Tortola  
British Virgin Islands

### Nominated Adviser

**Fairfax I.S. PLC**  
46 Berkeley Square  
London W1J 5AT  
England

# Agua Terra Limited

## Chairman's statement

I am delighted to report the successful completion of the first year of operations of the Company which took place against the background of one of the fastest and fiercest economic downturns on record.

Since the admission of its shares to AIM in October 2008, Agua Terra Limited has achieved the following milestones:

- **October 2008:** The Mykonos Azure sites were acquired shortly after listing for €8 million without recourse to borrowing
- **March 2009:** Planning permit was received for the Agrari site of Mykonos Azure
- **May 2009:** CBRE valued Mykonos Azure at €10 million, an uplift of 25% over the acquisition price
- **July 2009:** First two conditional villa sales booked;
  - Notarial pre-contracts signed for total sales consideration of €3 million
  - Realising a sales price of just over €10,000 per m<sup>2</sup>
  - Equates to a projected sales margin on the transaction of 46%
  - Notarial contracts will be entered into by parties once financing packages and planning approval are obtained.

Aqua Terra's focus remains on acquisition opportunities in Greece and in particular those Greek Islands which have an international airport for ease of access. We continue to expect Mykonos to remain the centre of Agua Terra's operations well into 2010; the Company is in negotiations for additional acquisition opportunities and to this end will continue to evaluate all available options for raising additional finance from equity or debt. For the latter, there are signs that local Greek banks are becoming more active in the Corporate Lending markets which is encouraging for the regional estate market as a whole.

Planning progress is continuing on the remaining two sites at Platys Gialos and Pyrgi. Having obtained the relevant Forestry and Archaeological approvals, the Company just submitted the final planning permit applications to the relevant authorities. We expect the permits for these two sites to be forthcoming.

The first two conditional villa sales booked in July 2009 indicate that the Company has the ability to organically generate cash through its operations and therefore enable Aqua Terra to remain self-sufficient in terms of working capital whilst maintaining near-zero debt. The sales also indicate the pricing resilience of Mykonos as a development proposition – even in the current downturn.

Aqua Terra's near-term concentration on Mykonos, coupled with the forecast cashflow position and resilient pricing should enable the Company to remain value accretive. Our strong project pipeline should allow any additional capital raised to be used immediately to acquire additional land for development use. The promising launch of Mykonos Azure in June 2009 has encouraged Aqua Terra's Board to explore all available funding options and ensure the continued growth of the Company through the acquisition of further carefully selected sites.

**The Rt. Hon. Roderick Francis Arthur, Earl of Balfour**  
**Non-executive Chairman**  
28 September 2009

## Independent Auditor's Report To the Members of Agua Terra Limited

**PricewaterhouseCoopers Limited**

City House  
6 Karaiskakis Street  
CY-3032 Limassol  
P O Box 53034  
CY-3300 Limassol, Cyprus  
Telephone: + 357 - 25555000  
Facsimile: + 357 - 25555001  
[www.pwc.com/cy](http://www.pwc.com/cy)

### Report on the Consolidated Interim Financial Statements

We have audited the consolidated interim financial statements of Agua Terra Limited (the "Company") and its subsidiaries (the "Group") on pages 5 to 27, which comprise the consolidated balance sheet as at 30 June 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 3 July 2008 (date of incorporation) to 30 June 2009, and a summary of significant accounting policies and other explanatory notes.

