

CUBUS LUX PLC
REPORT AND FINANCIAL STATEMENTS
15 MONTHS ENDED 31 MARCH 2007
Company Number: 5127325

CUBUS LUX PLC

REPORT AND FINANCIAL STATEMENTS

FOR THE 15 MONTHS ENDED 31 MARCH 2007

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CUBUS LUX PLC

CHAIRMAN'S STATEMENT

REPORT AND FINANCIAL STATEMENTS

FOR THE 15 MONTHS ENDED 31 MARCH 2007

Chairman's statement

I am pleased to submit results for the 15 months ended 31 March 2007.

Operations

Cubus Lux d.o.o. - the gaming company:

Cubus Lux d.o.o. owns a gaming concession in Croatia. During the period, the company operated three casinos in Pula, Medulin and Rabac. The operations are inspected and audited regularly by the Croatian Ministry of Finance, and all inspections to date have been satisfactorily completed. Management is continuing its objectives of enhancing profitability and, as a result, as of the end of the period, the company has expanded its Pula operation and closed the Medulin casino.

The second half of the year is traditionally our stronger one and this year shows the same trend. August was a record month for the company with more than 12,500 visitors in our casino in Pula. September and October continued strongly as the new management has attracted a number of junkets.

Plava Vala d.o.o. - the marina company:

The marina in Sutomiscica, near Zadar is thought by some to be a jewel on the Adriatic coast. The autumn season of the European boat fairs showed a solid demand for our berths, and we are looking to our first period of operation in 2007 with confidence.

As part of the requirements of IFRS 3, the management asked Brand Finance Plc to value the marina concession that is owned by Plava Vala d.o.o.. This has been separately disclosed in note 8 to the financial statements, and the asset is shown on the balance sheet as an intangible asset acquired as part of the acquisition of Plava Vala d.o.o..

Recent expansion:

We have purchased two plots of land in Zadar at a cost of €5.8 million for the development of top quality apartments. The first project is a 6 storey mixed commercial/residential building close to the city centre of Zadar. The second project is a 5 storey residential building that is in close proximity to the Borik hotel and resort area and the Borik marina. Each of these developments will have around 80 units. We believe that demand for these will be strong and that the developments will be successful.

Financial

For the 15 months ended 31 March 2007, the company is reporting revenues of £1,017,000 and a profit before tax of £160,000. The trading activity within this result shows the progress made in the last period in turning around our operations.

In the second six months of 2006, the Company placed more than 2,000,000 shares at 13.125p per share in order to finance further expansion. The market received this well and we were able to place a further 9,570,000 shares in May of this year at 16.275p to meet current expansion plans.

CUBUS LUX PLC

CHAIRMAN'S STATEMENT

REPORT AND FINANCIAL STATEMENTS

FOR THE 15 MONTHS ENDED 31 MARCH 2007

Our plans for the future

We are in the process of transition from a casino operator into a leisure and development company in Croatia. As a first step in doing this we have entered into two option agreements to acquire certain development land known as the "Olive Island Resort" on the Dalmatian coast of Croatia.

The Olive Island Resort development land is set in 400,000sqm of land along 1.5km of beach, and is intended to be developed into:-

- (a) a village resort comprising 431 units, namely 126 villas and 305 apartments as well as the accompanying facilities such as restaurants, shops, offices and a marina (the "Villas Development"); and
- (b) a 4 star hotel containing 500 beds (the "Hotel Development").

I believe that this potential acquisition could be a milestone event for the company moving forward with our plan to transform the company from being solely a casino operator to being a company developing and managing leisure facilities in Croatia.



GERHARD HUBER
Chairman
Executive Director

20 June 2007

CUBUS LUX PLC

DIRECTORS REPORT

FOR THE 15 MONTHS ENDED 31 MARCH 2007

The directors present the annual report together with the financial statements and auditors report for the 15 months ended 31 March 2007.

CHANGE OF YEAR END

The company has changed its accounting reference date to 31 March and therefore this statutory set of financial statements is for the fifteen months ended 31 March 2007.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The group's principal activity is tourism and leisure in Croatia. The results for the group can be found on page 6.

ACCOUNTS PRODUCTION

The financial statements for the 15 months ended 31 March 2007 have been prepared in accordance with International Financial Reporting Standards for the first time. Details of the policies, the effect on the results and on the comparatives are explained in Note 1.

