

**CUBUS LUX PLC**  
**REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2009**  
**Company Number: 5127325**

**CUBUS LUX PLC**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2009**

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CUBUS LUX PLC

CHAIRMAN'S STATEMENT

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009

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**Chairman's Statement**

I am pleased to submit results for the financial year ended 31 March 2009.

Against a background of turmoil in financial, currency and commercial markets, your company has continued to progress its portfolio of development projects, albeit at a slower pace than originally expected.

The past 12 months have been difficult for many companies, and particularly difficult for businesses needing to raise finance to complete their projects. Cubus Lux, therefore, is not alone in having to report considerable delay in financing of its premier project, the Olive Island Resort. The original source of construction loan finance for OIR was unable to proceed in early 2009, so that new sources of finance had to be found.

The Board has made strenuous efforts since the start of 2009, and has made significant progress, despite the very difficult credit conditions which persist. The Board believes a final agreement on project finance for OIR is close to completion. The land for the resort has been secured, and stage payments are on track and will continue through the project construction. Construction is now expected to commence in our last quarter of 2009/10, which is almost one year later than originally envisaged.

Away from that particular task, the Company has made significant progress in several other areas, including the winning of a major tender in Montenegro, which was announced after the year ended 31 March 2009. Cubus Lux succeeded against strong opposition in winning the tender process to build a major resort at Valdanos, Montenegro. This project will include a golf course, 5-star golf hotel, a 5-star beach hotel, a 4-star hotel and wellness centre, as well as a wide range of villas and apartments for sale and a full range of tourist and leisure facilities.

In total, the Valdanos resort will cover 3.4 million sq metres, with some 3km of coastline, and have 2,500 beds overall. Detailed negotiations for the concession contract are well underway, and should be completed during November 2009. Similarly the project planning and development has now started.

In Croatia, your company has also advanced its proposed Hotel Sutomiscica development adjacent to the Olive Island Marina, progressed a combined commercial and residential development project to the start of construction in Zadar and won through to the final stage of two other resort tenders near Pula, Istria.

Underlying trading at our operations in Croatia has proved resilient, with our Olive Island Marina fully booked and utilised during the year, and its restaurant continuing to gain plaudits for its cuisine and service from leading restaurant guides. The casinos – at Pula and Selce – have performed in line with our expectations, with visitor numbers higher in the year to 31 March 2009 versus the previous full year.

**CUBUS LUX PLC**

**CHAIRMAN'S STATEMENT**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2009**

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**Financial**

For the year to 31 March 2009 total operating profit was £1,317,000 before foreign exchange losses on the group's loans. A charge of £1,895,000 has been made to recognise a currency loss on loan notes as a result of the year-end exchange rate of GBP/Euro 1.07798. However there is a possibility that this loss could reverse in the future, which would mean a profit being recognised on the loan notes.

An external net interest charge of £458,000 and the loan note interest charge of £1,062,000 give an overall loss for the year of £2,098,000.

Loss per share amounted to 14.2p (2008: 47.8p profit per share).

During the year the Company consolidated the shares of 1p by a factor of 10, converting the 146,143,660 ordinary shares in issue at the time of £0.01 each to 14,614,366 new ordinary shares of £0.10 each.

The Company further issued 50,000 shares at 57.5p and 3,211,756 shares at 40p during the year.

Since the year end the company has issued 1,060,000 shares at 20p.

  
**GERHARD HUBER**  
Chairman  
Executive Director

28 September 2009

# CUBUS LUX PLC

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 MARCH 2009

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The directors present the annual report together with the financial statements and auditors report for the year ended 31 March 2009.

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 7. A review of the business and further details of income streams are discussed in the chairman's statement on pages 1 & 2.

#### ACCOUNTS PRODUCTION

The financial statements for the year ended 31 March 2009 have been prepared in accordance with International Financial Reporting Standards.

#### DIVIDENDS

The directors do not propose a final dividend (2008: £nil).

#### DIRECTORS

The directors who served during the year were:

G Huber  
M Janssen  
L Nahon  
H Ravid (resigned 6 August 2008)  
C Kaiser  
E Abramovich  
S McCann  
F Molina-Alvarez (appointed 6 August 2008)

#### COMPLIANCE

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

#### FINANCIAL RISK MANAGEMENT POLICIES

Our risk management processes are described in the notes to the Financial Statements.

