Leisure & Tourism in eastern Europe

CUBUS LUX PLC
ANNUAL REPORT AND ACCOUNTS 2008



WHO WE ARE

Cubus Lux plc is a leisure and tourism company dual listed on the London Stock Exchange and Frankfurt Stock Exchange.

Cubus Lux plc floated on AIM in August 2004 focusing on the casino market in Croatia. In February 2006, the Company acquired Plava Vala, which owned the licence to build and operate a marina under the brand name Olive Island Marina, on the island of Ugljan, Croatia.

The Marina is an additional fit for the Company's existing business and strategy of becoming the pre-eminent tourism and leisure business in Croatia.

In February 2008 the Company firmly launched the third pillar of its business, 'Leisure Resorts', through the acquisitions of Duboko Plavetnilo Ugljan Projektant and Duboko Plavetnilo Hoteli, the Olive Island Resort and Hotel companies.

WHAT WE DO

RESORT DEVELOPMENTS

Development and sales of villas and apartments will generate significant additional profits. A good pipeline of projects guarantees continuation of additional profits.

MARINAS

Cubus Lux currently operates one 200 berth marina on the island of Ugljan, just off the coast of Zadar, the capital of Dalmatia.

GAMING

Cubus Lux operates all year round casinos in the tourist resort of Pula on the southern tip of the Istrian peninsula of Croatia.

Possible development of golf resorts together with 5-star hotels will add to the profits of the Company.

These activities of the Company will provide shareholders with long-term income and capital growth from a balanced portfolio of operational businesses and property investments in the leisure and tourism industry along the Adriatic coast.

KEY HIGHLIGHTS

- Turnover of £3.1 million (2007, 15 months: £1.0 million) up 203%
- Pre-tax profit of £4.9 million* (2007, 15 months: £160,000)
- Earnings per share of 4.78p** (2007, 15 months: loss of 0.19p per share)
- £2.3 million additional equity raised
- 31 March 2008 listing on the Frankfurt Stock Exchange (dual-listed with London Stock Exchange AIM market)
- Acquisition of the Olive Island Resort and Hotel – reverse takeover and consequent readmission to AIM
- Advanced sales in Olive Island Resort of €15.2 million, net of VAT
- Europe-wide focus on Croatia as a target for sustainable tourism and leisure development accelerates demand and continues to present Cubus Lux with new opportunities

* Pre-tax profit before negative goodwill arising from Olive Island acquisition was £357,000 (2007: loss before negative goodwill £1,291,000)

** Earnings per share before negative goodwill arising from Olive Island acquisition was 0.34p

CHAIRMAN'S STATEMENT

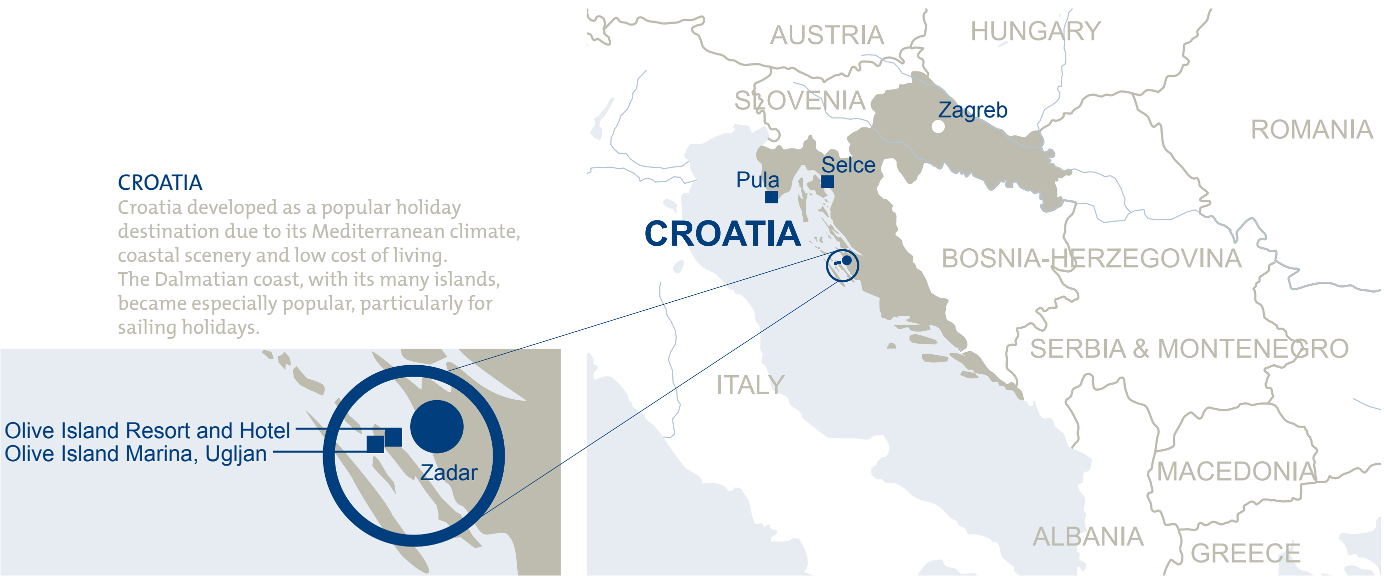
KEY HIGHLIGHTS

- €2.3 million additional equity raised on re-admission to AIM
- Dual-listing on London Stock Exchange and Frankfurt Stock Exchange
- Increase in resort developments

Executive Chairman Dr Gerhard Huber sees the 'Olive Island' assets as transforming the balance sheet and providing a strong foundation for future growth...

CROATIA

Croatia developed as a popular holiday destination due to its Mediterranean climate, coastal scenery and low cost of living. The Dalmatian coast, with its many islands, became especially popular, particularly for sailing holidays.



I am pleased to submit results for the year ended 31 March 2008.

After a period of reconstruction, our operations are now starting to mature and reach targets on our investments. The Group's two principal operations are, the Istrian based casinos and Olive Island Marina.

Both of these businesses have developed strategic plans for continued improvement as we move with enthusiasm into the third leg of our Group strategy, that of real estate development and sales.

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

Currently, our main casino is located in Pula, Croatia. The casino is situated in the Hotel Histria, a hotel which was known to be 'on the market' and consequently received limited refurbishment; as a result, we believe potential clients were deterred. Investment by Park Plaza into this hotel will ensure a new hotel management and significant efforts to attract new clientele. We believe that the planned multi million pound improvement of the complex will benefit our business, and, consequently, we have increased our floor space in Hotel Histria by approximately 600 sq metres, with the further addition of a bistro and outside terrace. We have further improved our offering by bringing in gaming equipment from our former Medulin location and believe Pula now to be one of the largest casinos in Croatia.

Our casino operations had a strong year, turning around the operating loss of £196,000 for 2007 into a profit of £65,000 for 2008. We are now starting the main season in the casino and expect a very buoyant summer.

We have a number of target locations for additional casinos, both seasonal and all year round. Our first new casino will commence operations in Selce, close to the city of Rijeka, Croatia, on 25 June 2008. Our experienced and strengthened management team are very excited with this development and we expect it to be immediately profitable. This location was considered to be superior to that of our Rabac casino which was closed at the year end and we were able to relocate both our equipment and some of our staff to this new operation, thereby keeping investment low and commence operations with an experienced team.

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

Our marina in Sutomišćica, near Zadar continues to advance in popularity as a venue in Adriatic sailing, with a growing reputation for both our facilities and restaurant. Rather earlier than expected, we have already reached our target of 180 berths contracted. This is a tremendous achievement considering that construction of the marina was delayed and that it was not officially opened and fully operational until May 2007, with the restaurant opening several weeks later in July 2007. Despite recovering very well, we did suffer from the constructors' delays and consequently fell short of our initial targets for overnight transit business. These delays resulted in a loss in this start up period. However, we are now seeing continuous trading improvement and have started the new season positively.

We are working towards phase two for this marina which will involve further facilities and additional berths. In addition, we are actively tendering to construct further marinas in locations extending down the Adriatic coast and its islands. We believe we have the right management team in place – one that has very quickly transformed this business into a significant destination for Mediterranean seafarers. Already this season, management has organised thirty regattas for our marina, with participants coming from Hungary, Czech Republic, Slovenia, Poland, Belgium, Germany, Austria, Italy and indeed, Croatia.

Cubus Lux Projektiranje d.o.o. – the residential/commercial development:

In the half year report, I talked about the start of our new business venture into real estate development. In 2007 we purchased a 6,000 sq metre plot of land in Zadar, close to the City centre, for development. We created the project and obtained all necessary permissions for building 72 apartments and attracted an international bank to buy the ground floor commercial space. We were pleased to announce that this project has proved successful, and, as previously reported, we have sold the project at a profit. This was an excellent opportunity for us and will enable our teams to focus more fully on new projects, in particular the Olive Island Resort and Hotel.