DIVIDENDS

The directors do not propose a final dividend (2005: £nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the period and their direct and indirect beneficial interest in the company's issued share capital are:-

	Ordinary shares of £0.01 each	
	31 March 2007	31 December 2005
	No	No
G Huber	10,990,929	3,316,180
M Janssen	3,219,000	1,848,750
L Nahon	589,665	-
H Ravid	994,313	894,050
C Kaiser (appointed 6 March 2006)	9,286,467	600,000
E Abramovich	-	-
S McCann (appointed 8 March 2007)	300,000	-
F Alvarez-Molina (appointed 8 March 2007)	-	-

CUBUS LUX PLC

DIRECTORS REPORT

FOR THE 15 MONTHS ENDED 31 MARCH 2007

SHARE OPTIONS

At the 31 March 2007, the company had in issue a two year option over 140,000 £0.01 ordinary shares exercisable at par value to Eli Abramovich vesting at a rate of 70,000 on 7 June 2005 and 7 June 2006 based on continuing service with the company.

On 27 April 2006 the Company granted options to Directors as follows:

G Huber	2,000,000
M Janssen	1,000,000
L Nahon	1,000,000
H Ravid	1,000,000
E Abramovich	1,000,000
C Kaiser	1,000,000

In addition, on the same date, S McCann was granted options of 20,000 per month amounting to 220,000 as at 31 March 2007. This continued post year end, up to a total of 300,000 options.

All the above options are over £0.01 ordinary shares at the exercise price of £0.10 and expire on 26 April 2011.

SUBSTANTIAL SHAREHOLDINGS

In addition to the directors' shareholdings, the directors are aware of the following substantial shareholdings in the company:

	Ordinary shares of £0.01 each			
	31 March 2007		31 December 2005	
	Number of shares	Per cent	Number of shares	Per cent
Allveritas Invesionesses SL	9,714,286	11.05	-	-
M Kotur	7,866,667	8.95	-	-
L Alter	3,299,588	3.75	3,299,588	13.4
X Azalbert	3,250,000	3.70	-	-
S Roever	3,189,000	3.63	-	-
Brada Investments Limited	3,024,762	3.44	1,120,000	4.5
Kling GmbH	3,000,000	3.41	-	-
Active Management Fund 1 AG	1,955,000	2.22	1,955,000	7.9
M Schumacher	1,500,000	1.71	1,500,000	6.1
Forvest Nominees Limited	1,304,990	0.90	861,334	3.5

CHARITABLE AND POLITICAL DONATIONS

The Group did not make any charitable or political contributions during the period.

DIRECTORS' INTERESTS IN CONTRACTS

No director was, or is, materially interested in any contract subsisting during, or at the end of the financial period which was significant in relation to the business of the Group.

COMPLIANCE

As an AIM listed company, the Combined Code is not mandatory and the company has therefore not produced a separate Corporate Governance or Directors' Remuneration Report.

CUBUS LUX PLC

DIRECTORS REPORT (continued)

FOR THE 15 MONTHS ENDED 31 MARCH 2007

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to;

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each of the directors is aware at the time the report is approved:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

SUPPLIER PAYMENT POLICY

It is the group's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and to abide by them. Trade creditors at the period end amount to 78 days (2005: 76 days) of average supplies for the period.

CREST

The company's ordinary shares are eligible for settlement through CREST, the system for securities to be held and transferred in electronic form rather than in paper. Shareholders are not obliged to use CREST and can continue to hold and transfer shares in paper without loss of rights.

AUDITORS

A resolution reappointing haysmacintyre will be proposed at the AGM in accordance with S385(2) of the Companies Act 1985.

ELECTRONIC COMMUNICATIONS

The company may deliver shareholder information including Annual and Interim Reports, Forms of Proxy and Notices of General Meetings in an electronic format to shareholders.

If you would like to receive shareholder information in electronic format, please register your request on the Company's Registrar's electronic database at www.capitaregistrars.com. You will initially need your unique 'investor code' which you will find at the top of your share certificate. There is no charge for this service. If you wish to subsequently change your mind, you may do so by contacting the Company's Registrars by post or through their website.