##### *Treasury*

The principal financial risks to which the Group is exposed are those of interest rate and liquidity. The Group has a centralised treasury function to manage these risks in accordance with Board-approved policies. Specifically, liquidity risk is managed through maintaining access to a number of sources of funding to meet anticipated funding requirements, including committed bank facilities and cash resources. Interest rate risk is managed through maintaining a debt portfolio that is weighted towards fixed rates of interest. Accordingly the Group's net interest charge is not significantly affected by changes in floating rates of interest. We do not currently hedge the impact on earnings and cash flow of changes in exchange rates.

##### *Capital management*

The capital structure of the Group consists of shareholders equity, debt and cash. For the foreseeable future, the Board will maintain a capital structure that supports the Group's strategic objectives through:

- Managing funding and liquidity risk
- Optimising shareholder return
- Maintaining a strong investment grade rating

# CUBUS LUX PLC

## DIRECTORS' REPORT (continued)

### FOR THE YEAR ENDED 31 MARCH 2009

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#### *Foreign exchange*

The Euro is the Group's most significant currency. Sensitivity analysis considering the Group's exposure to exchange rate movements is detailed in the notes to the Financial Statements.

#### *Interest rate risk*

The Group maintains a mix of fixed and floating rate debt. The portion of fixed rate debt was approved by the Board and any variation requires Board approval. A significant portion of the long-term debt entered into in 2007/08 in order to finance the acquisition of the Olive Island companies is held at fixed rates of interest. Sensitivity analysis considering the Group's exposure to interest rate movements is detailed in the notes to the Financial Statements.

### 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 and parent Company financial statements in accordance with IFRSs as adopted by the EU.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and parent Company and of the profit and loss of the Group for that period.

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;
- state whether they have been prepared in accordance with IFRSs as adopted by the 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 Group and parent Company and to enable them to ensure that the financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation. 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.

**CUBUS LUX PLC**

**DIRECTORS' REPORT (continued)**

**FOR THE YEAR ENDED 31 MARCH 2009**

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**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 subject to cash flow. Trade creditors at the year end amount to 116 days (2008: 76 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 AGM in accordance with S485 of the Companies Act 2006.

**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](http://www.capitaregistrars.com). You will initially need your unique 'investor code' which you will find at the top of your share certificate. There is no charge for this service. If you wish to subsequently change your mind, you may do so by contacting the Company's Registrars by post or through their website.

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

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

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

**ON BEHALF OF THE BOARD**

  
**GERHARD HUBER**  
Chairman  
Executive Director

65 New Cavendish Street  
London  
W1G 7EH

28 September 2009

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

## CUBUS LUX PLC

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We have audited the group and parent company financial statements of Cubus Lux Plc for the year ended 31 March 2009, 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 related notes. These financial statements have been prepared under the accounting policies set out therein.

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

### Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements 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 and the Chairman's statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### Basis of audit opinion

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

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

### Going Concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosure made within the accounting policies concerning the Group's and Company's ability to continue as a going concern. The Group incurred a net loss of £2,098,000 during the year ended 31 March 2009 and at the year end the Group's current liabilities exceed its current assets by £9,558,000. This along with the other matters explained within the accounting policies, indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The directors are expecting to receive the Olive Island project loans currently being negotiated. The directors also have contingency plans in place which include negotiations to bring in a major investor on the Olive Island project level and a partner for the marina company. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

### Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the group's affairs as at 31 March 2009 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2009;
- 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

