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31 March 2010

AGUA TERRA LIMITED
(the "Company")

AUDITED 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 31 December 2009 and provide an update on operational progress.

Operational highlights

- The Company has received planning permission on all its sites
- Land holdings have been valued at €10m, an uplift of 25% over the acquisition price
- Initial villa sales have been booked

Commenting on the Annual Results, Lord Balfour, Chairman said:
"The Company finds itself in a comfortable position with zero borrowings and no immediate credit obligations. Whilst development operations are downsized to conserve cash resources and all development is put on hold, we will continue evaluating all available opportunities for further asset acquisitions and/or disposals."

Markos Kashiouris, Chief Executive, said:
"We are pleased to report the profitable completion of the first full year of our operations. Notwithstanding the global economic downturn and issues relating specifically to the Greek economy, Agua Terra has been value accretive since the inception of its operations. Against this backdrop, we will continue to evaluate our strategic options with a view to enhance shareholder value."

Copies of the Company's audited annual accounts for the period from incorporation to 31 December 2009 (the "Accounts") will be posted to Shareholders today and are available on the Company's website at 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 -

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Agua Terra Limited

Report and consolidated financial statements for the period from 3 July 2008 (date of incorporation) to 31 December 2009

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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 and Broker

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

Agua Terra Limited

Chairman's statement

Notwithstanding the global economic downturn and issues relating specifically to the Greek economy, the Company has been value accretive since the inception of its operations. In particular:

- The Company has received planning permission on all its sites;
- Land holdings have been valued at €10m, an uplift of 21% over the acquisition price;
- Initial villa sales have been booked (Note 19 of the accompanying financial statements).

Whilst the Company's broad focus remains the acquisition of development opportunities in Greece and in particular those Greek Islands which have an international airport for ease of access, the Company's short term strategy will focus on additional acquisition opportunities in Mykonos. Such assets will be held by the Company with a view to develop or sell the land in the short to medium term, once markets conditions allow.

Sales demand remains strong and interest on our Mykonos Azure development has been promising. The local funding market for second homes, however, has all but dried up, so prospective buyers find it extremely difficult to borrow for any part of the purchase price. Against this backdrop, the Board is currently evaluating the status of the two villa sales that were booked in the last quarter of 2009.

The Company finds itself in a comfortable position with zero borrowings (other than borrowings from related parties as per Note 17 of the accompanying financial statements) and no immediate credit obligations (Note 3 of the accompanying financial statements). Whilst development operations are downsized to conserve cash resources and all development is put on hold, we will continue evaluating all available opportunities for further asset acquisitions and/or disposals.

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

30 March 2010

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Agua Terra Limited (the "Company") and its subsidiaries, which comprise the consolidated balance sheet as at 31 December 2009, and the consolidated statements of comprehensive income, changes in equity and cash flows for the period from 3 July 2008 (date of incorporation) to 31 December 2009, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, 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 consolidated financial statements.

Board Members: Phidias K Pilides (CEO), Dinos N Papadopoulos (Deputy CEO), Panikos N Tsiailis, Christakis Santis, Stephos D Stephanides, Costas L Hadjiconstantinou, George Foradaris, Costas M Nicolaides, 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 Psaltis, George A Ioannou, George C Kazamias, Michael Kliriotis, Marios G Melanides, Sophie A Solomonidou, Yiannis Televantides, Antonis Christodoulides, Anna G Loizou

Offices: Nicosia, Limassol, Larnaca, Paphos

PricewaterhouseCoopers Ltd is a private company,
Registered in Cyprus (Reg. No. 143594)

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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 financial statements give a true and fair view of the financial position of Agua Terra Limited and its subsidiaries as at 31 December 2009, and of their financial performance and their cash flows for the period from 3 July 2008 (date of incorporation) to 31 December 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, 30 March 2010

Agua Terra Limited

Consolidated statement of comprehensive income for the period from 3 July 2008 (date of incorporation) to 31 December 2009

	Note	€
Fair value gains on investment property	12	**1,758,465**
Employee benefit expense	5	**(659,072)**
Non-executive Directors' fees	20 (iii)	**(195,000)**
Professional fees for AIM listing		**(494,244)**
Other professional fees		**(145,044)**
Auditors' remuneration		**(26,040)**
Net foreign exchange transaction loss		**(2,316)**
Transportation expenses		**(80,225)**
Other expenses		**(55,683)**
Operating profit		**100,841**
Finance costs	6	**(6,678)**
Profit before tax		**94,163**
Income tax expense	7	**(386,862)**
Loss for the period and total comprehensive income		**(292,699)**
Loss attributable to:		
Owners of the parent		**(292,699)**
		Cents per Share
Basic loss per share	8	**(5.36)**
Diluted loss per share	8	**(5.36)**

The notes on pages 9 to 28 are an integral part of these consolidated financial statements.