If you elect to receive shareholder information electronically, please note that it is the shareholder's responsibility to notify the company of any change to their name, address, email address or other contact details. Shareholders should also note that, with electronic communication, the company's obligations will be satisfied when it transmits the notification of availability of information or such other document as may be involved to the electronic address it has on file. The company cannot be held responsible for any failure in transmission beyond its control any more than it can for postal failure. In the event of the company becoming aware that an electronic notification is not successfully transmitted, a further two attempts will be made. In the event that the transmission is still unsuccessful a hard copy of the notification will be mailed to the shareholder. In the event that specific software is required to access information placed on the company's website it will be available via the website without charge. Before electing for electronic communications shareholders should ensure that they have the appropriate equipment and computer capabilities sufficient for the purpose. The company takes all reasonable precautions to ensure no viruses are present in any communication it sends out but cannot accept responsibility for loss or damage arising from the opening or use of any email or attachments from the company and recommends that shareholders subject all messages to virus checking procedures prior to use. Any electronic communication received by the company that is found to contain any virus will not be accepted.

Shareholders wishing to receive shareholder information in the conventional printed form will continue to do so and need take no further action.

Should you have any further questions on this, please contact the Company's Registrars, Capita Registrars on 0870 162 1313.

ON BEHALF OF THE BOARD


GERHARD HUBER
Chairman
Executive Director

20 June 2007

66 Wigmore Street
London
W1U 2SB

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

CUBUS LUX PLC

We have audited the financial statements of Cubus Lux Plc for the 15 months ended 31 March 2007, which comprise the consolidated profit and loss account, the consolidated balance sheet, the consolidated cash flow statement, the parent company balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the Statement of Directors Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion


We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the group's and the company's affairs as at 31 March 2007 and of the group's profit for the period then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2007; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.


haysmacintyre
Chartered Accountants
Registered Auditors
20 June 2007

Fairfax House
15 Fulwood Place
London
WC1V 6AY

CUBUS LUX PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE 15 MONTHS ENDED 31 MARCH 2007

	Notes	Period ended 31 March 2007 £'000	Year ended 31 December 2005 £'000
TURNOVER	1,2	1,017	571
Cost of sales	3	(150)	(70)
GROSS PROFIT		<u>867</u>	<u>501</u>
Administrative expenses		(1,957)	(981)
Other income	8	1,451	-
OPERATING PROFIT/(LOSS)	4	<u>361</u>	<u>(480)</u>
Finance expenditure	5	(201)	(17)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>160</u>	<u>(497)</u>
Tax on loss on ordinary activities	6	(290)	-
LOSS FOR THE PERIOD		<u>(130)</u>	<u>(497)</u>
LOSS PER SHARE			
Basic	18	<u>(0.19)p</u>	<u>(2.15)p</u>
Diluted	18	<u>(0.18)p</u>	<u>(2.14p)</u>

All activities arose from continuing activities.

The notes on pages 14 to 22 are an integral part of these consolidated financial statements


CUBUS LUX PLC

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2007

	Notes	31 March 2007 £'000	31 December 2005 £'000
FIXED ASSETS			
Non-current assets			
Intangible assets	8	5,372	-
Property, plant and equipment	9	3,315	590
		<u>8,687</u>	<u>590</u>
CURRENT ASSETS			
Stock	11	41	10
Trade and other receivables	12	950	301
Cash at bank	13	1,375	431
		<u>2,366</u>	<u>742</u>
		<u>11,053</u>	<u>1,332</u>
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Called up share capital	14	881	249
Share premium account	15	7,239	1,321
Merger reserve	15	347	347
Profit and loss account	15	(1,565)	(1,650)
TOTAL EQUITY		<u>6,902</u>	<u>267</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	8	290	-
Loans	17	3,138	311
Amounts due under finance leases		7	14
		<u>3,435</u>	<u>325</u>
Current liabilities			
Trade and other payables and deferred income	16	589	464
Loans	17	122	271
Amounts due under finance leases		5	5
		<u>716</u>	<u>740</u>
TOTAL LIABILITIES		<u>4,151</u>	<u>1,065</u>
TOTAL EQUITY AND LIABILITIES		<u>11,053</u>	<u>1,332</u>

These financial statements were approved by the Board of Directors and signed on their behalf on 20 June 2007


G. Huber
Chairman


E. Nahon
Director

The notes on pages 14 to 22 are an integral part of these consolidated financial statements