#### *Board of Directors' Responsibility for the Financial Statements*

The Company's Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

**Board Members:** Phidias K Piliades (CEO), Dinos N Papadopoulos (Deputy CEO), Panikos N Tsjialis, Christakis Santis, Stephanos D Stephanides, Costas L Hadjiconstantinou, George Foradaris, Costas M Nicolaidis, Angelos M Loizou, Vasilis Hadjivassiliou, Androulla S Pittas, Savvas C Michail, Costas L Mavrocordatos, Christos M Themistocleous, Panicos Kaouris, Nicos A Neophytou, George M Loizou, Pantelis G Evangelou, Liakos M Theodorou, Stelios Constantinou, Tassos Procopiou, Andreas T Constantinides, Theo Parperis, Constantinos Constantinou, Petros C Petrakis, Philippos C Soseilos, Evgenios C Evgeniou, Christos Tsolakis, Nicos A Theodoulou, Nikos T Nikolaides, Cleo A Papadopoulou, Marios S Andreou, Nicos P Chimarides, Aram Tavitian, Constantinos Taliotis, Stavros A Kattamis, Yiangos A Kaponides, Tasos N Nolas, Chrysilios K Pelekanos, Eftychios Eftychiou, George C Lambrou, Chris Odysseos, Constantinos L Kapsalis, Stelios A Violaris, Antonis Hadjiloucas, Petros N Maroudias  
**Directors of Operations:** Androulla Aristidou, Achilleas Chrysanthou, George Skapoullaros, Demetris V Pealtis, George A Ioannou, George C Kazamias, Michael Kirliotis, Marios G Melanides, Sophie A Solomonidou, Yiannis Televantides, Antonis Christodoulides, Anna G Loizou

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated interim financial statements give a true and fair view of the financial position of the Group as of 30 June 2009, and of its financial performance and its cash flows for the period from 3 July 2008 (date of incorporation) to 30 June 2009, in accordance with International Financial Reporting Standards as adopted by the EU.

**Other Matter**

This report, including the opinion, has been prepared for and only for the Company's members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

PricewaterhouseCoopers Limited  
Chartered Accountants

Limassol, 28 September 2009

# Agua Terra Limited

## Consolidated statement of comprehensive income for the period from 3 July 2008 (date of incorporation) to 30 June 2009

	Note	€
Fair value gains on investment property	12	1.758.465
Employee benefit expense	5	(454.952)
Non-executive Directors' fees	20 (iii)	(62.500)
Professional fees for AIM listing		(494.244)
Other professional fees		(87.182)
Auditors' remuneration		(13.000)
Net foreign exchange transaction loss		(2.316)
Transportation expenses		(53.047)
Other expenses		(42.068)
<b>Operating profit</b>		<b>549.156</b>
Finance costs	6	(1.648)
<b>Profit before tax</b>		<b>547.508</b>
Tax	7	(386.862)
<b>Profit for the year and total comprehensive income</b>		<b>160.646</b>
		Cents per Share
<b>Basic earnings per share</b>	8	<b>4,63</b>
<b>Diluted earnings per share</b>	8	<b>4,52</b>

The notes on pages 9 to 27 are an integral part of these consolidated interim financial statements.

# Agua Terra Limited

## Consolidated balance sheet as at 30 June 2009

	Note	€
<b>Assets</b>		
<b>Non-current assets</b>		
Investment property	12	10.023.000
		<u>10.023.000</u>
<b>Current assets</b>		
Trade and other receivables	13	93.213
Cash and cash equivalents	14	24.006
		<u>117.219</u>
<b>Total assets</b>		<u><b>10.140.219</b></u>
<b>Equity and liabilities</b>		
<b>Capital and reserves</b>		
Share capital	15	9.012.500
Other reserves	16	154.952
Retained earnings		160.646
		<u>9.328.098</u>
<b>Total equity</b>		<u><b>9.328.098</b></u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	17	386.862
		<u>386.862</u>
<b>Current liabilities</b>		
Trade and other payables	19	223.611
Borrowings	18	201.648
		<u>425.259</u>
<b>Total liabilities</b>		<u><b>812.121</b></u>
<b>Total equity and liabilities</b>		<u><b>10.140.219</b></u>

On 28 September 2009 the Board of Directors of Agua Terra Limited authorised these financial statements for issue.

The Rt. Hon. Roderick Francis Arthur, Earl of Balfour, Non-executive Chairman

The notes on pages 9 to 27 are an integral part of these consolidated interim financial statements.