Agua Terra Limited

Consolidated balance sheet as at 31 December 2009

	Note	€
Assets		
Non-current assets		
Investment property	12	**10,023,000**
		10,023,000
Current assets		
Trade and other receivables	13	**37,730**
Cash and cash equivalents	14	**49,870**
		87,600
Total assets		**10,110,600**
Equity and liabilities		
Capital and reserves		
Share capital and share premium	15	**9,072,500**
Other reserves	16	**209,072**
Accumulated losses		**(292,699)**
Total equity		**8,988,873**
Non-current liabilities		
Borrowings	17	**206,678**
Deferred income tax liabilities	18	**386,862**
		593,540
Current liabilities		
Trade and other payables	19	**528,187**
Total liabilities		**1,121,727**
Total equity and liabilities		**10,110,600**

On 30 March 2010 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 28 are an integral part of these consolidated financial statements.

Agua Terra Limited

Consolidated statement of changes in equity for the period from 3 July 2008 (date of incorporation) to 31 December 2009

	Note	Share capital €	Share premium €	Other reserves €	Accumulated losses €	Total €
Transactions with owners						
Issue of shares on incorporation	15	-	900	-	-	900
Additional issue of shares on 26 September 2008	15	-	9,061,600	-	-	9,061,600
Additional issue of shares on 23 December 2009	15	-	10,000	-	-	10,000
Share based payments – value of employee services	16	-	-	209,072	-	209,072
Total transactions with owners		-	9,072,500	209,072	-	9,281,572
Loss and total comprehensive income for the period ended 31 December 2009		-	-	-	(292,699)	(292,699)
Balance at 31 December 2009		-	9,072,500	209,072	(292,699)	8,988,873

The notes on pages 9 to 28 are an integral part of these consolidated financial statements.

Agua Terra Limited

Consolidated statement of cash flows for the period from 3 July 2008 (date of incorporation) to 31 December 2009

	Note	€
Cash flows from operating activities		
Profit before tax		**94,163**
Adjustments for:		
Interest expense	6	**6,678**
Fair value gains on investment property	12	**(1,758,465)**
Share-based payments (Chief executive Officer)	20 (iii)	**209,072**
Share-based payments (Non-executive Directors)	20 (iii)	**60,000**
		(1,388,552)
Changes in working capital:		
Trade and other receivables		**(37,730)**
Trade and other payables		**488,187**
Net cash used in operations		**(938,095)**
Cash flows from investing activities		
Purchase of investment property	12	**(8,264,535)**
Net cash used in investing activities activities		**(8,264,535)**
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	15	**9,012,500**
Proceeds from borrowings from related parties	20 (v)	**200,000**
Net cash from financing activities		**9,212,500**
Net increase in cash and cash equivalents		**9,870**
Cash and cash equivalents at end of period	14	**9,870**

The notes on pages 9 to 28 are an integral part of these consolidated 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 consolidated financial statements were authorised for issue by the Board of Directors on 30 March 2010.

Operating environment of the Group

The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and higher interbank lending rates. The uncertainties in the global financial market have also led to bank failures and bank rescues in the United States of America, Western Europe and in Russia. Such circumstances could affect the ability of the Group to obtain new borrowings or re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. Deteriorating operating conditions for debtors or borrowers may also have an impact on Management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, Management has reflected revised estimates of expected future cash flows in its impairment assessments.

In addition, the Greek government announced a 12.7% public deficit for 2009 and total public debt of 120% of Gross Domestic Product (GDP). In early 2010, fears of sovereign debt crisis developed concerning Euro zone countries such as Greece, Spain, Ireland and Portugal. This led to a widening of bond yield spreads and additional difficulties in obtaining equity finance.

Management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets.

Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

2 Summary of significant accounting policies

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

Basis of preparation

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:

(i) Certain provisions of IAS39 “Financial Instruments: Recognition and Measurement” relating to portfolio hedge accounting;

(ii) Improvements to IFRSs 2009.

In addition, the following interpretations have been endorsed, however their effective dates are not the same, although an entity may chose 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, as modified by the revaluation of investment property.

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 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.

2 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

Subsidiaries (continued)

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.

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

Amendments

- Annual improvements to IFRS (2008) re IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” (effective for annual periods beginning on or after 1 July 2009).
- Amendment to IAS 39 “Financial Instruments: Recognition and Measurement” on “Eligible Hedged Items” (effective for annual periods beginning on or after 1 July 2009).