28 September 2009

Fairfax House  
15 Fulwood Place  
London  
WC1V 6AY



**CUBUS LUX PLC**

**CONSOLIDATED INCOME STATEMENT**

**FOR THE YEAR ENDED 31 MARCH 2009**

	Notes	2009 £'000	2008 £'000
<b>REVENUE</b>	1,2	1,535	3,078
Cost of sales	3	(181)	(202)
<b>GROSS PROFIT</b>		<u>1,354</u>	<u>2,876</u>
Administrative expenses		(2,758)	(2,399)
Negative goodwill		2,721	4,693
Foreign exchange losses	5	(1,895)	-
<b>OPERATING (LOSS)/PROFIT</b>	4	<u>(578)</u>	<u>5,170</u>
Finance income		17	46
Finance expenditure	6	(1,537)	(336)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>(2,098)</u>	<u>4,880</u>
Tax on ordinary activities	7	-	(9)
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<u><u>(2,098)</u></u>	<u><u>4,871</u></u>
<b>Attributable to:</b>			
Equity holders of the company		(2,098)	4,871
Minority interest		-	-
		<u><u>(2,098)</u></u>	<u><u>4,871</u></u>
<b>(LOSS)/EARNINGS PER SHARE</b>			
Basic	21	<u>(14.2)p</u>	<u>47.8p</u>
Diluted	21	<u>(14.2)p</u>	<u>45.4p</u>

All activities arose from continuing activities.

CUBUS LUX PLC

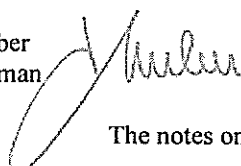
CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2009

ASSETS	Notes	2009 £'000	2008 £'000
<b>Non-current assets</b>			
Intangible assets	10a	39,093	35,902
Goodwill	10b	1,575	940
Property, plant and equipment	11	5,147	4,702
		<u>45,815</u>	<u>41,544</u>
<b>Current assets</b>			
Inventories	13	4,560	3,172
Trade and other receivables	14	710	2,384
Cash at bank	15	3,365	2,372
		<u>8,635</u>	<u>7,928</u>
<b>TOTAL ASSETS</b>		<u><u>54,450</u></u>	<u><u>49,472</u></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity shareholders</b>			
Called up share capital	16	1,790	1,463
Share premium account		17,005	16,028
Merger reserve		347	347
Profit and loss account		923	3,120
<b>TOTAL EQUITY</b>		<u>20,065</u>	<u>20,958</u>
<b>MINORITY INTEREST IN EQUITY</b>		<u>233</u>	<u>-</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	7	7,818	7,180
Loans	18a	8,127	5,053
Amounts due under finance leases	18c	14	38
		<u>15,959</u>	<u>12,271</u>
<b>Current liabilities</b>			
Trade and other payables	17	3,440	5,433
Loans	18b	14,745	10,805
Amounts due under finance leases	18c	8	5
		<u>18,193</u>	<u>16,243</u>
<b>TOTAL LIABILITIES</b>		<u><u>34,152</u></u>	<u><u>28,514</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>54,450</u></u>	<u><u>49,472</u></u>

The financial statements were approved and authorised for issue by the Board of Directors on 28 September 2009 and were signed below on its behalf by:

G Huber  
Chairman



The notes on pages 14 to 32 are an integral part of these consolidated financial statements


**CUBUS LUX PLC**

**PARENT COMPANY BALANCE SHEET**

**AT 31 MARCH 2009**

	Notes	2009 £'000	2008 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments	12	24,145	23,443
<b>Current assets</b>			
Trade and other receivables	14	5,906	6,075
Cash at bank	15	29	64
		<u>5,935</u>	<u>6,139</u>
<b>TOTAL ASSETS</b>		<u><u>30,080</u></u>	<u><u>29,582</u></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity shareholders</b>			
Called up share capital	16	1,790	1,463
Share premium account		17,005	16,028
Profit and loss account		(4,217)	(733)
<b>TOTAL EQUITY</b>		<u><u>14,578</u></u>	<u><u>16,758</u></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred consideration		416	-
<b>Current liabilities</b>			
Trade and other payables	17	1,627	2,450
Loans	18b	13,459	10,374
		<u>15,086</u>	<u>12,824</u>
<b>TOTAL LIABILITIES</b>		<u><u>15,502</u></u>	<u><u>12,824</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>30,080</u></u>	<u><u>29,582</u></u>

The financial statements were approved and authorised for issue by the Board of Directors on 28 September 2009 and were signed below on its behalf by:

  
 G. Huber  
 Chairman

The notes on pages 14 to 32 are an integral part of these consolidated financial statements