# Agua Terra Limited

## Consolidated statement of changes in equity for the period from 3 July 2008 (date of incorporation) to 30 June 2009

	Note	Share capital €	Share premium €	Other reserves €	Retained earnings €	Total €
Issue of shares on incorporation	15	-	900	-	-	900
Additional issue of shares	15	-	9.011.600	-	-	9.011.600
		<u>-</u>	<u>9.012.500</u>	<u>-</u>	<u>-</u>	<u>9.012.500</u>
<b>Profit and total comprehensive income for the period ended 30 June 2009</b>		-	-	-	160.646	160.646
Share based payments	16	-	-	154.952	-	154.952
		<u>-</u>	<u>-</u>	<u>154.952</u>	<u>-</u>	<u>154.952</u>
<b>Balance at 30 June 2009</b>		<u>-</u>	<u>9.012.500</u>	<u>154.952</u>	<u>160.646</u>	<u>9.328.098</u>

The notes on pages 9 to 27 are an integral part of these consolidated interim financial statements.

# Agua Terra Limited

## Consolidated statement of cash flows for the period from 3 July 2008 (date of incorporation) to 30 June 2009

	Note	€
<b>Cash flows from operating activities</b>		
Profit before tax		547.508
Adjustments for:		
Interest expense	6	1.648
Fair value gains on investment property	12	(1.758.465)
Share-based payments	5	154.952
		<u>(1.054.357)</u>
Changes in working capital:		
Trade and other receivables		(93.213)
Trade and other payables		223.611
<b>Net cash used in operations</b>		<u>(923.959)</u>
<b>Cash flows from investing activities</b>		
Purchase of investment property	12	(8.264.535)
<b>Net cash used in investing activities activities</b>		<u>(8.264.535)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of ordinary shares	15	9.012.500
Proceeds from borrowings from related parties	20 (v)	200.000
<b>Net cash from financing activities</b>		<u>9.212.500</u>
<b>Net increase in cash and cash equivalents</b>		<u>24.006</u>
<b>Cash and cash equivalents at end of period</b>	14	<u>24.006</u>

The notes on pages 9 to 27 are an integral part of these consolidated interim financial statements.

# Agua Terra Limited

## Notes to the consolidated financial statements

### 1 General information

#### Country of incorporation

The Company is a limited liability company incorporated in British Virgin Islands on 3 July 2008. Its registered office is at 197 Main Street, Road Town, Tortola, British Virgin Islands.

As of 3 October 2008, the Company's shares were admitted to trading on AIM, a market operated by the London Stock Exchange.

#### Principal activities

The principal activity of the Group is that of property acquisition with view of its capital appreciation and/or development. The Group aims to establish itself as a leading developer and operator of high quality mixed-use leisure real estate projects in Southeast Europe.

The consolidated interim financial statements were authorised for issue by the Board of Directors on 28 September 2009.

### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated interim financial statements are set out below.

#### Basis of preparation

These consolidated interim financial statements are a complete set of financial statements, that conform to the requirements of IAS 1.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2009 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of the following:

- (a) certain provisions of IAS39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting;
- (b) the amendment to IAS39 and IFRS7 on the effective date and transition of the "Reclassification of financial assets";
- (c) IFRS1 (Revised) "First Time adoption of IFRS"; and
- (d) Amendment to IFRS7 "Improving Disclosures about Financial Instruments".

# Agua Terra Limited

## 2 Summary of significant accounting policies (continued)

### Basis of preparation (continued)

In addition, the following interpretations have been endorsed, however their effective dates are not the same, although an entity may choose to early adopt them:

- (a) IFRIC 12 “Service Concession Arrangements”;
- (b) IFRIC 15 “Agreements for the construction of real estate”; and
- (c) IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”.

The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated interim financial statements are disclosed in Note 4.

### Basis of consolidation

#### Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

# Agua Terra Limited

## 2 Summary of significant accounting policies (continued)

### Adoption of new and revised IFRSs

During the current period the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2009.

At the date of approval of these consolidated financial statements the following accounting standards were issued by the International Accounting Standards Board but were not yet effective:

#### *(i) Adopted by the European Union*

##### New standards

- IFRS 3 (Revised) "Business Combinations" (effective for annual periods beginning on or after 1 July 2009).
- IAS 27 (Revised) "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 July 2009).

##### Amendments

- Annual Improvements to IFRSs (2008) re IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" (effective for annual periods beginning on or after 1 July 2009).