2 Summary of significant accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Adopted by the European Union (continued)

Amendments (continued)

- Amendment to IFRIC 9 and IAS 39 regarding embedded derivatives (effective for annual periods beginning on or after 30 June 2009).
- Amendments to IAS 32 "Financial Instruments: Presentation: Classifications of Rights Issues" (effective for annual periods beginning on or after 1 February 2010).

New IFRICs

- International Financial Reporting Interpretation Committee (IFRIC) 12 "Service Concession Arrangements" (effective for annual periods beginning on or after 1 January 2008, EU: 30 March 2009).
- IFRIC 15 "Agreements for the Construction of Real Estate" (effective for annual periods beginning on or after 1 January 2009, EU: 31 December 2009).
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" (effective for annual periods beginning on or after 1 October 2008, EU: 30 June 2009).
- 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).

(ii) Not adopted by the European Union

New standards

- IAS 24 (Revised) "Related Party Disclosures" (effective for annual periods beginning on or after 1 January 2011).
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2013).

Amendments

- Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011).
- Annual Improvements 2009 (effective for annual periods beginning on or after 1 July 2009 to 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).
- Amendments to IFRS 1 "Additional Exemptions for First-time Adopters" (effective for annual periods beginning on or after 1 January 2010).

2 Summary of significant accounting policies (continued)

Adoption of new and revised IFRSs (continued)

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

Amendments (continued)

- Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First Time Adopters" (effective for annual periods beginning on or after 1 July 2010).

New IFRICs

- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after 1 July 2010).

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.

Segment reporting

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

At 31 December 2009, the Group has no operating activity except for holding of land in Mykonos. As a result, the Group has no operating segments to report.

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.

2 Summary of significant accounting policies (continued)

Employee benefits (continued)

(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.

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 ranslation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax is calculated in the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income 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 income tax asset is realised or the deferred income tax liability is settled.

2 Summary of significant accounting policies (continued)

Current and deferred income tax (continued)

Deferred income 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.
Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the Company where there is an intention to settle the balances on a net basis.

Investment property

Investment property comprises of land held for capital appreciation purposes. Investment property is measured initially at its cost, including related transaction costs.

After initial recognition investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements.

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. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected fro its disposal.

Share capital

Ordinary shares are classified as equity.

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.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents on the balance sheet include deposits held at call with banks and cash balances held with lawyers in fiduciary capacity on behalf of the Group. For the urposes of the statement of cash flows, cash and cash equivalents exclude cash balances held with lawyers in fiduciary capacity as they are not available for use by the Group.

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 31 December 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.

- **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.

	Less than 1 year	Between 1 and 2 years
	€	€
At 31 December 2009:		
Borrowings	-	226,954
Trade and other payables (excluding deferred income)	488,187	-
	488,187	226,954

3 Financial risk management (continued)

(i) Financial risk factors (continued)

- **Liquidity risk (continued)**

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 with related parties (Note 17).

These undrawn borrowing facilities totalled €793,322 at the end of 2009 and the Group reached an agreement with these parties to defer repayment of these borrowings to 31 December 2011 (Note 20(v)).

In addition, the Chief Executive Officer, to whom the Group owes €225,000 at the end of 2009 (Note 20(iv)), has agreed not to call for repayment of these balances until such time as the Group has adequate funds to repay them.

(ii) Capital risk management

The capital as defined by management at 31 December 2009 was as follows:

	€
Total borrowings (Note 17)	206,678
Less: cash and cash equivalents (Note 14)	(49,870)
Net debt	156,808
Total equity	8,988,873
Total capital as defined by management	**9,145,681**
Gearing ratio	**1.71%**

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.

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

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

3 Financial risk management (continued)

(iii) Fair value estimation (continued)

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2009, the Group did not have any financial assets and liabilities that are measured at fair value.

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. Disposal of the Group's land located in Greece will attract Greek corporation tax. The Greek corporation tax rate is 24% for the year 2010 reducing by 1% yearly to 20% for year 2014 onwards. The Group provided for deferred tax on its land revaluation gain at 22%, which is its best estimate as at 31 December 2009.

- **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

4 Critical accounting estimates and judgements (continued)

(i) Critical accounting estimates and assumptions (continued)

- **Estimated fair value of investment properties (continued)**

  (iii) 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 investment properties were valued at 30 June 2009 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. At 31 December 2009, the Board of Directors has determined this valuation still to be appropriate on the basis of available information as explained above.

(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 31 December 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.