FINANCIAL

For the year ended 31 March 2008, the Company reports revenues of £3,078,000 and a pre-tax profit of £4,880,000. Earnings per share amounted to 4.78p. £4,523,000 of the profit is attributable to negative goodwill from the acquisition of the Olive Island companies which arose as a result of the Company adopting IFRS accounting conventions. Excluding this adjustment profits (on a like for like basis) amounted to £357,000 (2007: loss £1,291,000).

During this period, the Company carried out two equity fundraisings of 9,570,000 shares at 16.275p per share and 4,547,148 shares at 17p, enabling further expansion and development of other projects.

With effect from 31 March 2008 the Company's shares were listed on the Frankfurt Stock Exchange in addition to AIM. It has long been our objective to make our shares accessible to buyers in both Sterling and Euro and we are pleased to report high interest from our Euro-based investors.

Olive Island Resort:

Our main focus in the last year, away from the current operating businesses, was the acquisition of the 'Olive Island Resort and Hotel' on the Dalmatian coast of Croatia. We successfully completed this transaction, resulting in a 'reverse take-over' and subsequent readmission of our shares to AIM on 22 February 2008.

We immediately started to implement realisation of the project, which will include 126 villas, 305 apartments, as well as accompanying facilities, such as restaurants, shops, a marina and 4-star hotel with 500 beds. We expect to begin construction in the coming months. The villas and apartments will be sold and the hotel operated by the Company in association with our partner Sol Melia.

PLANS FOR THE FUTURE

The 'Olive Island' transaction and projects have already transformed our balance sheet, to provide a strong foundation for the Company's future development. We continue to focus on creating sustainable shareholder value and remain committed to our strategy of introducing new projects with strong potential to fulfil that aim. We are well placed in Croatia and its neighbouring countries, to be able to compete effectively for a wide variety of prospective projects. Indeed, we are pleased to report that we now have a pipeline of such projects and are actively engaged in tendering for several developments. As a result, we look forward to the Company's future with optimism.

GERHARD HUBER
Chairman, Executive Director
24 June 2008

OPERATIONS REVIEW

KEY HIGHLIGHTS

- Employees: 2008: 64 (2007: 53)
- Turnover: 2008: £3.1 million (2007: £1.0 million)
- 180 contracts for marina berths at Sutomišćica

Christian Kaiser, Chief Operating Officer, says marina and resorts businesses now firmly established alongside gaming...

Olive Island Marina
Sutomišćica

PLAVA VALA MARINAS
Olive Island Marina near the 3,000 year old city of Zadar offers a mild Mediterranean climate and the secluded location offers high-net-worth individuals the privacy they require.

The twelve months to 31 March 2008 have been ones of growth in all areas, and I am pleased to report that progress continues in the current period. We have now a solid basis from which to compete in the expanding market of Croatian tourism, and remain confident of delivering our core aim of becoming the number one operator in the country's tourism and leisure industry.

The acquisition of the Plava Vala marina licence and subsequent construction of the Sutomišćica marina, together with further developments in Zadar, have established our marina and resort development activities firmly, and they now complement our already established and successful gaming division.

In March 2008 we achieved another significant milestone in our long-term strategy and listed the Company's shares on the Frankfurt Stock Exchange. We believe this action, alongside our presence on the London Stock Exchange AIM market, will increase visibility and strengthen support for our Company across European markets.

INFORMATION ON THE GROUP

The Group currently comprises three main trading subsidiaries, plus resort development:

Gaming – Cubus Lux d.o.o.

The performance of the casino division continues to improve and recorded profits for the year to 31 March 2008. This was achieved through a successful marketing campaign in which we established strong links with agencies to attract 'junkets', and through increasing our offering.

MARINA TEAM

Gordan Perić, ing. Qualified with IMI (International Marine Institute) obtaining CMM (Certificated Marina Manager) achieving world number 124 certification and the only holder of this qualification in Croatia. Responsible for all marina operations and projects.

Marija Dadić, extensive experience gained from top Dalmatian marinas. Responsible for all marina marketing and sales operations.

The expansion of our Pula casino and the organisation of a unique monthly Texas Hold'em tournament there have ensured a higher level of visitors.

The equipment from our Medulin facility has been consolidated into the Pula casino in Hotel Histria. Our Rabac casino is now closed and both the staff and equipment are being relocated to a new casino in Selce, south of Rijeka. The Selce casino will open by the end of June 2008 in time for the height of the season.

We now have a clearly defined strategic plan to strengthen and expand this division, primarily involving new casinos and new markets. We will also stay alert to any opportunities to acquire existing casinos where they become available and fit our requirements. We expect to be opening further casinos in the coming months.

Marinas – Olive Island, Sutomišćica Marina

Our first marina on the island of Ugljan 'Olive Island' is now open 24 hours a day, 365 days a year and includes 200 berths with high quality sanitary facilities, a supermarket, laundry and bank facilities. In addition, we have a popular restaurant, bistro and bar, and offer a service area, boat lift and storage.

The marina in Sutomišćica is one of the very few new marinas on the Croatian coast and officially opened in May 2007 in time for the start of the tourist season. This allowed us maximum exposure during the summer months to promote the marina ready for the next first full season. Despite being in a start up period at this site, we have already reached our target for annual berth contracts, attracting 180 private clients and charter companies. Our investment in a substantial wave breaker, together with a secluded location, has promoted us as one of the few places that can accommodate 'mega' yachts.

The marina is becoming very much a destination for the nautical fraternity in the Adriatic and we are also pleased to report that we have become a primary location for regattas for clients from all over Europe. In the current season we expect to hold around 30 of these events.

We now move into phase two of development of our Sutomišćica marina and plan to complement current facilities with further berths and a swimming pool. In addition we will add a beach, volley ball facilities, and a roof terrace for sunbathing and cocktails.

REAL ESTATE

We continue to progress small real estate projects where opportunities arise. Currently, we have a project in Zadar offering the potential for 80 apartments and commercial space in the much sought after district of Borik. In addition, we have successfully sold a development in a residential area of Zadar, and this has contributed a significant profit to the Group.

Olive Island Resort

After the acquisitions of Duboko Plavetnilo Ugljan Projektant d.o.o. and Duboko Plavetnilo Hoteli d.o.o. in February 2008 we continue to progress this first major tourism project – the Olive Island Resort – on the island of Ugljan, which is only two kilometres across the strait from our Sutomišćica marina. Having obtained all necessary licences, we are now poised to start construction. We believe this to be one of the first greenfield resort developments in Croatia in the past 20 years and our project includes 431 properties and a four star hotel which will include a wellness centre on a 40 hectare coastal site. In addition, we will have two further marinas totalling 150 berths, numerous restaurants and leisure facilities.

FUTURE STRATEGY

We intend to pursue a strategy to provide shareholders with long-term income and capital growth from a balanced portfolio of business and property investments in the leisure and tourism industry in Croatia.

Specific strategies in respect of the various activities of the Group include:

- growing the casino business in and outside Croatia by leveraging the existing licence and/or by acquisition;
- growing the marina business by creating a series of small to medium sized four star plus marinas along the Adriatic coast;
- the development of managed holiday resorts in Croatia to create recurring revenue and net assets for the Group, in which hotel, commercial space and common areas are retained in the ownership of the Company, and to boost property profits further through one-off real-estate developments in the region as opportunities arise.

CHRISTIAN KAISER
Chief Operating Officer
24 June 2008

PROJECTS TEAM

From left to right.

Dr Hans Steinbichler, having more than 30 years experience in hotel operations, development of leisure and health resorts as well as financial engineering.

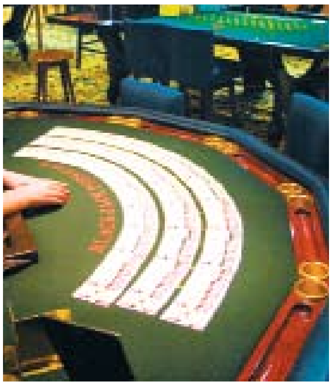
Eng. Igor Knezevic, significant experience in casino operations within Croatia.

Milan Kotur, Croatian project manager responsible for research and development of real estate projects and liasing with all local and state authorities.

Kyle Koenig, Director of Sales, responsible for all client and agency relations for the Olive Island Resort and other projects.

Mag. Christian Wieser, IT Expert and Financial Analyst. Based in Austria liasing with banks and other financial institutions.

Dipl.-Ing. Peter Stögerer, Architect, Vienna based with design responsibilities of real estate projects.



CHIEF FINANCIAL OFFICER'S REVIEW

KEY HIGHLIGHTS

- Pre-tax profit of £4.9 million
- Earnings per share of 4.78p
- £2.3 million additional equity raised
- 31 March 2008 listing on the Frankfurt Stock Exchange (dual-listed with London Stock Exchange, AIM market)
- Acquisition of the Olive Island Resort and Hotel
- Advanced sales in Olive Island Resort of €15.2 million, net of VAT

Chief Financial Officer, Steve McCann, predicts Frankfurt listing costs will be more than offset by benefits to the Company's Euro-based investors...