##### New IFRICs

- IFRIC 12 "Service Concession Arrangements" (effective for annual periods beginning on or after 30 March 2009).
- IFRIC 15 "Agreements for the construction of real estate" (effective for annual periods beginning on or after 31 December 2009).
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" (effective for annual periods beginning on or after 30 June 2009).

#### *(ii) Not adopted by the European Union*

##### New standards

- IFRS 1 (Revised) "First Time Adoption of International Financial Reporting Standards" (effective for annual periods beginning on or after 1 January 2009).

##### Amendments

- Amendment to IAS 39 "Eligible Hedged Items" (effective for annual periods beginning on or after 1 July 2009).
- Amendment to IFRS 7 "Financial Instruments: Disclosures" (effective for annual periods beginning on or after 1 January 2009).
- Amendment to IFRIC 9 and IAS 39 regarding embedded derivatives (effective for annual periods beginning on or after 1 July 2008).
- Annual Improvements 2009 (effective for annual periods beginning on or after 1 July 2009/1 January 2010).
- Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010).

# Agua Terra Limited

## 2 Summary of significant accounting policies (continued)

### (ii) Not adopted by the European Union (continued)

#### Amendments (continued)

- Amendments to IFRS 1 Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010).

#### New IFRICs

- IFRIC 17 “Distributions of Non cash Assets to Owners” (effective for annual periods beginning on or after 1 July 2009).
- IFRIC 18 “Transfers of Assets from Customers” (effective for annual periods beginning on or after 1 July 2009).

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

#### Employee benefits

##### (a) Share-based compensation

The Group operates an equity-settled, share-based compensation plan for its Chief Executive Officer, under which the Group receives services from its Chief Executive as consideration for equity instruments (shares) of the Group. The fair value of the employee services received in exchange for the grant of shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the shares granted, excluding the impact of any non-market service and performance vesting conditions (for example, EBITDA targets). Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest. The total amount expensed is recognised over the vesting period, which is the estimated period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the Group revises its estimates of the number of shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

##### (b) Cash bonus plans

The Group recognises a liability and an expense for cash bonuses attributable to the Chief Executive Officer, based on the agreed percentage of EBITDA. The Group recognises a provision where contractually obliged or where there is a past practise that has created a constructive obligation.

# Agua Terra Limited

## 2 Summary of significant accounting policies (continued)

### Foreign currency translation

#### (i) Functional and presentation currency

Items included in the Group's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Euro (€), which is the Group's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

### Tax

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

### Investment property

Investment property comprises of land held for capital appreciation purposes. Investment property is carried at fair value, representing open market value determined by external valuers. Changes in fair values are recorded in the consolidated statement of comprehensive income. A transfer from investment property to inventories is made only when there is a change in use evidenced by commencement of development with a view to sale.

### Share capital

Ordinary shares are classified as equity.

# Agua Terra Limited

## 2 Summary of significant accounting policies (continued)

### Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings, using the effective interest method.

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

### Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks.

## 3 Financial risk management

### (i) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and fair value interest rate risk), credit risk and liquidity risk.

The Group's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Board of Directors.

- **Market risk**

- Foreign exchange risk**

- Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group's functional currency. As at 30 June 2009, the Group did not have material exposure in foreign exchange risk.

- Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

- Fair value interest rate risk**

- As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

- The Group's interest rate risk arises from its borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

- The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

# Agua Terra Limited

## 3 Financial risk management (continued)

### (i) Financial risk factors (continued)

- **Credit risk**

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and committed transactions.

For banks and financial institutions, only independently rated parties with a satisfactory rating are accepted.

- **Liquidity risk**

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Up to 6 months	6 months to 1 year
	€	€
At 30 June 2009:		
Borrowings	-	206.248
Trade and other payables	<u>223.611</u>	<u>-</u>
	<u><u>223.611</u></u>	<u><u>206.248</u></u>

Prudent liquidity risk management implies maintaining sufficient cash and having available an adequate amount of committed credit facilities. The management maintains flexibility in funding by maintaining availability under committed credit lines (Note 18).