CUBUS LUX PLC

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2009

	Notes	2009 £'000	2008 £'000
<b>Cash flows from operating activities</b>			
(Loss)/profit before taxation		(2,098)	4,880
Adjustments for:			
Net finance expense		1,520	290
Loss on disposal of fixed assets		-	26
Exchange rate differences		1,077	578
Share based payments		220	222
Depreciation		349	256
Negative goodwill written back to income statement		(2,721)	(3,739)
Movement in trade and other receivables		90	373
Movement in inventories		1,696	(2,571)
Movement in trade and other payables		(1,019)	957
		<u>(892)</u>	<u>1,272</u>
Cash outflow from operating activities		(892)	1,272
Interest paid – net		(459)	(290)
Taxation paid		-	(9)
		<u>(1,351)</u>	<u>973</u>
<b>Net cash (outflow)/inflow from operating activities</b>			
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment and intangibles		(190)	(982)
Proceeds from sale of property		34	66
Purchase of subsidiaries - Net	9	-	(795)
Cash acquired with subsidiary		-	18
		<u>(156)</u>	<u>(1,693)</u>
<b>Net cash outflow from investing activities</b>			
<b>Cash flows from financing activities</b>			
Issue of shares		1,304	2,341
Capital element of finance lease repaid		(21)	-
Net loans undertaken less repayments		706	499
		<u>1,989</u>	<u>2,840</u>
<b>Cash inflow from financing activities</b>			
<b>Net cash inflow from all activities</b>			
		482	2,120
Cash and cash equivalents at beginning of period		2,372	1,375
Non-cash movement arising on foreign currency translation		511	(1,123)
		<u>3,365</u>	<u>2,372</u>
<b>Cash and cash equivalents at end of period</b>			
		<u>3,365</u>	<u>2,372</u>
Cash and cash equivalents comprise			
Cash and cash equivalents		<u>3,365</u>	<u>2,372</u>

**CUBUS LUX PLC****PARENT COMPANY CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 MARCH 2009**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cash flows from operating activities</b>		
Loss before taxation	(3,704)	(35)
Adjustments for:		
Net finance income	(156)	137
Net finance expense	1,068	(137)
Exchange rate difference	1,621	570
Share based payments	220	222
Movement in trade and other receivables	(1,010)	(3,156)
Movement in trade and other payables	343	301
	<u>(1,618)</u>	<u>(2,098)</u>
<b>Cash flow from investing activities</b>		
Purchase of subsidiaries	-	(795)
	<u>-</u>	<u>(795)</u>
<b>Net cash outflow from investing activities</b>	<u>-</u>	<u>(795)</u>
<b>Cash flows from financing activities</b>		
Issue of shares	1,304	2,341
Loans received	279	-
	<u>1,583</u>	<u>2,341</u>
<b>Cash inflow from financing activities</b>	<u>1,583</u>	<u>2,341</u>
<b>Net cash outflow from all activities</b>	(35)	(552)
Cash and cash equivalents at beginning of period	64	616
	<u>29</u>	<u>64</u>
<b>Cash and cash equivalents at end of period</b>	<u>29</u>	<u>64</u>
Cash and cash equivalents comprise		
cash and cash equivalents	<u>29</u>	<u>64</u>

CUBUS LUX PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2009

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Retained Earnings £'000	Translation Reserve £'000	Total £'000
At 1 April 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
Share based payments	-	-	-	220	-	220
Total recognised income and expenses	-	-	-	(2,098)	(319)	(2,417)
Issue of shares (net of costs)	327	977	-	-	-	1,304
At 31 March 2009	1,790	17,005	347	1,641	(718)	20,065

**CUBUS LUX PLC****PARENT COMPANY STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 MARCH 2009**

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	<b>Share Capital £'000</b>	<b>Share Premium £'000</b>	<b>Retained Earnings £'000</b>	<b>Total £'000</b>
At 1 April 2007	881	7,239	(920)	7,200
Share based payments	-	-	222	222
Loss for the year	-	-	(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	<u>1,463</u>	<u>16,028</u>	<u>(733)</u>	<u>16,758</u>
Share based payments	-	-	220	220
Loss for the year	-	-	(3,704)	(3,704)
Issue of shares (net of costs)	327	977	-	1,304
At 31 March 2009	<u>1,790</u>	<u>17,005</u>	<u>(4,217)</u>	<u>14,578</u>

**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 (September 2009). 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. No separate income statement is presented for the parent company as provided by Section 250, Companies Act 1985.