Olive Island Resort

THE OLIVE ISLAND RESORT

The island of Ugljan is known as the garden of the city of Zadar. The island, which is covered with pine trees, fig trees, vineyards and olive groves, received its name in connection with the abundance of olive oil, which has been extracted for over 2,000 years from the numerous olive trees.

The last financial year saw significant development and continued growth of the Group bringing the year to close ahead of market expectations.

GROUP PERFORMANCE

Total revenue grew by 203% (15 months to 31 March 2007: 78%) and the profit in year was £4.9 million (15 months to 31 March 2007: £160,000). Administrative expenses were £2.4 million (15 months to 31 March 2007: £2.0 million).

Operating results of all businesses were much improved over the previous reporting period. The casinos showed a profit improvement of £261,000 achieved through tighter control over costs and through the consolidation of the operation into two facilities. The result of £65,000 profit was on budget. The marina, in its first operating year recorded a loss of £229,000. This was lower than budget and partly arose because of lost income caused by delays in the construction of facilities. In the latter part of the season we saw a consistently improving trend in profits. The inclusion of the Olive Island Resort companies allowed us to show both income and profits from real estate. This profit relates to the minimum received from non refundable reservation deposits which was offset in the Group by commissions paid to selling agents.

Other income of £4.7 million in the period ended 31 March 2008, includes the negative goodwill earned through the acquisition of Duboko Plavetnilo Ugljan Projektant d.o.o. and the profits from the development and sale of a real estate project in Zadar.

The negative goodwill arises through the valuation of intangible fixed assets acquired when compared to the acquisition price. The valuations were completed by Brand Finance Plc, of which more details can be found in the Notes to the Report and Financial Statements.

Earnings per share was 4.78p (15 months to 31 March 2007: loss per share of 0.19p).

DIVIDENDS

The Directors do not propose to pay a dividend (2007: £Nil), in keeping with the Group's immediate policy to retain future earnings for the development and expansion of the business.

EQUITY RAISED

During the year the Company carried out two small fund raisings: of 9,570,000 shares in May 2007, when £1.5 million was raised before costs, and in February 2008 when a further £0.8 million was raised. These funds have been used mainly to progress further real estate projects in Croatia.

FRANKFURT STOCK EXCHANGE

In March 2008 the Company was successfully launched on the Frankfurt Stock Exchange in the Entry Standard Market. Frankfurt is now the world's third largest stock market and the world's sixth by market capitalisation. Companies on the Entry Standard Market are supervised by the stock exchange itself. As more of our shareholders are now Euro-based we believe that there is a demand for access to trading our shares in Euros and expect to see the administration costs for this service more than offset by benefits to all shareholders.

DETAILS OF ACQUISITIONS

The Company successfully completed, in February 2008, the acquisitions of Duboko Plavetnilo Ugljan Projektant d.o.o. and Duboko Plavetnilo Hoteli d.o.o. These were bought for 36,904,996 ordinary shares plus €12 million Loan Notes in Cubus Lux plc and 7,028,993 ordinary shares plus €1 million Loan Notes, respectively. The Company has also provided for a deferred consideration in respect of Duboko Plavetnilo Hoteli d.o.o. in the event that the Company share price does not achieve specific targets in the following 12 months. These acquisitions combine to form the 'Olive Island Resort and Hotel'.

Further acquisitions, of Adriatic Development LLC and Worldwide Leisure Housing LLC, were completed in March 2008. These two companies hold several contracts with contractors of the Olive Island Resort and Hotel, and were ideal complements to Duboko Plavetnilo Ugljan Projektant d.o.o. and Duboko Plavetnilo Hoteli d.o.o.

OLIVE ISLAND RESORT AND HOTEL

We are currently negotiating with leading Austrian banks for the project finance for the construction of the Olive Island Resort and Hotel. This is now very close to agreement and we will soon be ready to begin construction. All permissions that assert that the project is in the interest of Croatia have now been received, and we are now concluding arrangements with the local authority on the island of Ugljan. We believe that this resort will be the first greenfield resort development in Croatia since the 1980's and are pleased to report sales achieved are on plan. By the end of June 2008 we expect to have achieved advanced sales of approximately 20% of properties. We have a very strong network of agencies and are encouraged that sales are now widespread across Europe.

BASIS OF PREPARATION

The Annual Report and Accounts of Cubus Lux plc are for the year ended 31 March 2008 and have been prepared in accordance with IFRS, IAS and IFRIC interpretations in issue and which are endorsed by the European Commission effective at 24 June 2008.

STEVE MCCANN
Chief Financial Officer
24 June 2008

BOARD OF DIRECTORS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1. DR GERHARD HUBER
Executive Chairman

Gerhard Huber graduated with a JD from Law school at the University of Salzburg and degree in Business Administration from the University of Vienna, both in Austria. He then joined the Management Consulting department of KPMG, now Bearing Point, working in the Frankfurt, Tokyo, New York and Paris offices focusing on retail and investment banking.

In 1991 he became COO of Bankhaus Maffei & Co, a private banking subsidiary of Bayerische Hypo-und Wechselbank in Munich, the then second largest bank in Germany. Working in the HYPO-Group he established two subsidiaries, one of them DAB Bank, Europe's first discount broker trading at the Frankfurt Stock Exchange. In 1995 he moved to London to head up Fidelity Brokerage's European retail and financial intermediary unit.

Founder of Enba plc, the European internet bank, he served as chairman and CEO until the sale to BBVA in 2000.

Since then he is involved in Croatian real estate projects as well is in various early stage investments.

2. CHRISTIAN KAISER
Chief Operating Officer

After graduating from the University in Vienna with a degree in Economics, Mr Kaiser received a Rotary International scholarship to attend Hong Kong University's MBA programme. Following this he set up the office of a unit trust administration company in Hong Kong. He later joined Bank Austria to head up their global project and structured finance practice. After this he became Head of New Business Development for Fidelity Brokerage where he was responsible for the expansion of the direct brokerage business into Europe.

One of the original founders of Enba plc and responsible there for the European business, he most recently was Chief Executive Officer of factor-e plc. factor-e plc was the technology company of the Enba Group of Companies responsible for the development and distribution of Customer Service Management (CSM) software and secure e-mail applications as well as e-banking and e-brokerage applications.

When not assisting with the development of Plava Vala d.o.o., Christian currently is involved in private equity investments in the technology, property and leisure industries.

3. STEPHEN JOHN MCCANN
Chief Financial Officer

Steve McCann graduated from the University of Manchester with a degree in Economics and Accounting. He joined Price Waterhouse & Co as a trainee accountant and qualified as a Chartered Accountant in 1985. He moved into industry in 1986 joining British Vita Plc, an international polymers company in the chemical sector, as an international accountant with responsibilities largely in Canada, Central America, Africa, Australia and Japan. He then went on to become Financial Controller and Assistant Group Treasurer.

In 1991, he moved to a commercial position with Vita-Achter Limited, part of the German controlled Automotive Textile Group of Viktor Achter GmbH. He was appointed Finance Director and later also Company Secretary. In 2001, after an acquisition by Milliken & Co, a US textile company, he relocated to Viersen in Germany to control the finances of the whole Achter Group with responsibilities for subsidiaries in UK, Spain, Brazil and Germany. In tandem to his latter years with Milliken, he became an investor in the Croatian property market in 2003 and in March 2006 joined Cubus Lux plc as a consultant, being appointed Chief Financial Officer in 2007.

4. MICHAEL MARTIN JANSSEN
Non-executive Director

Michael attended universities in Germany, Mexico and California and graduated with a degree in Business Administration with a focus in Financial Management. He worked in different management positions for commercial banks where he gained valuable experience in the finance business.

Michael was co-founder of Brokat AG, a software company in the area of online financial services, and acted as its Chief Financial Officer from 1996 until 2001. Within Brokat he arranged the financing for Brokat and was responsible for the arrangement of several venture capital transactions. He also was responsible for its IPO at Neuer Markt and for its listing on NASDAQ.

In 2002 Michael founded Auxell GmbH an investment and consulting firm in the area of Private Equity. Auxell invests together with international partners in early stage private companies.

Michael is an Associate Partner of the European Venture Capital Firm Mangrove Capital Partners, based in Luxembourg. He also acts as a General Partner for MEGU Capital, Ireland.

5. LEON RODOLFO NAHON
Non-executive Director

Mr Nahon qualified as a Chartered Accountant in 1961 and after working for two other firms, he was admitted as a partner of Levy Gee in 1966. He helped grow Levy Gee from a 10-man practice to a top 20 practice in the United Kingdom. He was appointed as a Director of International Group of Accounting Firms in 1980 and was subsequently President for three years. He was Senior Partner of Levy Gee from 1995 to 2001. He has had significant experience of the gaming industry throughout his career and has advised many multi nationals.