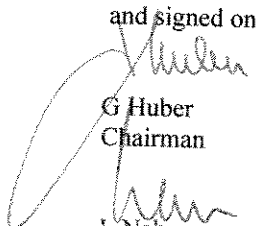
CUBUS LUX PLC

PARENT COMPANY BALANCE SHEET

AT 31 MARCH 2007

	Notes	31 March 2007 £'000	31 December 2005 £'000
FIXED ASSETS			
Non-current assets			
Investments	10	3,819	319
CURRENT ASSETS			
Trade and other receivables	12	2,919	703
Cash at bank	13	616	15
		<u>3,535</u>	<u>718</u>
		<u>7,354</u>	<u>1,037</u>
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Called up share capital	14	881	249
Share premium account	15	7,239	1,321
Profit and loss account	15	(920)	(616)
TOTAL EQUITY		<u>7,200</u>	<u>954</u>
LIABILITIES			
Current liabilities			
Trade and other payables	16	154	83
TOTAL LIABILITIES		<u>154</u>	<u>83</u>
TOTAL EQUITY AND LIABILITIES		<u>7,354</u>	<u>1,037</u>

These financial statements were approved by the Board of Directors on 20 June 2007 and signed on their behalf


G Huber
Chairman


L Nahon
Director

The notes on pages 14 to 22 are an integral part of these consolidated financial statements

CUBUS LUX PLC

CONSOLIDATED CASH FLOW STATEMENT

FOR THE 15 MONTHS ENDED 31 MARCH 2007

	Period ended 31 March 2007 £'000	Year ended 31 December 2005 £'000
Cash flows from operating activities		
Operating profit/(loss)	361	(480)
Profit/(loss) on disposal of fixed assets	45	(4)
Share based payments	178	-
Depreciation	148	113
Negative goodwill written back to profit and loss account	(1,451)	-
(Increase) in debtors	(559)	(247)
(Increase) in stock	(31)	(4)
Increase in creditors	14	111
Net cash used in operating activities	<u>(1,295)</u>	<u>(511)</u>
Cash flows from investing activities		
Interest payable	(256)	(18)
Interest receivable	55	1
Purchase of fixed assets	(2,472)	(120)
Proceeds from the sale of fixed assets	-	15
Cash acquired with subsidiary	114	-
Net cash used in investing activities	<u>(2,559)</u>	<u>(122)</u>
Cash flows from financing activities		
Issue of shares (net of issue costs)	3,050	246
Capital element of finance lease repaid	(5)	-
New loans undertaken less repayments	1,690	453
Net cash generated from financing activities	<u>4,735</u>	<u>699</u>
INCREASE IN CASH IN THE PERIOD	<u>881</u>	<u>66</u>

RECONCILIATION OF NET CASH FLOW TO NET DEBT

Increase in cash in the period	881	66
Exchange differences	63	(20)
Cash inflow from movement in debt	(1,690)	(448)
Capital element of finance leases repaid	5	-
Debt acquired on acquisition of subsidiary	(988)	-
Movement in net funds in the period	<u>(1,729)</u>	<u>(402)</u>
Net (debt)/funds at beginning of period	(170)	232
Net debt at end of period	<u>(1,899)</u>	<u>(170)</u>

CUBUS LUX PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

FOR THE 15 MONTHS ENDED 31 MARCH 2007

ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2006 £'000	Cash flows £'000	Other movements £'000	Exchange differences £'000	At 31 March 2007 £'000
Cash at bank and in hand	431	881	-	63	1,375
	<u>431</u>	<u>881</u>	<u>-</u>	<u>63</u>	<u>1,375</u>
Debt due in less than one period					
Finance leases	(5)	(1)	-	-	(6)
Loans	(271)	(149)	-	-	(122)
	<u>155</u>	<u>1,029</u>	<u>-</u>	<u>63</u>	<u>1,247</u>
Debt due in more than one year					
Finance leases	(14)	6	-	-	(8)
Loans	(311)	(1,839)	(988)	-	(3,138)
	<u>(170)</u>	<u>(804)</u>	<u>(988)</u>	<u>63</u>	<u>(1,899)</u>

ACQUISITION OF SUBSIDIARY

On 6 March 2006, the company purchased 100% of the issued share capital of Plava Vala d.o.o., a company registered in Croatia, by way of a share for share exchange.