### (ii) Capital risk management

The capital as defined by management at 30 June 2009 was as follows:

	€
Total borrowings (Note 18)	201.648
Less: cash and cash equivalents (Note 14)	<u>(24.006)</u>
Net debt	177.642
Total equity	<u>9.328.098</u>
<b>Total capital as defined by management</b>	<u><b>9.505.740</b></u>
<b>Gearing ratio</b>	1,9%

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

# Agua Terra Limited

## **3 Financial risk management (continued)**

### **(ii) Capital risk management (continued)**

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

### **(iii) Fair value estimation**

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

## **4 Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### **(i) Critical accounting estimates and assumptions**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- **Income taxes**

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

# Agua Terra Limited

## 4 Critical accounting estimates and judgements (continued)

### (i) Critical accounting estimates and assumptions (continued)

- **Estimated fair value of investment properties**

The best evidence of fair value is current prices in an active market for the properties with similar characteristics. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (ii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuers. As at 30 June 2009, the fair values of the investment properties were approximately € 10 million.

### (ii) Critical judgements in applying the Group's accounting policies

- **Share-based payments – Performance warrants**

The Group did not recognise share-based payment expense in respect of additional performance warrants (Note 15) issuable to the Chief Executive Officer in the event of future capital raising, on the basis that such an exit event was assessed as not probable as at 30 June 2009. This assessment requires significant judgement. If this assessment is estimated as probable in subsequent accounting periods, then the Group will need to recognise additional share-based payment expenses at a value of €0,7219 per additional warrant to be issued based on the formula explained in Note 15.

# Agua Terra Limited

## 5 Employee benefit expense

	€
Salaries	300.000
Share-based payments (Note 16)	154.952
	<u>454.952</u>

## 6 Finance costs

	€
Interest expense:	
Loans from related parties (Note 20 (v))	1.648
	<u>1.648</u>

## 7 Tax

	€
Deferred tax charge (Note 17)	386.862
	<u>386.862</u>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	€
Profit before tax	547.508
Tax calculated at the applicable corporation tax rates	54.751
Tax effect of zero tax rates in BVI	118.148
Tax effect of the existence of permanent establishment in Greece	212.936
Tax effect of expenses not deductible for tax purposes	460
Tax effect of tax losses for which no deferred tax asset was recognised	567
Tax charge	<u>386.862</u>

The Company is incorporated in the British Virgin Islands and hence is exempt from any tax on its profits.

The Company's subsidiaries (Note 11), which are registered in Cyprus, are subject to corporation tax on their taxable profits at the rate of 10%. Under certain conditions interest may be subject to defence contribution at the rate of 10%. In such cases 50% of the same interest will be exempt from corporation tax thus having an effective tax rate burden of approximately 15%. Disposal of the Group's land located in Greece will attract Greek corporation tax estimated at the rate of 22%.

# Agua Terra Limited

## 8 Basic and diluted earnings per share

### (a) Basic

Basic earnings per share is calculated by dividing the profit/loss attributable to equity holders by the weighted average number of shares in issue during the period.

Profit attributable to equity holders (€)	<b>160.646</b>
Weighted average number of shares in issue	<b>3.467.388</b>
Basic Earnings per share (cents per share)	<b>4,63</b>

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

The Company's dilutive potential shares arise in respect of founder and performance warrants, explained in more detail in Note 15. For the warrants, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the warrants.

Profit attributable to equity holders (€)	<b>160.646</b>
Weighted average number of shares in issue (Basic EPS)	<b>3.467.388</b>
Adjustments for:	
Founder Warrants	<b>84.568</b>
Weighted average number of shares for diluted earnings per share	<b>3.551.956</b>
Diluted earnings per share (cents per share)	<b>4,52</b>

The computation of diluted earnings per share excludes the effect of assuming the conversion of performance warrants because their effect would have been anti-dilutive.