**Going concern**

Since the year end, the company has improved the cash position through a profitable summer season and a share placing in July. Furthermore 1,060,000 shares were issued at 20p since the year end. Despite this there are concerns over meeting future liabilities.

The Directors are fully expecting to receive the Olive Island project loans currently being negotiated which would include a payment directly into the Parent company. The value of the loan would also allow all liabilities to be paid.

Contingency plans are however prepared and include negotiations to bring in a major investor on the Olive Island project level and a partner for the marina company. Furthermore the loan note holders of the €13 million loan notes have indicated that they will not seek repayment from the company in December 2009 unless the group has sufficient funds to do so and continue trading.

Subject to the successful completion of these events, and on this basis, the directors consider that it is appropriate to prepare the financial statements on the going concern basis.

**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. Merger accounting was 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. The results of the companies have been consolidated using the purchase method.

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. The results have been consolidated using the purchase method.

On 17 March 2008, the company purchased 100% of the issued share capital of Adriatic Development LLC and Worldwide Leisure Holding LLC, two companies registered in the U.S. The results have been consolidated using the purchase method.

On 30 May 2008, the company purchased 100% of the issued share capital of Deep Blue Developments Liegenschaftserschliessungs GmbH, a company registered in Austria. The results have been consolidated using the purchase method.

On 30 September 2008, the company purchased 100% of the issued share capital of Tiha Uvala d.o.o., a company registered in Croatia. The results have been consolidated using the purchase method.

On 1 March 2009, the company acquired 50% of the issued share capital of Cubus Lux Projektiranje d.o.o., a company registered in Croatia. The company has the power to exercise control over the entity's financial operating policies and as such it has been treated as a subsidiary and consolidated using the purchase method.



**1. ACCOUNTING POLICIES (continued)**

**Basis of Consolidation (continued)**

Group accounts consolidate the accounts of the company and its subsidiary undertakings made up to 31 March 2009. 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.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities.

*Casino operations*

Income is recognised when received once the daily reconciliations have been performed.

*Marina income*

The rental of berths is accounted for on an accrual basis over the period of the rental commitment. Ancillary income from the restaurant and service facilities is recognised when received.

*Property development income*

The group uses the percentage of completion method in accounting for its construction contracts. Use of the percentage of completion method requires the group to estimate the construction performed to date as a proportion of the total construction to be performed.

**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

**Goodwill and business combinations**

Business combinations on or after 1 January 2005 are accounted for under IFRS 3 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 include the licence of the Marina which has a carrying value of £5,372,000. The Marina licence has an indefinite useful economic life as it is expected to be automatically renewed after the initial 32 year concession expires.

**1. ACCOUNTING POLICIES (continued)**

**Goodwill and business combinations (continued)**

No amortisation is charged on intangible assets relating to the Olive Island Resort, Hotel Sutomišćica and Olive Island Hotel. Amortisation will commence once the projects have been completed and assets brought into use. The charge will be in proportion to the sales of the properties in the resort and life of management contract of the hotel. Assets that have an indefinite useful life are not subject to amortisation. When amortisation commences it will be charged to administrative expenses in the Income Statement.

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

The Group assesses whether there are any indicators of impairment to the intangible assets. Goodwill and intangible assets with indefinite lives are tested for impairment annually. All other intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recovered.

The Group's impairment test for goodwill and intangible assets with indefinite useful lives is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the financial forecasts for the ensuing years and do not include restructuring activities that the Group is not yet committed to or significant investments that will enhance the asset base of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount, including a sensitivity analysis, are further explained further in the notes.

**Foreign currencies**

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

Items included in the financial statements of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in sterling, which is the company's functional currency.

The exchange rates used at 31 March 2009 was £1 = Euro 1.07798, £1 = HRK 8.0744

**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 land held for development and associated development costs incurred to date. Inventories are held at lower of cost and net realisable value.

**Borrowing costs**

Borrowing costs are recognised in the income statement in the year incurred.