6. HAGGAI RAVID
Non-executive Director

Since 2004, Mr Ravid has been the Managing Partner of US activities for Cukierman & Co, an investment banking firm based in Tel Aviv. From 1999 to 2003 he was a Partner at MBI Partners, an investment banking firm. From 1990 to 1993, he was employed by Bank Leumi in Los Angeles as a Banking Officer and a Member of the Credit Committee. From 1985 to 1987, he was the manager of the import department at Bronfmans, a book importer and distributor. Mr Ravid sits on the Board of a number of companies. He graduated from the Hebrew University (1982 to 1985) and has an MBA from Rutgers University, USA (1987 to 1989).

7. ELIEZER ABRAMOVICH
Non-executive Director

In 1994, Mr Abramovich founded, and is presently Chairman of, the UK magazine 'Casino World Magazine'. Since 1999, he has also acted as a consultant to land based and on-line casinos. He has over 20 years experience in gaming operations. From 1992 to 1998, he was employed by Valo Management as operations Director supervising casinos in Eastern Europe, Africa, and Turkey and on cruise ships. From 1988 to 1996, he was employed by three different casinos in Turkey as Marketing Director and General Manager. Mr Abramovich holds a BA in Economics and Accounting from Tel-Aviv University (1986 to 1990) and an MBA from Liverpool University (2003 to 2004).

CORPORATE GOVERNANCE

The Directors recognise the importance of sound corporate governance commensurate with the size of the Company and the interests of the shareholders. So far as is practicable, taking into account the size and nature of the Company, the Directors will take steps to comply with the Combined Code. The Board is responsible for formulating and approving the Company's strategy, budgets and corporate actions.

The Company currently has in place an audit committee, a remuneration committee and an AIM compliance committee with formally delegated duties and responsibilities.

AUDIT COMMITTEE

The audit committee, which is chaired by Leon Nahon and whose other members are Haggai Ravid and Michael Janssen, is responsible for ensuring the financial performance, position and prospects of the Company are properly monitored and reported on and for meeting the auditors and reviewing their reports relating to accounts and internal controls.

REMUNERATION COMMITTEE

The remuneration committee, which is chaired by Haggai Ravid and whose other members are Leon Nahon and Eli Abramovich, reviews the performance of Executive Directors and sets their remuneration, determines the payment of bonuses to Executive Directors and considers the future allocation of share options to Directors and employees.

AIM COMPLIANCE COMMITTEE

The AIM compliance committee, which is chaired by Leon Nahon and whose other members are Michael Janssen and Steve McCann, monitors and reports on the Company's compliance with the AIM Rules for Companies.

The Company has adopted a share dealing code for Directors' dealings in securities of the Company which is appropriate for a company admitted to AIM. The Directors will comply with Rule 21 of the AIM Rules for Companies relating to Directors' dealings and will take all reasonable steps to ensure compliance by the Company's applicable employees (as defined in the AIM Rules for Companies).

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2008

The Directors present the Annual Report together with the Financial Statements and Auditors Report for the year ended 31 March 2008.

The Company was incorporated in the UK but its principal place of business is in Croatia.

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 16.

ACCOUNTS PRODUCTION
The Financial Statements for the year ended 31 March 2008 have been prepared in accordance with International Financial Reporting Standards.

DIVIDENDS
The Directors do not propose a final dividend (2007: £Nil).

DIRECTORS AND THEIR INTERESTS
The Directors who served during the year and their direct and indirect beneficial interest in the Company's issued share capital are:

	Ordinary shares of £0.01 each	
	31 March 2008 No.	31 March 2007 No.
G Huber	**19,305,837**	10,990,929
M Janssen	**4,606,880**	3,219,000
L Nahon	**614,665**	589,665
H Ravid	**994,313**	994,313
C Kaiser	**10,627,269**	9,286,467
E Abramovich	**240,000**	—
S McCann	**300,000**	300,000

SHARE OPTIONS

	Options at 31 March 2007 No.	Option exercised No.	New options No.	**Options at 31 March 2008 No.**
G Huber	2,000,000	—	—	**2,000,000**[1]
M Janssen	1,000,000	—	—	**1,000,000**[1]
L Nahon	1,000,000	—	—	**1,000,000**[1]
H Ravid	1,000,000	—	—	**1,000,000**[1]
E Abramovich	1,210,000	(210,000)	—	**1,000,000**[1]
C Kaiser	1,000,000	—	—	**1,000,000**[1]
S McCann	300,000[1]	—	1,000,000[2]	**1,300,000**

[1] The above options are over £0.01 ordinary shares at the exercise price of £0.10 and expire on 26 April 2011.
The options vest over a three year period.

[2] On 27 April 2007 the Company issued options to S McCann of 1,000,000 £0.01 ordinary shares at the exercise price of £0.16275 which expire on 26 April 2012.
The options vest over a three year period.

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 2008		31 March 2007	
	Number of shares	**Per cent**	Number of shares	Per cent
M Kotur	**12,977,540**	**8.88**	7,866,667	8.95
Allveritas Invesionses SL	**10,814,286**	**7.40**	9,714,286	11.05
Kling GmbH	**9,000,000**	**6.16**	3,000,000	3.41
H Steinbichler	**4,685,995**	**3.21**	—	—
X Azalbert	**4,544,671**	**3.11**	3,250,000	3.70
S Roever	**4,483,671**	**3.07**	3,189,000	3.63
L Alter	**3,299,588**	**2.26**	3,299,588	3.75
Brada Investments Limited	**3,024,762**	**2.07**	3,024,762	3.44

CHARITABLE AND POLITICAL DONATIONS

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

DIRECTORS' INTERESTS IN CONTRACTS

No Director was, or is, materially interested in any contract existing during, or at the end of the financial year which was significant in relation to the business of the Group other than as disclosed in the admission document dated 15 January 2008.

COMPLIANCE

As an AIM listed company, the Combined Code is not mandatory and the Company is therefore under no obligation to produce a separate Corporate Governance or Directors' Remuneration Report.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Group and parent company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company Financial Statements for each financial year. Under that law the Directors are required to prepare the Group Financial Statements in accordance with IFRS as adopted by the EU and have elected to prepare the parent company Financial Statements in accordance with United Kingdom Accounting Standards.

The Group Financial Statements are required by law and IFRS as adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 1985 provides in relation to such Financial Statements that references in the relevant part of that Act to Financial Statements giving a true and fair view are references to their achieving a fair presentation.

The parent company Financial Statements are required by law to give a true and fair view of the state of affairs of the parent company.

In preparing each of the Group and parent company 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;
- for the Group Financial Statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- for the parent company Financial Statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and the parent 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 parent company and to enable them to ensure that the Financial Statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report to comply with that law and those regulations.

In determining how amounts are presented within terms in the Profit and Loss Account and Balance Sheet, the Directors have had regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice.

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.

GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

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 year end amount to 76 days (2007: 78 days) of average supplies for the year.

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 Annual General Meeting in accordance with Section 385(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 0871 664 0300 (from outside the UK: +44 (0)20 8639 3399).

ON BEHALF OF THE BOARD

GERHARD HUBER
Chairman, Executive Director
24 June 2008

66 WIGMORE STREET
London
W1U 2SB

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CUBUS LUX PLC

We have audited the Group and parent company Financial Statements of Cubus Lux plc for the year ended 31 March 2008, which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Parent Company Balance Sheet, the Parent Company Cash Flow Statement, Consolidated Statement of Changes in Equity, Parent Company Statement of Changes in Equity and the elated notes. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the related 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 and the Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRS) 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 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 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, the Chairman's Statement, the Operations Review, the Chief Financial Officer's Review and the Corporate Governance Report. 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 IFRS as adopted for use in the European Union, of the state of the Group's affairs as at 31 March 2008 and of its profit for the year then ended;
- the parent company Financial Statements give a true and fair view, in accordance with IFRS 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 2008;
- the Group Financial Statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulations; and
- the information given in the Directors' Report is consistent with the Financial Statements.

HAYSMACINTYRE
Chartered Accountants
Registered Auditors
24 June 2008

Fairfax House
15 Fulwood Place
London WC1V 6AY

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2008

	Notes	Year ended 31 March 2008 £'000	15 months ended 31 March 2007 £'000
REVENUE	1,2	**3,078**	1,017
Cost of sales	3	**(202)**	(150)
GROSS PROFIT		**2,876**	867
Administrative expenses		**(2,399)**	(1,957)
Other income	8	**4,693**	1,451
OPERATING PROFIT	4	**5,170**	361
Finance expenditure	5	**(290)**	(201)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**4,880**	160
Tax on ordinary activities	6	**(9)**	(290)
PROFIT/(LOSS) FOR THE PERIOD		**4,871**	(130)
EARNINGS/(LOSS) PER SHARE			
Basic	20	**4.78p**	(0.19)p
Diluted	20	**4.54p**	(0.18)p

All activities arose from continuing activities.