# Agua Terra Limited

## 9 Financial instruments by category

	Loans and receivables €	Total €
<b>Assets as per balance sheet</b>		
Trade and other receivables	93.213	<b>93.213</b>
Cash and cash equivalents	<u>24.006</u>	<u><b>24.006</b></u>
<b>Total</b>	<u><u>117.219</u></u>	<u><u><b>117.219</b></u></u>
	Other financial liabilities €	Total €
<b>Liabilities as per balance sheet</b>		
Borrowings	201.648	<b>201.648</b>
Trade and other payables	<u>223.611</u>	<u><b>223.611</b></u>
<b>Total</b>	<u><u>425.259</u></u>	<u><u><b>425.259</b></u></u>

## 10 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if applicable) or to historical information about counterparty default rates:

	€
<b>Fully performing other receivables</b>	
Group 1	<u><u><b>92.000</b></u></u>
<b>Cash at bank and short-term bank deposits</b>	
Marfin Popular Bank Public Co. Ltd - A3	<u><u><b>24.006</b></u></u>
Group 1 – related parties	

## 11 Investments in subsidiaries

The Group's interests in its subsidiaries, all of which are unlisted, were as follows:

Name	Principal activity	Country of incorporation	% holding
Agua Terra Alpha (Cyprus) Limited	Property acquisition and development	Cyprus	100
Agua Terra Beta (Cyprus) Limited	Dormant	Cyprus	100

The Company subscribed for 100% of the issued share capital of these subsidiaries upon their incorporation, at a price of €2.000 each, which is equal to the nominal value of their issued share capital.

# Agua Terra Limited

## 12 Investment property

	€
Purchases during the period	8.264.535
Fair value gains	1.758.465
	<u>10.023.000</u>

The investment properties are valued at each reporting date at fair value comprising open-market value, based on valuations by independent, professionally qualified valuers who hold recognised relevant professional qualifications and have recent experience in the locations and categories of the investment properties valued.

On 24 March 2009 the Group obtained planning permission for the development of its Agrari site, located in Mykonos, Greece. The planning license grants the Group the permission to develop up to 900 sqm of ultra-luxury serviced residences over the Agrari Site's 15,800 sqm. As at 30 June 2009, no development has commenced.

The Agrari Site is one of three sites acquired by the Group which collectively comprise the Mykonos Azure project. Depending on the final design, the project will allow for the development of up to 20 luxury serviced residences over approximately 35,000 sqm.

The Group commenced marketing of the project in June 2009.

## 13 Trade and other receivables

	€
Receivables from related parties (Note 20 (iv))	92.000
Prepayments	<u>1.213</u>
	<u>93.213</u>

The fair values of trade and other receivables approximate their carrying amounts. Trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

# Agua Terra Limited

## 14 Cash and cash equivalents

	€
Cash at bank	<u><u>24.006</u></u>

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	€
Cash and cash equivalents	<u><u>24.006</u></u>

## 15 Share capital and share premium

	Number of shares	Share capital €	Share premium €	Total €
Issue of shares on incorporation	450	-	900	<b>900</b>
Additional shares issued on 26 September 2008	<u>4.530.800</u>	-	<u>9.011.600</u>	<b><u>9.011.600</u></b>
At 30 June 2009	<u>4.531.250</u>	-	<u>9.012.500</u>	<b><u>9.012.500</u></b>

The Company has unlimited authorised share capital, comprising of shares of nil par value. On incorporation, the Company issued 450 shares of nil par value at a price of €2 per share. On 26 September 2008, the Company issued additional 4.530.800 shares of nil par value at a price of €2 per share.

On 3 October 2008 the Company's issued shares were admitted to trading on the AIM of the London Stock Exchange.

### Founder Warrants

On 26 September 2008, the Company issued 4.531.250 founder warrants to subscribe for shares of the Company at an exercise price of €2 per founder warrant. The founder warrants are exercisable at any time from issue until 26 September 2018 and are non-transferable, except with the prior consent of the Board. As at 30 June 2009, 4.531.250 founder warrants have been issued and are outstanding. None were exercised during the period ended 30 June 2009.

### Performance Warrants

On 26 September 2008, the Company executed the Performance Warrant Instrument pursuant to which the Company may issue up to 453.125 warrants to subscribe for shares of the Company at an exercise price of €2.59 per share. After 3 October 2011, if the Company's share price is trading at more than a 20% discount to the Company's then net asset value, then the holder of performance warrants may elect to exercise his performance warrant at a price of 1,295 times the closing share price on the date falling three years before the date of exercise. Each performance warrant entitles the holder to acquire one share.