CUBUS LUX PLC

NOTES TO THE REPORT AND FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

2. BUSINESS SEGMENT ANALYSIS

	Casino £'000	Marina £'000	Property £'000	Resort £'000	Central £'000	Total £'000
<b>Year ended 31 March 2008:</b> (Restated)						
<b>Revenue</b>						
External sales	962	361	-	1,755	-	3,078
<b>Profit/(loss)</b>						
Segment operating (loss)/profit	65	(1,013)	41	6,248	(171)	5,170
Net finance costs						(290)
Profit before taxation						4,880
<b>At 31 March 2008:</b>						
<b>Assets and liabilities</b>						
Segment assets	1,461	9,276	2,615	33,919	2,201	49,472
Segment liabilities	(344)	(5,221)	(1,997)	(20,466)	(486)	(28,514)
Net assets	1,117	4,055	618	13,453	1,715	20,958
<b>Capital expenditure</b>	277	735	-	30,530	1	31,543
<b>Year ended 31 March 2009:</b>						
<b>Revenue</b>						
External sales	864	660	-	-	11	1,535
<b>Profit/(loss)</b>						
Segment operating (loss)/ profit	(10)	(158)	1,544	799	(2,753)	(578)
Net finance costs						(1,520)
Loss before taxation						(2,098)
<b>At 31 March 2009:</b>						
<b>Assets and liabilities</b>						
Segment assets	1,273	10,690	8,405	33,746	336	54,450
Segment liabilities	(296)	(6,269)	(4,344)	(22,098)	(1,145)	(34,152)
Net assets	977	4,421	4,061	11,648	(809)	20,298
<b>Capital expenditure</b>	38	135	3,191	14	17	3,395

The Group currently operates largely in one geographical market, Croatia and therefore no secondary segmentation is provided.

3. COST OF SALES

	2009 £'000	2008 £'000
Concession for operations	181	202

**CUBUS LUX PLC**

**NOTES TO THE REPORT AND FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2009**

<b>4. EXPENSES BY NATURE</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Employee benefit expense (see below)	1,203	1,165
Exchange rate differences	1,077	(272)
Depreciation	349	256
Operating lease rentals	48	60
Auditors' remuneration		
- statutory audit services of the group	24	23
	<u>1,203</u>	<u>1,165</u>
<b>Employee benefit expense (including directors)</b>		
Wages and salaries	694	693
Taxes and contributions	289	250
Share based payments equity settled	220	222
	<u>1,203</u>	<u>1,165</u>
	<b>No.</b>	<b>No.</b>
The average number of persons (including directors) employed by the group during the period was as follows:	65	64
	<u>65</u>	<u>64</u>
<b>5. FOREIGN EXCHANGE LOSSES</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Exchange rate differences	1,895	-
	<u>1,895</u>	<u>-</u>

The company has issued €13 million of loan notes in respect of the acquisitions of Duboko Plavetnilo-Ugljan Projektant d.o.o. and Duboko Plavetnilo Hoteli d.o.o.. As a result of the exchange rate at 31 March 2009, £1 = €1.07798 (31 March 2008: £1 = €1.25945) the company suffered a translation loss of £1,737,708 and the liability was increased from £10,321,884 to £12,059,592.

In addition, the deferred consideration of €1,080,706 payable for Tiha Uvala d.o.o. stated to be £858,712 as at the acquisition date of 30 September 2008 (30 September: £1 = €1.25852) has been adjusted to £1,002,528 resulting in a translation loss of £143,817.

Other loans when translated resulted in exchange losses of £13,737.

There is a possibility these losses could reverse in the future.

<b>6. FINANCE EXPENDITURE</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable on loans	475	284
Interest payable on loan notes	1,062	52
	<u>1,537</u>	<u>336</u>

**7. 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 U.K. and The Republic of Croatia operate so as to treat the Company as solely resident for tax purposes in The Republic of Croatia. The Company undertakes no business activity in the UK such as might result in a Permanent Establishment for tax purposes and accordingly has no liability to UK corporation tax.