Net assets acquired:	£'000
Intangible fixed assets (note 8)	5,372
Tangible fixed assets	474
Debtors	90
Cash	114
Creditors	(1,099)
	<u>4,951</u>
Negative goodwill – written back to the profit and loss account	(1,451)
	<u>3,500</u>
Satisfied by:	
35,000,000 ordinary shares of £0.01 each valued at £0.10 each	3,500
	<u>3,500</u>

CUBUS LUX PLC**RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS****FOR THE 15 MONTHS ENDED 31 MARCH 2007**

	31 March 2007	31 December 2005
	£'000	£'000
Loss for the period	(130)	(497)
	<u>(130)</u>	<u>(497)</u>
Exchange rate differences	37	(20)
Share based payments	178	-
New shares issued in Cubus Lux plc (net of issue costs)	6,550	246
	<u>6,635</u>	<u>(271)</u>
Net movement in shareholders' funds		
Opening shareholders' funds	267	538
Closing shareholders' funds	<u>6,902</u>	<u>267</u>

1. ACCOUNTING POLICIES

Basis of Preparation

The financial statements are prepared on the historical cost basis in accordance with the applicable accounting standards. It comprises the consolidated financial information of Cubus Lux Plc and its subsidiaries.

These financial statements have been prepared in accordance with IFRS 1, First-time Adoption of IFRS. These financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (June 2007). The policies set out below have been consistently applied to all the periods presented.

Cubus Lux Plc financial statements were prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP) until 31 December 2005. UK GAAP differs in some areas from IFRS. In preparing the financial statements, the directors have amended certain accounting methods applied in the UK GAAP financial statements to comply with IFRS.

There are no reconciling differences in the numbers previously reported for the comparative period, ended 31 December 2005, after the adoption of IFRS.

The Company's transition date is 1 January 2005 and it prepared its opening IFRS balance sheet at that date. The Company's IFRS adoption date is 1 January 2006.

These financial statements have been prepared under the historical cost convention.

Basis of Consolidation

On 20 May 2004, the company purchased 100% of the issued share capital of Cubus Lux d.o.o., a company registered in the Commercial Court in Rijeka, Croatia, by way of a share for share exchange. Under Financial Reporting Standard 6, merger accounting has been adopted as the basis of consolidation.

On 6 March 2006, the company purchased 100% of the issued share capital of Plava Vala d.o.o., a company registered in Croatia, by way of a share for share exchange. Under Financial Reporting Standard 6, acquisition accounting has been accepted as the basis of consolidation for the transaction.

Group accounts consolidate the accounts of the company and its subsidiary undertakings made up to 31 March 2007. As provided by section 230 of the Companies Act 1985, a separate income statement for the parent company has not been presented.

All intercompany balances and transactions have been eliminated in full. Subsidiary undertakings are accounted for from the effective date of acquisition until the effective date of disposal.

Segment reporting

The Group has the separately identifiable business segments of the Casino, Marina and Central Overheads for which an analysis of the activity and associated assets are shown within these financial statements.

Revenue recognition

Revenue comprises the fair value of the sale of goods and services, net of value added tax, rebates and discounts.

1. ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. Depreciation is calculated to write down the cost of all tangible fixed assets by equal monthly instalments over their estimated useful lives at the following rates-

Motor vehicles	- 25% per annum
Furniture, fittings and casino equipment	- 10 - 25% per annum
Marina leasehold premises	- over the life of the lease

During the period ended 31 December 2006 the marina was under construction and therefore no depreciation has been charged.

Impairment of assets

Intangible assets are tested annually for impairment and other non-current assets are tested where an indication of impairment arises. The assessment of impairment is made by comparing the carrying amount of cash generating units (including any associated goodwill) to the higher of their value in use and their fair value.

Value in use represents the net present value of future discounted cash flows.

Any impairment of non-current assets are recognised in the income statement.

Intangible assets include the licence of the Marina.

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value and value in use.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss account as incurred.

Deferred taxation

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. The deferred 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 the transaction affects neither accounting nor taxable profit or loss. 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 profit will be available against which temporary differences can be utilised.