# Agua Terra Limited

## 15 Share capital and share premium (continued)

Shares issued on the exercise of performance warrants are subject to a three year lock-in, other than those shares issued following the election to exercise at a price of 1,295 times the closing share price, in which case the shares issued will be subject to a five year lock-in. The performance warrants are exercisable at any time from issue until 26 September 2018 and are non-transferable except with the prior consent of the Board.

The performance warrants are divided into four classes, which have identical rights save in respect of anti dilution provisions in the event of any future capital raises in which case the warrant-holders are entitled to additional warrants on the basis of X warrants for every 100 shares issued, where X is as set out below:

Class	Mkt Capitalisation OR Share Capital at time of issue less than €100m	Mkt Capitalisation OR Share Capital at time of issue €100m to €200m	Mkt Capitalisation OR Share Capital at time of issue €200m to €300m	Mkt Capitalisation OR Share Capital at time of issue more than €300m
A	2,777	1,895	1,014	0,600
B	3,902	5,203	6,504	7,040
C	2,345	1,601	0,856	0,600
D	0,976	1,301	1,626	1,760
	<b>10,0</b>	<b>10,0</b>	<b>10,0</b>	<b>10,0</b>

As at 30 June 2009, the following Performance Warrants were issued and outstanding:

Holder	Class	Number of Performance Warrants
Related party	A	125.831
Related party - Chief Executive Officer	B	176.829
Related party	C	106.258

The Company allocated performance warrants to its Chief Executive Officer over and above its capacity as a shareholder, and hence this arrangement (the excess allowance) was treated as a share-based payment under IFRS 2. The overallocated warrants to the Chief Executive Officer due to his executive capacity were estimated to be 64.978. The fair value of each warrant granted determined using an American Option Binomial Valuation model was €0,7219 per warrant. The significant inputs into the model were share price of €2 at grant date, exercise price of €2,59, volatility of 27,28% (measured on the basis of historical volatility of a basket of Central and South Eastern European AIM – listed real estate stocks), expected warrants life of 9 years, and an annual risk-free interest rate of 4,25%. The total fair value of €46.908 was expensed in the income statement for the period ended 30 June 2009, since the warrants vested immediately (Note 5).

No additional share-based expense was recognised in respect of additional warrants issuable to the Chief Executive Officer in the event of a future capital raising, as such an exit event was not considered probable as at 30 June 2009.

# Agua Terra Limited

## 16 Other reserves

	Share-based payments reserves €
Value of employee share-based services:	
Share bonus scheme (Note 20 (iii))	108.044
Performance warrants (Note 15)	46.908
	<u>154.952</u>

## 17 Deferred tax liabilities

The movement on the deferred tax account is as follows:

	Fair value gains on investment property €
Charged to:	
Income statement (Note 7)	386.862
At 30 June 2009	<u>386.862</u>

The amounts included in the balance sheet include the following:

	€
Deferred tax liabilities to be settled after more than twelve months	<u>386.862</u>

## 18 Borrowings

	€
<b>Current</b>	
Loans from related parties (Note 20 (v))	<u>201.648</u>

Borrowings issued at fixed rates expose the Group to fair value interest rate risks.

The Group has the following undrawn borrowing facilities:

	€
Fixed rate:	
Expiring within one year	<u>800.000</u>

The carrying amounts of short term borrowings approximate their fair value.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	€
Euro	<u>201.648</u>

# Agua Terra Limited

## 19 Trade and other payables

	€
Payables to related parties (Note 20 (iv))	146.007
Other payables	44.675
Accrued expenses	<u>32.929</u>
	<u>223.611</u>

The fair value of trade and other payables which are due within one year approximates their carrying amount at the balance sheet date.

## 20 Related party transactions

The following transactions were carried out with related parties:

### (i) Purchases of services

	€
Professional fees: Related parties that can exercise significant influence	<u>169.841</u>

### (ii) Purchase of investment property from related parties

In October 2008, the Group purchased three properties in Pyrgi, Agrari and Platys Gialos all of which are in Mykonos, for a total consideration of €8 million from a party that can exercise significant influence. The Board was satisfied that the terms of the purchase were on an arms length basis and in accordance with an external third-party valuation of the land at the time of purchase.