<b>(a) The taxation charge comprises:</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Current corporation tax for the period	-	9
Deferred tax	-	-
	<u>-</u>	<u>9</u>
	<u>-</u>	<u>9</u>

**(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:

(Loss)/profit on ordinary activities before taxation	(2,098)	4,880
	<u>(2,098)</u>	<u>4,880</u>
Multiplied by the standard rate of corporation tax of 28% (2008: 28%)	(587)	1,366
Effects of:		
Income not chargeable to tax	(762)	(1,269)
Increase in tax losses	1,349	-
Utilisation of tax losses brought forward	-	(88)
	<u>(762)</u>	<u>(1,269)</u>
Current year tax charge	-	9
	<u>-</u>	<u>9</u>

<b>(c) Deferred tax</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>

The deferred tax included in the balance sheet is as follows:

Deferred tax on separately identifiable intangible assets	7,818	7,180
	<u>7,818</u>	<u>7,180</u>
		<b>£</b>
At 1 April 2008		7,180
Recognised on acquisition during the year		658
		<u>7,838</u>
At 31 March 2009		<u>7,818</u>

**(d) 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 2009 are £7,891,000 (2008: £3,167,000).

**8. 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 parent company loss after taxation was £3,703,817 (2008: loss £35,813).

CUBUS LUX PLC

NOTES TO THE REPORT AND FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

9. ACQUISITION OF SUBSIDIARIES

- a) On 30 May 2008 the company purchased 100% of the issued share capital of Deep Blue Development Liegenschaftserschliessungs GmbH.

The shares in Deep Blue Development Liegenschaftserschliessungs GmbH. were acquired for £Nil consideration.

Net assets acquired:	£'000
Tangible fixed assets	14
Creditors	(3)
Loans	(14)
	<u>(3)</u>
Goodwill	3
	<u>—</u>
Consideration	-
	<u><u>—</u></u>

- b) On 30 September 2008, the company purchased 100% of the issued share capital of Tiha Uvala d.o.o. a company registered in Croatia. The purchase price includes an initial payment of HRK 4.5 million payable on receipt of all building permits and a further HRK 4.5 million payable on completion of the construction of a Hotel. The expected timings of the payments is June 2011.

Net assets acquired:	£'000
Intangible fixed assets	3,191
Deferred tax provision	(638)
	<u>2,553</u>
Debtors	2
	<u>2,555</u>
<b>Total</b>	<b>2,555</b>
Negative goodwill-written back to the income statement in 'other income'	(1,686)
	<u>869</u>
	<u><u>869</u></u>
The negative goodwill has arisen as the Group received a bargain purchase.	
Deferred consideration	869
	<u><u>869</u></u>

- c) On 1 March 2009, the company purchased 50% of the issued share capital of Cubus Lux Projektiranje d.o.o. a company registered in Croatia.

Net assets acquired:	£'000
Inventory	3,084
Debtors	7
Creditors	(188)
Loans	(2,437)
Minority interests	(233)
	<u>233</u>
Goodwill	1,360
	<u>1,593</u>
Consideration – Settlement of loans	<u><u>1,593</u></u>

CUBUS LUX PLC

NOTES TO THE REPORT AND FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

10a) INTANGIBLE FIXED ASSETS

Group	Marina		Olive Island Resort			Olive Island Hotel			Hotel Sutomišćica		Group Total £'000
	Licence £'000	Right to Develop £'000	Brand £'000	Total £'000	Right to Develop £'000	Brand £'000	Management Contract £'000	Total £'000	Right to Develop £'000		
Cost or valuation											
At 1 April 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
Acquired on acquisition	-	-	-	-	-	-	-	-	3,191	3,191	3,191
At 31 March 2009	5,372	26,382	121	26,503	2,187	110	1,730	4,027	3,191	3,191	39,093

On 30 September 2008, the company purchased the entire share capital of Tiha Uvala d.o.o. In compliance with IFRS' the company obtained an external valuation of the intangible assets acquired which were valued at £3,191,000 and represent the right to develop a hotel. Amortisation will commence once the assets are brought into use.

Amortisation of assets with finite useful economic lives will be charged once the assets have been brought into use and development commences.



10b) GOODWILL	£'000
At 1 April 2008	940
Additions	1,360
Adjustments	(725)
	<hr/>
At 31 March 2009	1,575
	<hr/> <hr/>

The additions in the year ended 31 March 2009 include £1,360,000 goodwill allocated to Tiha Uvala d.o.o.. The adjustment of £725,000 is in respect of the reduction of deferred consideration payable for Duboko Plavetnilo Hoteli d.o.o. The total adjustment made to the deferred consideration is £1,760,000 and as such negative goodwill of £1,035,000 has been recognised in the consolidated income statement.