Trade and other receivables

Trade and other receivables are recognised and carried at original invoice value less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

NOTES TO THE REPORT AND FINANCIAL STATEMENTS (continued)

FOR THE 15 MONTHS ENDED 31 MARCH 2007

1. ACCOUNTING POLICIES (continued)

Share based payments

IFRS 2 requires the Group to recognise an expense in respect of the granting over shares to employees and directors. This expense, which is calculated by reference to the fair value of the options granted, is recognised on a straight line basis over the vesting period based on the Group's estimate of options that will eventually vest. The Directors have used the Black Scholes model to estimate the value of options granted in the current and prior periods.

2. BUSINESS SEGMENT ANALYSIS

	Casino £'000	Marina £'000	Central £'000	Total £'000
Year ended 31 December 2005:				
Revenue				
External sales	571	-	-	571
Profit/(loss)				
Segment operating loss	(240)	-	(240)	(480)
Net finance costs				(17)
Profit/(loss) before taxation				(497)
Assets and liabilities				
Segment assets	997	-	335	1,332
Segment liabilities	(982)	-	(83)	(1,065)
Net assets	15	-	252	267
15 months ended 31 March 2007:				
Revenue				
External sales	973	44	-	1,017
Profit/(loss)				
Segment operating (loss)/profit	(196)	(350)	907	361
Net finance costs				(201)
Profit/(loss) before taxation				160
Assets and liabilities				
Segment assets	1,306	3,060	6,687	11,053
Segment liabilities	(420)	(3,286)	(445)	(4,151)
Net assets	886	(226)	6,242	6,902

3. COST OF SALES

	Period ended 31 March 2007 £'000	Year ended 31 December 2005 £'000
Concession for operations	150	70

NOTES TO THE REPORT AND FINANCIAL STATEMENTS (continued)

FOR THE 15 MONTHS ENDED 31 MARCH 2007

4. EXPENSES BY NATURE	Period ended 31 March 2007 £'000	Year ended 31 December 2005 £'000
Employee benefit expense (see below)	811	367
Depreciation	148	113
Operating lease rentals	77	100
Auditors' remuneration - statutory audit services	28	13
Employee benefit expense (including directors)		
Wages and salaries	365	232
Taxes and contributions	268	135
Share based payments	178	-
	<u>811</u>	<u>367</u>
	No.	No.
The average number of persons (including directors) employed by the group during the period was as follows:	<u>53</u>	<u>43</u>
5. FINANCE EXPENDITURE	£'000	£'000
Interest receivable	55	1
Interest payable on overdrafts	(256)	(18)
	<u>(201)</u>	<u>(17)</u>
6. TAXATION		
<p>The Company is controlled and managed by its Board in The Republic of Croatia. Accordingly, the interaction of UK domestic tax rules and the taxation agreement entered into between the U.K. and The Republic of Croatia operate so as to treat the Company as solely resident for tax purposes in The Republic of Croatia. The Company undertakes no business activity in the UK such as might result in a Permanent Establishment for tax purposes and accordingly has no liability to UK corporation tax.</p>		
(a) The taxation charge comprises:		
Current corporation tax for the period	-	-
Deferred tax	290	-
	<u>290</u>	<u>-</u>
(b) Factors affecting tax charge for the period		
<p>The tax assessed for the period is different than the standard rate of corporation tax. The differences are explained below:</p>		
Profit/(loss) on ordinary activities before taxation	160	(497)
Multiplied by the standard rate of corporation tax of 30%	48	(149)
Effects of:		
Utilisation of tax losses brought forward	(48)	-
Losses carried forward	-	149
Current period tax charge	<u>-</u>	<u>-</u>

NOTES TO THE REPORT AND FINANCIAL STATEMENTS (continued)

FOR THE 15 MONTHS ENDED 31 MARCH 2007

6. TAXATION (continued)

(c) Factors affecting future tax charges

The directors believe that the future tax charges will be reduced by the use of tax losses carried forward in Croatia.

7. PROFIT FOR THE FINANCIAL PERIOD

The parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The group profit for the period includes a loss after taxation of £482,000 (2005: loss £283,000) which is dealt with in the financial statements of the company.