The notes on pages 25 to 36 are an integral part of these consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2008

	Notes	31 March 2008 £'000	31 March 2007 £'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8	**35,902**	5,372
Goodwill	8	**940**	—
Property, plant and equipment	9	**4,702**	3,315
		41,544	8,687
CURRENT ASSETS			
Inventories	11	**3,172**	41
Trade and other receivables	12	**2,384**	950
Cash at bank	13	**2,372**	1,375
		7,928	2,366
TOTAL ASSETS		**49,472**	11,053
EQUITY			
CAPITAL AND RESERVES ATTRIBUTABLE TO THE COMPANY'S EQUITY SHAREHOLDERS			
Called up share capital	14	**1,463**	881
Share premium account		**16,028**	7,239
Merger reserve		**347**	347
Profit and loss account		**3,120**	(1,565)
TOTAL EQUITY		**20,958**	6,902
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax liabilities	8	**7,180**	290
Loans	16(a)	**5,053**	3,138
Amounts due under finance leases	17(a)	**38**	7
		12,271	3,435
CURRENT LIABILITIES			
Trade and other payables	15	**5,433**	589
Loans	16(b)	**10,805**	122
Amounts due under finance leases	17(b)	**5**	5
		16,243	716
TOTAL LIABILITIES		**28,514**	4,151
TOTAL EQUITY AND LIABILITIES		**49,472**	11,053

The Financial Statements were approved and authorised for issue by the Board of Directors on 24 June 2008 and were signed below on its behalf by:

G HUBER
Chairman

S MCCANN
Chief Financial Officer

The notes on pages 25 to 36 are an integral part of these consolidated Financial Statements.

PARENT COMPANY BALANCE SHEET

AT 31 MARCH 2008

	Notes	31 March 2008 £'000	31 March 2007 £'000
ASSETS			
NON-CURRENT ASSETS			
Investments	10	**23,443**	3,819
		23,443	3,819
CURRENT ASSETS			
Trade and other receivables	12	**6,075**	2,919
Cash at bank	13	**64**	616
		6,139	3,535
TOTAL ASSETS		**29,582**	7,354
EQUITY			
CAPITAL AND RESERVES ATTRIBUTABLE TO THE COMPANY'S EQUITY SHAREHOLDERS			
Called up share capital	14	**1,463**	881
Share premium account		**16,028**	7,239
Profit and loss account		**(733)**	(920)
TOTAL EQUITY		**16,758**	7,200
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	**2,450**	154
Loans	16(b)	**10,374**	—
TOTAL LIABILITIES		**12,824**	154
TOTAL EQUITY AND LIABILITIES		**29,582**	7,354

The Financial Statements were approved and authorised for issue by the Board of Directors on 24 June 2008 and were signed below on its behalf by:

G HUBER
Chairman

S MCCANN
Chief Financial Officer

The notes on pages 25 to 36 are an integral part of these consolidated Financial Statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2008

	Notes	Year ended 31 March 2008 £'000	15 months ended 31 March 2007 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**4,880**	160
Adjustments for:			
Net finance expense		**(290)**	201
Net interest paid		**290**	(201)
Loss on disposal of fixed assets		**26**	45
Exchange rate difference		**578**	—
Share based payments		**222**	178
Depreciation and amortisation		**256**	148
Negative goodwill written back to Income Statement		**(3,739)**	(1,451)
Movement in trade and other receivables		**373**	(559)
Movement in inventories		**(2,571)**	(31)
Movement in trade and other payables		**957**	14
Cash outflow from operating activities		**982**	(1,496)
Taxation paid		**(9)**	—
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		**973**	(1,496)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangibles		**(982)**	(2,472)
Proceeds from sale of property		**66**	—
Purchase of subsidiaries	2	**(795)**	—
Cash acquired with subsidiary		**18**	114
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(1,693)**	(2,358)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares		**2,341**	3,050
Capital element of finance lease repaid		**—**	(5)
Net loans undertaken less repayments		**499**	1,690
CASH INFLOW FROM FINANCING ACTIVITIES		**2,840**	4,735
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**1,375**	431
Net cash inflow from all activities		**2,120**	881
Non-cash movement arising on foreign currency translation		**(1,123)**	63
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**2,372**	1,375
Cash and cash equivalents comprise			
Cash (excluding overdrafts) and cash equivalents		**2,372**	1,375
RECONCILIATION OF NET CASH FLOW TO NET DEBT			
Increase in cash in the period		**2,120**	881
Exchange rate differences		**(1,701)**	63
Cash inflow from movement in debt		**(499)**	(1,690)
New finance leases		**(29)**	5
Loan notes issued on purchase of subsidiaries		**(9,796)**	—
Debt acquired on acquisition of subsidiary		**(1,725)**	(988)
Movement in net funds in the period		**(11,630)**	(1,729)
Net debt at beginning of period		**(1,899)**	(170)
Net debt at end of period	1	**(13,529)**	(1,899)

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2008

1. ANALYSIS OF CHANGES IN NET DEBT

	At 31 March 2007 £'000	Cash flows £'000	Other movements £'000	Exchange differences £'000	**At 31 March 2008 £'000**
Cash at bank and in hand	1,375	2,120	—	(1,123)	**2,372**
DEBT DUE IN LESS THAN ONE YEAR					
Finance leases	(6)	—	1	—	**(5)**
Loans	(122)	(309)	—	—	**(431)**
Loan notes	—	—	(9,796)	(578)	**(10,374)**
	1,247	1,811	(9,795)	(1,701)	**(8,438)**
DEBT DUE IN MORE THAN ONE YEAR					
Finance leases	(8)	—	(30)	—	**(38)**
Loans	(3,138)	(190)	(1,725)	—	**(5,053)**
	(1,899)	1,621	(11,550)	(1,701)	**(13,529)**

2. ACQUISITION OF SUBSIDIARIES

(a) On 22 February 2008, the Company purchased 100% of the issued share capital of Duboko Plavetnilo Ugljan Projektant d.o.o. a company registered in Croatia.

The shares in Duboko Plavetnilo Ugljan Projektant d.o.o were exchanged for shares in Cubus Lux plc and Loan Notes in Cubus Lux plc.

Net assets acquired:	£'000
AT FAIR VALUE:	
Intangible fixed assets (note 8)	26,503
Deferred tax provision	(5,300)
	21,203
AT BOOK VALUE:	
Tangible fixed assets	204
Stock	363
Debtors	17
Cash	13
Loans	(1,663)
Creditors	(112)
	(1,178)
TOTAL	20,025
Negative goodwill – written back to the Income Statement in 'other income'	(4,355)
	15,670

The negative goodwill has arisen as the Group received a bargain purchase.

SATISFIED BY:	
36,904,996 ordinary shares of £0.01 each valued at £0.16 each	5,905
€12,000,000 Loan Notes	9,043
Cash	722
	15,670

2. ACQUISITION OF SUBSIDIARIES CONTINUED

(b) On 22 February 2008, the Company purchased 100% of the issued share capital of Duboko Plavetnilo Hoteli d.o.o. a company registered in Croatia.

The shares in Duboko Plavetnilo Hoteli d.o.o. were exchanged for shares in Cubus Lux plc and Loan Notes in Cubus Lux plc.

Net assets acquired:	£'000
AT FAIR VALUE:	
Intangible fixed assets (note 8)	4,027
Deferred tax provision	(806)
	3,221
AT BOOK VALUE:	
Debtors	1
Creditors	(1)
	—
TOTAL	3,221
Goodwill	725
	3,946
SATISFIED BY:	
7,028,993 ordinary shares of £0.01 each valued at £0.16 each	1,125
Deferred consideration	1,995
€1,000,000 Loan Notes	753
Cash	73
	3,946

With respect to the acquisition of Duboko Plavetnilo Ugljan Projektant d.o.o. and Duboko Plavetnilo Hoteli d.o.o. the Company has issued Loan Notes of €13 million. The Loan Notes are disclosed in note 16(b).

Note on deferred consideration

Duboko Plavetnilo Hoteli d.o.o. was acquired for an initial consideration of £1,878,301, being Loan Notes of £753,662 (€1.0 million), and 7,028,993 new ordinary shares in Cubus Lux plc valued at the price ruling at the date of acquisition of 16p per share, worth £1,124,639 (€1.49 million). Under the provisions of the Sales & Purchase Agreement, a deferred consideration was provided for, whereby if Cubus Lux plc's share price is less than 50p per share on the date of acquisition, then Cubus Lux plc would issue warrants on the date of acquisition for shares exercisable only if the share price fails to reach 50p per share at any time during 12 months after acquisition. The warrant will entitle the holder to call for the number of shares in Cubus Lux plc determined by the following formula:

Number of shares = (50/A x B) – B

Where A = the highest share price (in pence) during the 12 months after acquisition; and
Where B = the number of shares issued by Cubus Lux plc to the relevant vendor as part of the initial consideration.

The Deferred consideration is calculated as if Cubus Lux plc's share price remains at 16p throughout the 12 month period. After deducting the exercise price of 1p per share, and after discounting the shares at the weighted average cost of capital ("WACC") calculated for Duboko Plavetnilo Hoteli d.o.o. to a present value , the deferred consideration is calculated to be £1,995,095, bringing the total consideration to £3,873,396.