### (iii) Key management compensation

The total remuneration of the Directors was as follows:

	€
Chief Executive Officer emoluments in his executive capacity:	
Annual fixed cash salary	300.000
Share-based payments: Performance warrants (Note 15)	46.908
Share-based payments: Share bonus scheme (see below)	108.044
	<u>454.952</u>
Non-executive Directors' fees	62.500
	<u>517.452</u>

With effect from 1 July 2008, the Director who acts as Chief Executive Officer entered into a service agreement with the Company under which he is entitled to receive the following remuneration:

- (a) Annual fixed cash salary of €300.000 per annum subject to automatic increase up to €1.000.000 per annum once certain market capitalisation or additional incremental capital raising targets are met;

# Agua Terra Limited

## 20 Related party transactions (continued)

### (iii) Key management compensation (continued)

- (b) Annual cash bonus, of up to 5% of the Group's EBITDA declining on a stepped basis to 3% when certain cash raising or market capitalisation targets are met, subject to hitting certain performance targets set by comparison of the Group's EBITDA per €1 of market capitalisation to a basket of Central and South Eastern European AIM – listed real estate stocks; and
- (c) Annual share bonus of:
- (i) 0,5% of EBITDA increasing on a stepped basis to 4% of EBITDA once certain market capitalisation or capital raising milestones are reached, subject to hitting certain performance targets set as explained in (b) above; and
  - (ii) €500.000 worth of shares once the market capitalisation of the Group exceeds €20 million.

The Chief Executive Officer's share bonus plan has been accounted for as a share-based payment arrangement under IFRS2 with a total expense amounting to €108.044. More specifically:

- (i) The estimated fair value on grant date (1 July 2008) is €242.705. Key inputs used for the estimation were as follows:
  - estimated probabilities for achieving various market capitalisation targets, ranging from 20% for a €100m target and declining on a stepped basis to 0,6% for a €700m target;
  - estimated vesting period for achieving various market capitalisation targets, ranging from 8 years for a €100m target to 20 years for a €700m target;
  - market capitalisation estimated as 8 times EBITDA; and
  - estimated discount rate of 5%.

The expense arising for the period ended 30 June 2009 is €18.919 with a corresponding credit in other reserves (Note 16).

- (ii) The estimated fair value on grant date (1 July 2008) is €401.357 and the estimated vesting period to achieve the vesting condition of market capitalisation exceeding €20 million is 4,5 years (up to 31 December 2012). Thus, the expense arising for the period ended 30 June 2009 is €89.125 with a corresponding credit in other reserves (Note 16).

# Agua Terra Limited

## 20 Related party transactions (continued)

### (iv) Period-end balances with related parties

	€
Receivable from related parties (Note 13):	
Parties that can exercise significant influence	<u>92.000</u>

Payable to related parties (Note 19):	
Parties that can exercise significant influence	<u>146.007</u>

The above balances bear no interest, are unsecured and are repayable on demand.

### (v) Loans from related parties

	€
Loans from parties that can exercise significant influence:	
Loans advanced during period	200.000
Interest charged (Note 6)	1.648
	<u>201.648</u>
At end of period (Note 18)	<u>201.648</u>

On 26 September 2008, the Group as borrower and three parties that can exercise significant influence as lenders, entered into a loan agreement pursuant to which, the lenders have agreed to make available the aggregate sum of €1.000.000 to the Group. The loan is repayable at the earlier of 1 January 2010 and such time as the Group raises €1.000.000 of capital following its admission to trading on the AIM of the London Stock Exchange. Interest is at 5% per annum and the loan is unsecured.

## 21 Events after the balance sheet date

On 22 July 2009, the Group signed notarial pre-contracts for the sale of the first two villas at Mykonos Azure project. The sales price is €1.500.000 for each villa. The notarial pre-contracts are conditional on financing packages being obtained for the buyers and expire on 12 December 2009 and are not binding by either side. Notarial contracts will be entered into by the parties involved once planning approval is obtained by the Group.

There were no other material post balance sheet events, which have a bearing on the understanding of the financial statements.

Independent Auditor's Report on pages 3 to 4.