8. INTANGIBLE FIXED ASSETS

Group

Marina
Licence
£'000

Cost or valuation

At 1 January 2006

Acquired on acquisition

-

5,372

At 31 March 2007

5,372

On 6 March 2006, the company purchased the entire issued share capital of Plava Vala d.o.o., a company registered in Croatia for a consideration of 35,000,000 ordinary shares of £0.01 each valued at £0.10 each. At this date, the fair value of Plava Vala d.o.o.'s assets was £3,921,000 creating negative goodwill of £1,451,000 which, in accordance with IFRSs, has been credited to the profit in the period. A deferred tax liability of £290,000 against this profit has been provided for. In adopting IFRSs, the company obtained an external valuation by Brand Finance Plc of the marina licences acquired with Plava Vala d.o.o. which were valued at £5,372,000 and are included in the above net asset figure.

9. TANGIBLE FIXED ASSETS

Group

	Casino Leasehold Premises £'000	Marina Leasehold Premises £'000	Casino Assets £'000	Marina Assets £'000	Total £'000
Cost or valuation					
At 1 January 2006	51	-	801	-	852
Additions	7	2,103	217	145	2,472
Acquired on acquisition	-	472	-	3	475
Disposals	-	(26)	(24)	-	(50)
Exchange rate movements	1	(33)	8	(2)	(26)
At 31 March 2007	59	2,516	1,002	146	3,723
Depreciation					
At 1 January 2006	16	-	246	-	262
Acquired on acquisition	-	-	-	1	1
Charge for the period	19	2	106	21	148
Disposals	-	-	(5)	-	(5)
Exchange rate movements	-	-	2	-	2
At 31 March 2007	35	2	349	22	408
Net Book Value					
At 31 March 2007	24	2,514	653	124	3,315
At 31 December 2005	35	-	555	-	590

CUBUS LUX PLC

NOTES TO THE REPORT AND FINANCIAL STATEMENTS (continued)

FOR THE 15 MONTHS ENDED 31 MARCH 2007

10. INVESTMENTS	£'000
Company	
At 1 January 2006	319
Additions (see note 8)	3,500
At 31 March 2007	<u>3,819</u>

Name of undertaking	Country of registration	Proportion held by parent company	Nature of business
Cubus Lux d.o.o.	Croatia	100%	Operation of casinos
Plava Vala d.o.o.	Croatia	100%	Operation of marinas

11. STOCK	31 March 2007	31 December 2005
	£'000	£'000
Group		
Goods held for resale	41	10

12. TRADE AND OTHER RECEIVABLES	Group 31 March 2007	Company 31 March 2007	Group 31 December 2005	Company 31 December 2005
	£'000	£'000	£'000	£'000
Amounts owed by group undertakings	-	2,220	-	702
Other debtors	917	697	277	-
Prepayments and accrued income	33	2	24	1
	<u>950</u>	<u>2,919</u>	<u>301</u>	<u>703</u>

Group other debtors in 2007 includes the advance payment of €1 million for the part payment of the plots of land in Zadar, Croatia. This asset will be transferred to a new project company after incorporation.

13. CASH AT BANK	1,375	616	431	15
Cash at bank	<u>1,375</u>	<u>616</u>	<u>431</u>	<u>15</u>

Included within the cash at bank and in hand at 31 March 2007 is £221,000 (2005: £221,000) which is held by the Croatian Ministry of Finance as a bond to cover any large casinos wins. Cubus Lux d.o.o. is required to keep this bond in place in order to maintain its gaming licence.

Cubus Lux d.o.o. is also required by law to maintain cash on site of €50,000 and HRK 150,000 at each casino, which is included within the above.

NOTES TO THE REPORT AND FINANCIAL STATEMENTS (continued)

FOR THE 15 MONTHS ENDED 31 MARCH 2007

14. CALLED UP SHARE CAPITAL

	31 March 2007 £'000	31 December 2005 £'000
Authorised:		
The authorised share capital consists of 200,000,000 ordinary shares of £0.01 each and 2,000,000 deferred shares of £0.001 each.		
Allotted, called up and fully paid:		
87,882,518 (2005: 24,702,001) ordinary shares of £0.01 each	879	247
1,555,554 deferred shares of £0.001 each	2	2
	<u>881</u>	<u>249</u>

On 6 March 2006, the company acquired the entire issued share capital of Plava Vala d.o.o., a company registered in Croatia for a consideration of 35,000,000 ordinary shares of £0.01 each valued at £0.10 each.

On 6 March 2006, the company placed 10,250,000 ordinary shares of £0.10 per share.