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT CONTINUED

FOR THE YEAR ENDED 31 MARCH 2008

2. ACQUISITION OF SUBSIDIARIES CONTINUED

(c) On 17 March 2008, the Company purchased 100% of the issued share capital of Adriatic Development LLC, a company registered in the US.

The shares in Adriatic Development LLC were acquired for £Nil consideration.

Net assets acquired:	£'000
AT BOOK VALUE:	
Debtors	116
Cash	1
Loans	(332)
	(215)
Goodwill	215
Consideration	–

(d) On 17 March 2008, the Company purchased 100% of the issued share capital of Worldwide Leisure Housing LLC, a company registered in the US.

The shares in Worldwide Leisure Housing LLC were acquired for £Nil consideration.

Net assets acquired:	£'000
AT BOOK VALUE:	
Debtors	1,673
Cash	4
Loans	(1,509)
	168
Negative Goodwill – written back to the Income Statement in 'other income'	(168)
Consideration	–

The negative goodwill arose as the Group received a bargain purchase.

PARENT COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2008

	Year ended 31 March 2008 £'000	15 months ended 31 March 2007 £'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	**(35)**	(482)
Adjustments for:		
Net finance expense/(income)	**137**	(62)
Net interest (paid)/received	**(137)**	62
Exchange rate difference	**570**	—
Share based payments	**222**	178
Movement in trade and other receivables	**(3,156)**	(2,216)
Movement in trade and other payables	**301**	71
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	**(2,098)**	(2,449)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of subsidiaries	**(795)**	—
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(795)**	—
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares	**2,341**	3,050
CASH INFLOW FROM FINANCING ACTIVITIES	**2,341**	3,050
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**616**	15
Net cash (outflow)/inflow from all activities	**(552)**	601
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**64**	616
Cash and cash equivalents comprise		
Cash (excluding overdrafts) and cash equivalents	**64**	616

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2008

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Translation reserve £'000	Total £'000
At 1 January 2006	249	1,321	347	(1,622)	(28)	267
Share based payments	—	—	—	178	—	178
Total recognised income and expenses	—	—	—	(130)	37	(93)
Issue of shares (net of costs)	282	2,819	—	—	—	3,101
Acquisition of subsidiaries (net of costs)	350	3,099	—	—	—	3,449
At 31 March 2007	881	7,239	347	(1,574)	9	6,902
Share based payments	—	—	—	222	—	222
Total recognised income and expenses	—	—	—	4,871	(408)	4,463
Issue of shares (net of costs)	141	2,199	—	—	—	2,340
Acquisition of subsidiaries (net of costs)	441	6,590	—	—	—	7,031
AT 31 MARCH 2008	**1,463**	**16,028**	**347**	**3,519**	**(399)**	**20,958**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2008

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2006	249	1,321	(616)	954
Share based payments	—	—	178	178
Total recognised income and expenses	—	—	(482)	(482)
Issue of shares (net of costs)	282	2,819	—	3,101
Acquisition of subsidiaries (net of costs)	350	3,099	—	3,449
At 31 March 2007	881	7,239	(920)	7,200
Share based payments	—	—	222	222
Total recognised income and expenses	—	—	(35)	(35)
Issue of shares (net of costs)	141	2,199	—	2,340
Acquisition of subsidiaries (net of costs)	441	6,590	—	7,031
AT 31 MARCH 2008	**1,463**	**16,028**	**(733)**	**16,758**

NOTES TO THE REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

1. ACCOUNTING POLICIES

Basis of Preparation

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. The policies set out below have been consistently applied to all the years presented.

These consolidated 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.

On 22 February 2008, the Company purchased 100% of the issued share capital of Duboko Plavetnilo Ugljan Projektant d.o.o. and Duboko Plavetnilo Hoteli d.o.o., two companies registered in Croatia, by way of a share for share exchange and the issue of Cubus Lux plc Loan Notes. Under Financial Reporting Standard 6, acquisition accounting has been accepted as the basis of consolidation for the transaction.

On 17 March 2008, the Company purchased 100% of the issued share capital of Adriatic Development LLC and Worldwide Leisure Housing LLC, two companies registered in the US. 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 2008. 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, Property, Resorts 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.

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, casino equipment and marina assets	– 10–25% per annum
Casino, marina and resort leasehold premises	– over the life of the lease

During the 15 months to 31 March 2007 the marina was under construction and therefore no depreciation was charged.

1. ACCOUNTING POLICIES CONTINUED

Goodwill and business combination

Business combinations on or after 1 January 2005 are accounted for under IFRS 3 ("Business combinations") using the purchase method. Any excess of the cost of business combinations over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the Balance Sheet as goodwill and is not amortised.

After initial recognition, goodwill is not amortised but is stated at cost less any accumulated impairment loss, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to the related cash generating units monitored by management. Where the recoverable amount of the cash generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the Income Statement

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. The Marina licence has an indefinite useful economic life as the Marina Licence is expected to be automatically renewed after the initial 32 year concession expires.

No amortisation is charged on intangible assets relating to the Olive Island Resort. Amortisation will commence and the charge will be in proportion to the sales of the properties.

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 it recoverable amount. The recoverable amount is the higher of an asset's fair value and value in use.

When amortisation commences it will be charged to Administrative expenses in the Income Statement.

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. The factual currency of the Group is Euro, however, Sterling is currently used as the presentational currency to give comparability on AIM.

The exchange rates used at 31 March 2008 was £1 = Euro 1.25946, £1 = HRK 9.1711.

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 the Income Statement 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.

1. ACCOUNTING POLICIES CONTINUED

Share based payments

IFRS 2 ("Share based payments") 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 year 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 years.

Investments

Investments in subsidiary undertakings are stated at cost less provisions for impairment.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposit held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

Inventories

Inventories represent work in progress and goods for resale and is stated at the lower of cost and net realisable value.

2. BUSINESS SEGMENT ANALYSIS

	Casino £'000	Marina £'000	Property £'000	Resort £'000	Central £'000	**Total £'000**
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 before taxation						**160**
AT 31 MARCH 2007:						
ASSETS AND LIABILITIES						
Segment assets	1,306	3,060	—	—	6,687	**11,053**
Segment liabilities	(420)	(3,286)	—	—	(445)	**(4,151)**
Net assets/(liabilities)	886	(226)	—	—	6,242	**6,902**
YEAR ENDED 31 MARCH 2008:						
REVENUE						
External sales	962	361	—	1,755	—	**3,078**
PROFIT/(LOSS)						
Segment operating profit/(loss)	65	(229)	31	1,725	3,578	**5,170**
Net finance costs						**(290)**
Profit before taxation						**4,880**
AT 31 MARCH 2008:						
ASSETS AND LIABILITIES						
Segment assets	1,461	3,904	2,616	2,449	39,042	**49,472**
Segment liabilities	(344)	(4,147)	(1,996)	(1,993)	(20,034)	**(28,514)**
Net assets/(liabilities)	1,117	(243)	620	456	19,008	**20,958**

3. COST OF SALES

	Year ended 31 March 2008 £'000	15 months ended 31 March 2007 £'000
Concession for operations	**202**	150

4. EXPENSES BY NATURE

	Year ended 31 March 2008 £'000	15 months ended 31 March 2007 £'000
Employee benefit expense (see below)	**1,165**	811
Exchange rate differences	**(272)**	13
Depreciation	**256**	148
Operating lease rentals	**60**	77
Auditors' remuneration		
– statutory audit services	**35**	28
EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS)		
Wages and salaries	**693**	365
Taxes and contributions	**250**	268
Share based payments equity settled	**222**	178
	1,165	811

	No.	No.
The average number of persons (including Directors) employed by the Group during the period was as follows:	**64**	53

5. FINANCE EXPENDITURE

	Year ended 31 March 2008 £'000	15 months ended 31 March 2007 £'000
Interest receivable	**46**	55
Interest payable on overdrafts	**(284)**	(256)
Interest payable on Loan Notes	**(52)**	—
	(290)	(201)

6. TAXATION

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 UK 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.

(a) The taxation charge comprises:

	Year ended 31 March 2008 £'000	15 months ended 31 March 2007 £'000
Current corporation tax for the period	**9**	—
Deferred tax	**—**	290
	9	290

6. TAXATION CONTINUED

(b) Factors affecting tax charge for the period

The tax assessed for the period is different than the standard rate of corporation tax.

The differences are explained below:

	Year ended 31 March 2008 £'000	15 months ended 31 March 2007 £'000
Profit on ordinary activities before taxation	**4,880**	160
Multiplied by the standard rate of corporation tax of 28% (2007: 30%)	**1,366**	48
Effects of:		
Income not chargeable to tax	**(1,269)**	—
Utilisation of tax losses brought forward	**(88)**	(48)
Current year tax charge	**9**	—

(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. Tax losses carried forward in the Group at 31 March 2008 are £1,930,000 (2007: £1,389,000).