5 Employee benefit expense

	€
Salaries	**450,000**
Share-based payments (Note 16)	**209,072**
	659,072

6 Finance costs

	€
Interest expense:	
Loans from related parties (Note 20 (v))	**6,678**

7 Income tax expense

	€
Deferred tax charge (Note 18)	**386,862**

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	**94,163**
Tax calculated at the applicable corporation tax rates in BVI	-
Tax effect of the existence of permanent establishment in Greece	386,862
Income tax expense	386,862

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% (see Note 4 (i)).

As at 31 December 2009, the Company's Cyprus registered subsidiaries had tax losses carried forward amounting to €28,820 for which no deferred tax asset has been recognised as profits for future periods against which these losses can be utilised cannot be estimated with sufficient reliability.

8 Basic and diluted loss per share

(a) Basic

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

Loss attributable to equity holders (€)	**(292,699)**
Weighted average number of shares in issue	**5,464,422**
Basic loss per share (cents per share)	**(5.36)**

8 Basic and diluted loss per share (continued)

(b) Diluted

Diluted loss 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 from founder and performance warrants explained in more detail in Note 15, as well as from the Chief Executive Officer's share bonus plan explored in more detail in Note 20 (iii).

The computation of diluted earnings per share excludes the effect of assuming the conversion of founder and performance warrants because their effect would have been anti-dilutive. In addition, the effect of the Chief Executive Officer's share bonus plan is nil, as no shares would have been issued under the plan since none of the conditions were met at 31 December 2009.

9 Financial instruments by category

	Loans and receivables €	**Total €**
Assets as per balance sheet		
Trade and other receivables (excluding prepayments)	36,800	**36,800**
Cash and cash equivalents	49,870	**49,870**
Total	86,670	**86,670**

	Other financial liabilities €	**Total €**
Liabilities as per balance sheet		
Borrowings	206,678	**206,678**
Trade and other payables (excluding deferred income)	488,187	**488,187**
Total	694,865	**694,865**

10 Credit quality of financial assets

The credit quality of financials 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:

	€
Fully performing other receivables	
Group 1	**36,800**
Cash at bank and short-term bank deposits	
Bank - A3 (Moody's)	**9,870**
Third parties with no external credit rating	**40,000**
	49,870

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 investment	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.

12 Investment property

	€
Purchases during the period (Note 20 (ii))	8,264,535
Fair value gains (Note 4(i))	1,758,465
	10,023,000

The above investment property comprises of three sites located in Mykonos, Greece, which collectively comprise the Mykonos Azure project.

The Group has obtained planning permissions for the development of ultra-luxury serviced residences over all three sites.

13 Trade and other receivables

	€
Receivables from related parties (Note 20 (iv))	36,800
Prepayments	930
	37,730

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.

14 Cash and cash equivalents

	€
Cash at bank	9,870
Cash balances held with lawyers (Note 19)	40,000
	49,870

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

	€
Cash at bank	9,870

Agua Terra Limited

15 Share capital and share premium

	Number of shares	Share capital €	Share premium €	**Total €**
Issue of shares on incorporation	450	-	900	**900**
26 September 2008:				
Issue of shares at €2 per share	4,505,800	-	9,011,600	**9,011,600**
Issue of shares to non-executive Directors for free	25,000	-	50,000	**50,000**
	4,530,800	-	9,061,600	**9,061,600**
23 December 2009:				
Issue of shares in exchange of founder warrants	1,940,469	-	-	**-**
Issue of shares to a non-executive Director for free	7,141	-	10,000	**10,000**
	1,947,610	-	10,000	**10,000**
At 31 December 2009	6,478,860	-	9,072,500	**9,072,500**

The Company has unlimited authorised share capital, comprising of shares of nil par value.

On incorporation, the Company issued 450 common shares of nil par value at a price of €2 per share.

On 26 September 2008, the Company issued an additional 4,505,800 common shares of nil par value at a price of €2 per share. In addition, on the same date the Company issued 25,000 common shares of nil par value for free to its non-executive Directors (see Note 20 (iii)).

On 23 December 2009, the Company issued an additional 1,940,469 common shares of nil par value for free to its founder warrants holders in consideration of the cancellation of 4,531,250 founder warrants. In addition, on the same date the Company issued 7,141 common shares of nil par value for free to a non-executive Director (see note 20 (iii)).

As from 3 October 2008 the Company's issued shares are 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 were exercisable at any time from issue until 26 September 2018 and were non-transferable, except with the prior consent of the Board. On 23 December 2009, the Company cancelled all of the outstanding founder warrants, and issued instead 1,940,469 new common shares in exchange for such warrants.

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.

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
	10.0	**10.0**	**10.0**	**10.0**

As at 31 December 2009, the following Performance Warrants were issued and outstanding:

Holder	Class	Number of Performance Warrants
Related party – significant influence	A	125,831
Related party - Chief Executive Officer	B	176,829
Related party – significant influence	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 31 December 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 31 December 2009.