On 6 March 2006, the company issued 3 ordinary shares of £0.01 each at £0.10 per share.

On 7 March 2006, the company placed 500,000 ordinary shares of £0.01 each at £0.10 per share.

On 13 March 2006, the company placed 400,000 ordinary shares of £0.01 each at £0.10 per share.

On 4 September 2006, the company placed 804,990 ordinary shares of £0.01 each at £0.13125 per share.

On 11 December 2006, the company issued 16,225,524 ordinary shares of £0.01 each at £0.13125 per share. Proceeds for 3,969,523 shares were received in December 2006 and proceeds for the remaining 12,256,001 received in January 2007.

On 9 May 2007 the company placed 9,570,000 ordinary shares of £0.01 each at £0.16275 per share.

15. SHARE PREMIUM AND RESERVES

	Share premium £'000	Merger Reserve £'000	Profit and loss account £'000	Total £'000
Group				
As at 1 January 2006	1,321	347	(1,650)	18
Exchange rate	-	-	37	37
Issue of shares (net of costs)	2,819	-	-	2,819
Share based payments	-	-	178	178
Retained loss for the period	-	-	(130)	(130)
Acquisition of subsidiary (net of costs)	3,099	-	-	3,099
At 31 March 2007	<u>7,239</u>	<u>347</u>	<u>(1,565)</u>	<u>6,021</u>

NOTES TO THE REPORT AND FINANCIAL STATEMENTS (continued)

FOR THE 15 MONTHS ENDED 31 MARCH 2007

15. SHARE PREMIUM AND RESERVES (continued)

	Share Premium £'000	Profit and loss account £'000	Total £'000
Company			
As at 1 January 2006	1,321	(616)	705
Issue of shares (net of costs)	2,819	-	2,819
Share based payments	-	178	178
Retained loss for the period	-	(482)	(482)
Acquisition of subsidiary (net of costs)	3,099	-	3,099
At 31 March 2007	<u>7,239</u>	<u>(920)</u>	<u>6,319</u>

16. TRADE AND OTHER PAYABLES

	Group 31 March 2007 £'000	Company 31 March 2007 £'000	Group 31 December 2005 £'000	Company 31 December 2005 £'000
Trade creditors	264	42	324	9
Other taxes and social security	89	-	60	-
Accruals and deferred income	236	113	80	74
	<u>589</u>	<u>155</u>	<u>464</u>	<u>83</u>

17. LOANS

Plava Vala d.o.o. entered into a loan agreement with Erste and Stairmarkische Bank on 18 November 2005, the loan originally amounted to €3,800,000 but on 25 July 2006 the amount was increased to €4,050,000. The loan shall be repaid in 24 quarterly instalments starting from 15 March 2009 until 15 December 2014. Interest rate amounts to 3 month EURIBOR plus 4% margin per annum. The loan is secured with bills of exchange and promissory notes.

Plava Vala d.o.o. also has another short term loan with Phoenix Holdings Investment Limited amounting to €50,000 with an interest rate of 6% per annum.

The group has a further loan due to Western Hemisphere Consultants LLC. Mr Gerhard Huber, a director of Cubus Lux Plc, is also an executive director of Western Hemisphere Consultants LLC. The loan of €350,000 is repayable on or before 16 December 2007 at interest rate of 7%.

	Group 31 March 2007 £'000	Company 31 March 2007 £'000	Group 31 December 2005 £'000	Company 31 December 2005 £'000
Due within one year	122	-	311	-
Due within two to five years	1,687	-	271	-
Due within more than five years	1,451	-	-	-
	<u>3,260</u>	<u>-</u>	<u>582</u>	<u>-</u>

18. LOSS PER SHARE

The loss per share of 0.19p (31 December 2005: loss 2.15p) has been calculated on the weighted average number of shares in issue during the period namely 68,681,402 (31 December 2005: 23,120,334) and losses of £130,013 (31 December 2005: losses £496,852).

The calculation of diluted losses per share of 0.18p (31 December 2005: loss 2.14p) is based on the losses on ordinary activities after taxation and the diluted weighted average of 73,896,786 (31 December 2005: 23,190,334) shares.

19. CONTINGENT LIABILITY

There is an outstanding legal case against the company from Glendon Advisors Inc relating to unpaid invoices. The directors are disputing these invoices and do not believe that they are payable.