7. LOSS FOR THE FINANCIAL YEAR

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 year includes a loss after taxation of £35,813 (2007: loss £482,140) which is dealt with in the Financial Statements of the Company.

8(A). INTANGIBLE ASSETS

		Olive Island Resort				Olive Island Hotel			
Group	Marina licence £'000	Right to develop £'000	Brand £'000	Total £'000	Right to develop £'000	Brand £'000	Management contract £'000	Total £'000	**Total £'000**
COST OR VALUATION									
At 1 January 2006	—	—	—	—	—	—	—	—	**—**
Acquired on acquisition	5,372	—	—	—	—	—	—	—	**5,372**
At 31 March 2007	5,372	—	—	—	—	—	—	—	**5,372**
Acquired on acquisition	—	26,382	121	26,503	2,187	110	1,730	4,027	**30,530**
AT 31 MARCH 2008	**5,372**	**26,382**	**121**	**26,503**	**2,187**	**110**	**1,730**	**4,027**	**35,902**

On 22 February 2008 the Company purchased the entire issued share capital of Duboko Plavetnilo Ugljan Projektant d.o.o., a company registered in Croatia for a consideration of 36,904,996 ordinary shares of £0.01 each valued at £0.16 each plus €12 million in Loan Notes. Including professional costs (£722,000) the fair value of Duboko Plavetnilo Ugljan Projektant d.o.o.'s assets was £16,848,000.

In compliance with IFRS, the Company obtained an external valuation by Brand Finance Plc of the intangible assets acquired with Duboko Plavetnilo Ugljan Projektant d.o.o. which were valued at £26,503,000 (see above). After accounting for Deferred Tax on the intangible assets, negative goodwill of £4,355,000 has been created which, in accordance with IFRS, has been credited to the Income Statement in the year.

In addition, on 22 February 2008 the Company purchased the entire issued share capital of Duboko Plavetnilo Hoteli d.o.o., a company registered in Croatia for a consideration of 7,028,993 ordinary shares of £0.01 each valued at £0.16 each plus €1 million in Loan Notes. Including professional costs (£73,000) and deferred consideration, (£1,995,000) the fair value of Duboko Plavetnilo Hoteli d.o.o.'s assets was £3,946,000.

In compliance with IFRS, the Company obtained an external valuation by Brand Finance Plc of the intangible assets acquired with Duboko Plavetnilo Hoteli d.o.o. which were valued at £4,027,000 (see above). After accounting for Deferred Tax on the intangible assets, there is a remaining goodwill balance of £725,000 which is shown in non-current assets.

8(A). INTANGIBLE ASSETS CONTINUED

On 17 March 2008, the Company acquired two further companies, Adriatic Development LLC and Worldwide Leisure Housing LLC. Both were acquired from the same owner for £Nil consideration. Both companies have key contractual relationships with customers and suppliers of Duboko Plavetnilo Ugljan Projektant d.o.o. The combined businesses showed a net deficit of £47,000 at the date of acquisition, however accounted for separately the Company has recorded goodwill of £215,000 in the acquisition of Adriatic Development LLC and negative goodwill of £168,000 in acquiring Worldwide Leisure Housing LLC. The negative goodwill is created by a pre acquisition recharge of costs to Duboko Plavetnilo Ugljan Projektant d.o.o. and has been credited to the Income Statement offsetting a similar reduction in negative goodwill in Duboko Plavetnilo Ugljan Projektant d.o.o.

8(B). GOODWILL

	£'000
At 1 April 2007	—
Additions	940
AT 31 MARCH 2008	**940**

The additions in the year ended 31 March 2008 include £725,000 goodwill allocated to Duboko Plavetnilo Hoteli d.o.o. and £215,000 allocated to Adriatic Development LLC.

9. PROPERTY, PLANT AND EQUIPMENT

Group	Casino leasehold premises £'000	Marina leasehold premises £'000	Resort leasehold assets £'000	Casino assets £'000	Marina assets £'000	Central £'000	Resort 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
Additions	26	586	—	251	149	1	—	1,013
Acquired on acquisition	—	—	3	—	—	—	10	13
Disposals	—	(44)	—	(47)	(42)	—	—	(133)
Exchange rate movements	14	549	—	218	41	—	—	822
AT 31 MARCH 2008	**99**	**3,607**	**3**	**1,424**	**294**	**1**	**10**	**5,438**
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
Acquired on acquisition	—	—	2	—	—	—	4	6
Charge for the year	16	86	—	98	56	—	—	256
Disposals	—	—	—	(27)	(14)	—	—	(41)
Exchange rate movements	9	12	—	76	10	—	—	107
AT 31 MARCH 2008	**60**	**100**	**2**	**496**	**74**	**—**	**4**	**736**
NET BOOK VALUE								
AT 31 MARCH 2008	**39**	**3,507**	**1**	**928**	**220**	**1**	**6**	**4,702**
At 31 March 2007	24	2,514	—	653	124	—	—	3,315

10. INVESTMENTS

Company	£'000
At 1 January 2006	319
Additions	3,500
At 31 March 2007	3,819
Additions (see note 8)	19,626
Disposals	(2)
AT 31 MARCH 2008	**23,443**

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
Cubus Lux Građenje d.o.o.	Croatia	100%	Real estate development
Cubus Lux Usluge d.o.o.	Croatia	100%	Service company
Cubus Lux Tenis d.o.o.	Croatia	100%	Tennis project company
Golf Projektant Skradin d.o.o.	Croatia	100%	Golf project company
Duboko Plavetnilo Ugljan Projektant d.o.o.	Croatia	100%	Resort developer
Duboko Plavetnilo Hoteli d.o.o.	Croatia	100%	Hotel developer
Worldwide Leisure Housing LLC	US	100%	Resort developer
Adriatic Development LLC	US	100%	Resort developer

11. INVENTORIES

Group	**31 March 2008 £'000**	31 March 2007 £'000
Work in progress and goods held for resale	**3,172**	41

12. TRADE AND OTHER RECEIVABLES

	31 March 2008		31 March 2007	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Amounts owed by Group undertakings	**—**	**3,999**	—	2,220
Trade debtors	**1,829**	**1,769**	—	—
Other debtors	**402**	**267**	917	697
Prepayments and accrued income	**153**	**40**	33	2
	2,384	**6,075**	950	2,919

Group and Company other debtors includes £51,000 for unpaid share capital as at 31 March 2008 (2007: £Nil).

13. CASH AT BANK

	31 March 2008		31 March 2007	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Cash at bank	**2,372**	**64**	1,375	616

Included within the cash at bank and in hand at 31 March 2008 is £224,000 (2007: £221,000) which is held by the Croatian Ministry of Finance as a bond to cover any large casino 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.

In addition, Plava Vala d.o.o. have £3,000 (2007: £Nil) on deposit with OTP Leasing for security over a lease for a van and £8,000 with Erste Leasing securing a boat and Duboko Plavetnilo Ugljan Projektant d.o.o. have a deposit of £8,000 with Erste Bank to secure a vehicle lease.

14. CALLED UP SHARE CAPITAL

	31 March 2008 £'000	31 March 2007 £'000
AUTHORISED:		
The authorised share capital consists of 301,800,000 ordinary shares of £0.01 each and 2,000,000 deferred shares of £0.001 each		
ALLOTTED, CALLED UP AND FULLY PAID:		
146,143,655 (2007: 87,882,518) ordinary shares of £0.01 each	**1,461**	879
1,555,554 deferred shares of £0.001 each	**2**	2
	1,463	881

At the year end, £51,000 of ordinary share capital remained unpaid (2007: £Nil).

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

On 20 September 2007, the Company issued 210,000 ordinary shares of £0.01 each for the exercise of a share option by Director, Eli Abramovich at a price of £0.01 per share.

On 7 February 2008, the Company placed 4,547,148 ordinary shares of £0.01 each at £0.17 per share.

On 22 February 2008, the Company acquired the entire issued share capital of Duboko Plavetnilo Ugljan Projektant d.o.o., a company registered in Croatia for a consideration which included 36,904,996 ordinary shares of £0.01 each valued at £0.16 each.

On 22 February 2008, the Company acquired the entire issued share capital of Duboko Plavetnilo Hoteli d.o.o., a company registered in Croatia for a consideration which included 7,028,993 ordinary shares of £0.01 each valued at £0.16 each

Share options

Share options are granted to Directors and employers. Options are generally conditional on the employee completing a specific length of service (the vesting period). The majority of options are exercisable from the end of the vesting period and lapse after five years from the grant date. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The majority of options are valued using the Black-Scholes option pricing model and no performance conditions were included in the fair value calculations. The risk free rate was 5%. The expected volatility over the last two years is estimated to be 70%. The average share price during the year was 16.3p.