16 Other reserves

	Share-based payments reserves €
Value of employee share-based services:	
Share bonus scheme (Note 20 (iii))	**162,164**
Performance warrants (Note 15)	**46,908**
	209,072

17 Borrowings

	€
Non-Current	
Borrowings from related parties (Note 20 (v))	**206,678**
Maturity non-current borrowings	
Between 1 and 2 years	**206,678**

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

The Group has the following undrawn borrowing facilities with related parties (Note 20 (v)):

	€
Fixed rate:	
Expiring beyond one year	**793,322**

The carrying amounts of borrowings approximate their fair value.

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

	€
Euro	**206,678**

18 Deferred income tax liabilities

The movement in the deferred income tax account is as follows:

	Fair value gains on investment property €
Charged to:	
Statement of comprehensive income (Note 7)	**386,862**
At 31 December 2009	**386,862**

The amounts included in the balance sheet include the following:

	€
Deferred tax liabilities to be settled after more than twelve months	**386,862**

19 Trade and other payables

	€
Payables to related parties (Note 20 (iv))	**403,503**
Other payables	**61,384**
Accrued expenses	**23,300**
Deferred income (see below)	**40,000**
	528,187

19 Trade and other payables (continued)

In October 2009, the Group signed contracts for the sale of the first two villas at the Mykonos Azure project. The sales price was €1,500,000 for each villa, totalling €3,000,000, out of which prepayments of €40,000 have been received and are held by a lawyer in fiduciary capacity on behalf of the Group (Note 14). The remaining balance is payable by 20 April 2010 and the contracts are terminated in case of failure by the buyers to pay by that day.

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

	€
Related parties that can exercise significant influence	**241,524**

(ii) Purchase and option for additional 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 over the Group. 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.

On 9 November 2009, the Group signed an option agreement, for no consideration, in respect of a portfolio of sites, located in Mykonos, Greece, beneficially owned by a party that can exercise significant influence over the Group. The option may be exercised by the Group in respect of some or all the sites of any time prior to 31 March 2010. The consideration payable depends on which properties the Group wishes to acquire ranging from €1.7 million to €5.6 million per site, up to a total maximum consideration of €18 million for all sites. The option price is considered to be below market value, however management may not be able to proceed with the exercise of the option due to financing constraints.

(iii) Key management compensation

The total remuneration of the Directors was as follows:

	€
Chief Executive Officer emoluments in his executive capacity:	
Fixed cash salary for the period	**450,000**
Share-based payments: Performance warrants (Note 15)	**46,908**
Share-based payments: Share bonus scheme (see below *)	**162,164**
	659,072
Non-executive Directors:	
Fees	**135,000**
Share-based payments (see below **)	**60,000**
	195,000
	854,072

20 Related party transactions (continued)

(iii) Key management compensation (continued)

* With effect from 3 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;

(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 an equity settled share-based payment arrangement under IFRS2 with a total expense amounting to €162,164. More specifically:

(i) The estimated fair value on grant date (3 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 31 December 2009 is €28,378 with a corresponding credit in other reserves (Note 16).

(ii) The estimated fair value on grant date (3 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 31 December 2009 is €133,786 with a corresponding credit in other reserves (Note 16).

20 Related party transactions (continued)

(iii) Key management compensation (continued)

** On 26 September 2008, the Company issued 25,000 shares for no consideration to its non executive directors. The fair value of each free share issued, determined on the basis of the price of shares issued to other parties on the same date, was €2. In addition, on 23 December 2009 the Company issued 7,141 shares for no consideration to a non-executive Director. The fair value of each free share issued, determined on the basis of the fair value of the Company's shares on the date of issue, was €1.40. The total fair value of €60,000 was expensed in the consolidated statement of comprehensive income for the period ended 31 December 2009.

(iv) Period-end balances with related parties

	€
Receivable from related parties (Note 13):	
Parties that can exercise significant influence	**36,800**
Payable to related parties (Note 19):	
Parties that can exercise significant influence	**116,003**
Chief Executive Officer	**225,000**
Non-executive Directors	**62,500**
	403,503

The Chief Executive Officer has agreed not to call for the repayment of the above amounts until such time as the a Group has adequate funds to repay them.

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)	**6,678**
At end of period (Note 17)	**206,678**

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 was originally 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. As a result of an addendum reached during 2009, the repayment of the loan was deferred to 31 December 2011. Interest is at 5% per annum and the loan is unsecured.

21 Events after the balance sheet date

There were no 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.