At 1 April 2007 No.	Granted No.	Exercised No.	At 31 March 2008 No.	Exercise price (pence)	Exercisable
210,000	—	(210,00)	**—**	1p	—
7,300,000	—	—	**7,300,000**	10p	27/04/2009 to 26/04/2011
—	1,000,000	—	**1,000,000**	16.275p	27/04/2010 to 26/04/2012
7,510,000	**1,000,000**	**(210,000)**	**8,300,000**		

15. TRADE AND OTHER PAYABLES

	31 March 2008		31 March 2007	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade creditors	**844**	**285**	264	42
Other taxes and social security	**123**	**—**	89	—
Other creditors	**1,969**	**—**	—	—
Accruals and deferred income	**502**	**170**	236	112
Provision for deferred consideration	**1,995**	**1,995**	—	—
	5,433	**2,450**	589	154

Group other creditors in 2008 includes an amount owing to Kerum d.o.o. of HRK 17,799,000 to complete the purchase of a plot of land in Zadar, Croatia.

The provision for deferred consideration is in respect of the acquisition price of Duboko Plavetnilo Hoteli d.o.o (see note 8).

16(A). LOANS – LONG-TERM

Plava Vala d.o.o. entered into a loan agreement with Erste and Steiermärkishe Bank on 18 November 2006, the loan originally amounted to €3,800,000 but on 25 July 2007 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.

With the acquisition of Worldwide Leisure Housing LLC, the Company acquired loans payable to Volksbank of €1.1 million. This will be repaid in three years and accrues interest of 12 month EURIBOR plus 0.625%.

	31 March 2008		31 March 2007	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Due within one year	**189**	**—**	122	—
Due within two to five years	**3,921**	**—**	1,687	—
Due in more than five years	**1,132**	**—**	1,451	—
	5,242	**—**	3,260	—
Current portion of long-term debt	**(189)**	**—**	(122)	—
	5,053	**—**	3,138	—

16(B). LOANS – SHORT-TERM

	31 March 2008		31 March 2007	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Short-term loans	**10,616**	**10,374**	—	—
Current portion of long-term debt	**189**	**—**	122	—
	10,805	**10,374**	122	—

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

The Company has issued Loan Notes of €13 million in partial consideration for the shares of Duboko Plavetnilo Ugljan Projektant d.o.o. and Duboko Plavetnilo Hoteli d.o.o. (see note 8). These carry a redemption price of 100% of par value plus an additional 0.25% of par value per calendar month plus interest of EURIBOR of 4% per annum.

The Directors are currently at advanced stages in respect of replacing this Loan Note with either a long-term bank loan or with long-term convertible debt.

17(A). FINANCE LEASES – LONG-TERM

	31 March 2008		31 March 2007	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Due within one year	**5**	**—**	5	—
Due within two to five years	**38**	**—**	7	—
Due in more than five years	**—**	**—**	—	—
	43	**—**	12	—
Current portion of long-term debt	**(5)**	**—**	(5)	—
	38	**—**	7	—

17(B). FINANCE LEASING – SHORT-TERM

	31 March 2008		31 March 2007	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Current portion of long-term debt	**5**	**—**	5	—

18. OPERATING LEASES

The Group leases business premises in Croatia under operating lease agreements. The lease expenditure charged to the Income Statement during the year is disclosed in note 4.

	2008 £'000	2007 £'000
The future aggregate minimum lease payments under operating leases are as follows:		
No later than 1 year	**10**	34
Later than 1 year and no later than 5 years	**—**	94
	10	128

19. FINANCIAL RISK MANAGEMENT

The Group's activities give rise to a number of financial risks: market risk, credit risk and liquidity risk. Market risk includes foreign exchange risk and cash flow and fair value interest rate risk. The Group has in place risk management policies that seek to limit the adverse effects on the financial performance.

Foreign exchange risk

The Group has transactional currency exposures arising from sales or purchases by operating subsidiaries in currencies other than the subsidiaries' functional currency.

The main impact of foreign exchange risk on the Group's results arises from the translation into Sterling of the results of operations outside of the UK. The Group's largest exposures are the euro where a 1% movement in the average rate impacts trading profit of subsidiaries of £13,000.

Financial instruments

The Group does not use derivative financial instruments. The risk management policy regarding risks linked to short-term and long-term financing of buyers, management of the funds, credits and liabilities can be summarised as follows:

Capital risk management

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

The capital structure of the Group consist of debt, cash and cash equivalents and equity attributable to shareholders of the Group, comprising issues capital, reserves and retained earnings.

The Group manages capital and for the purpose of proper capital structure, in accordance with the economic conditions present on the market, decides if the retained earnings, should be distributed to shareholders. If the capital needs increase or decrease, etc. Goals, policies and processes have not been changed during the period ending 31 March 2008 nor for the period ending 31 March 2007.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the Financial Statements.

Accounting policies for financial instruments are applied on the following Balance Sheet items:

- All of the Group's liabilities have been classified as other financial liabilities. The Group does not have liabilities which are classified as 'liabilities at fair value through profit and loss'.

Fair value of financial instruments

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market price;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- the fair value of derivative instruments is calculate using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and

19. FINANCIAL RISK MANAGEMENT CONTINUED

- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

The Group applied the following methods and assumptions during the estimation of fair value of financial instruments:

Receivables and deposits at banks

For assets which mature within three months, carrying value is similar to fair value due to shortness of these instruments. For long-term assets, contracted interest rates do not significantly defer from current market interest rates, and due to that their fair value is similar to its carrying value.

Loan liabilities

Fair value of short-term liabilities is similar to its carrying value due to shortness of these instruments, For long-term liabilities, contracted interest rates do not significantly defer from current market interest rates, and due to that their fair value is similar to its carrying value.

Other financial instruments

Financial instruments of the Group which are not valued at fair value are trade accounts receivable, other receivables, trade accounts payable and other payables. Historic carrying value of assets and liabilities, including the provisions, which are in accordance with the usual business conditions, is similar to its fair value.

Financial risk management objectives

The Group's management monitors and manages the financial risks relating to the operations of the Group through internal risk reports provided to Cubus Lux Group which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

(a) Market risk

The Group activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Market risk exposures are measured using value-at-risk (VaR) and are supplemented by sensitivity analysis.

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

(b) Foreign currency risk management

The Group undertakes significant transactions in foreign currency, mostly in GBP and EURO. Hence, exposures to exchange rate fluctuations arise. In management's opinion the Group is not significantly exposed to this risk due to relative stability of GBP and EURO. Besides, most items in foreign currency are to and from related companies within Cubus Lux Group.

The following table shows effect of potential changes in foreign currency of GBP and EURO on the Balance Sheet items, assuming that all other variables are constant, on the loss before tax.

A 1% strengthening of Sterling against the current rates indicated would have the following impact:

Income Statement	**2008 £'000**	2007 £'000
Euro	**(13)**	8

The sensitivity analysis has been prepared by re-performing the calculations used to determine the Balance Sheet values adjusted for the changes in the individual currency rates indicated with all other cross currency rates remaining constant.

	2008			2007		
Analysis of amounts included in the Balance Sheet by currency	**Borrowings £'000**	**Cash and cash equivalents £'000**	**Total £'000**	Borrowings £'000	Cash and cash equivalent £'000	Total £'000
Sterling	**—**	**306**	**306**	—	837	837
Euro	**(15,858)**	**1,935**	**(13,923)**	(3,260)	367	(2,893)
Others	**—**	**131**	**131**	—	171	171
	(15,858)	**2,372**	**(13,486)**	(3,260)	1,375	(1,885)

19. FINANCIAL RISK MANAGEMENT CONTINUED

(c) Interest rate risk management

The Group is exposed to change of EURIBOR and LIBOR as the interest rate on received loans is bounded to that rate. In management's opinion the Group is not significantly exposed to this risk due to relative stability of EURIBOR and LIBOR.

The following table shows sensitivity of changes of interest rates relating to Group's loans as of 31 March 2008, with the assumptions that all other variables are constant, on profits and losses before taxes.

Increase of 1% in interest rates	**2008 £'000**	2007 £'000
On Euro borrowing	**(33)**	(32)

(d) Other price risk

The Group is not significantly exposed to other price risks.

(e) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss form defaults. The Group only transacts with entities with good credibility. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of the its counterparties are continuously monitored and the aggregate value of transaction concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are review and approved by the Group's management.

Trade receivable consist of a smaller number of customers. Most significant customers are related parties. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with credit-ratings assigned by international credit-rating agencies.

(f) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

20. EARNINGS/(LOSS) PER SHARE

The profit per share of 4.78p (31 March 2007: loss 0.19p) has been calculated on the weighted average number of shares in issue during the year namely 101,810,025 (31 March 2007: 68,681,402) and profits of £4,871,401 (2007: losses £130,013).

The calculation of diluted losses per share of 4.54p (2007: loss 0.18p) is based on the losses on ordinary activities after taxation and the diluted weighted average of 107,248,167 (2007: 73,896,786) shares.

21. 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.

22. ULTIMATE CONTROLLING PARTY

The Directors do not believe there to be an ultimate controlling party.

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FINANCIAL CALENDAR

6 August 2008	Annual General Meeting
17 November 2008	Half Year Results

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