### 10c) IMPAIRMENT OF INTANGIBLE ASSETS

#### *Impairment of goodwill and intangible assets with finite lives*

Goodwill has been allocated to Adriatic Development LLC and Cubus Lux Projektiranje d.o.o cash generating units for impairment testing purposes. The recoverable amount has been determined based on a value in use calculation using risk-adjusted cash flow projections based on financial budgets prepared by the Group. The key assumptions used in the value in use calculation are:

The recoverable amount of each asset is determined by value-in-use which is estimated by calculating a terminal value and adding this to the net present value of cash flow projections based on the Group's latest board approved budgets.

The long term cash flow projections extrapolate the 2009-2012 financial forecast figures using a long-term growth rate (TGR) of 4%. The board considers this rate fairly reflects the long-term nature of the businesses in Croatia, and the fact that there is no reason to believe that the growth rates in Croatian tourism in the recent past will not be achieved in the medium-to-long term.

To arrive at net present value, cash flows are discounted using a weighted average cost of capital (WACC), adjusted for the risk of the individual asset. Owing to the forecast movement in the debt/equity ratio in the business the directors have used a WACC calculated for each year until a normalised debt/equity ratio is achieved. The WACC ranges from 7.4% in the first year to 14.1% when a normalised debt/equity ratio is reached.

This overall value-in-use is then compared to the carrying value of goodwill and intangible assets with indefinite lives in order to assess whether any impairment exists.

The annual impairment review of goodwill determined that no provision for impairment was required.

#### *Intangible assets with finite lives*

During the year to 31 March 2009 there was a delay in the commencement of the development of the Olive Island Resort and Hotel Sutomišćica, and the land prices for both had been renegotiated. Furthermore the delay could have triggered an annulment of the Memorandum of Understanding between Sol Mélia, the nominated hotel management company. Phase 2 of the marina development was similarly deferred, which meant that the extra 100 berths will not be available for hire until Summer 2010.

In line with IAS 36 "Impairment of Assets" a full impairment review of the assets with finite lives was undertaken as at 31 March 2009.

The resulting discounted cash flows indicated that the intangible assets with finite lives had not suffered an impairment.

Furthermore, the board has received written confirmation from Sol Mélia that it does not intend to cancel the hotel management contract because of the delays experienced in 2008/9.

## 11. TANGIBLE FIXED ASSETS - GROUP

	Casino Leasehold Premises £'000	Marina Leasehold Premises £'000	Resort Leasehold Assets £'000	Casino Assets £'000	Marina Assets £'000	Central Assets £'000	Resort Assets £'000	Total £'000
<b>Cost or valuation</b>								
At 1 April 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
Additions	8	124	-	30	11	17	-	190
Acquired on acquisition	-	-	-	-	-	-	14	14
Disposals	-	-	-	(38)	(3)	-	-	(41)
Exchange rate movements	14	501	-	192	40	2	4	753
At 31 March 2009	121	4,232	3	1,608	342	20	28	6,354
<b>Depreciation</b>								
At 1 April 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
Charge for the year	11	124	1	145	66	1	1	349
Disposals	-	-	-	(7)	-	-	-	(7)
Exchange rate Movements	9	24	-	79	16	-	1	129
At 31 March 2009	80	248	3	713	156	1	6	1,207
<b>Net Book Value</b>								
At 31 March 2009	41	3,984	-	895	186	19	22	5,147
At 31 March 2008	39	3,507	1	928	220	1	6	4,702

Included within Marina Assets are assets with a net book value of £48,523 (2008:£62,438) which are held on finance leases

CUBUS LUX PLC

NOTES TO THE REPORT AND FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

<b>12. INVESTMENTS</b>	<b>£'000</b>
<b>Company</b>	
At 1 April 2007	3,819
Additions	19,626
Disposals	(2)
	<hr/>
At 31 March 2008	23,443
Additions	2,462
Reduction in deferred consideration (10b)	(1,760)
	<hr/>
At 31 March 2009	<u>24,145</u>

Name of undertaking	Country of registration	Proportion held by parent company	Nature of business
Cubus Lux d.o.o.	Croatia	100%	Operation of casinos
Plava Vala d.o.o.	Croatia	100%	Operation of marinas
Cubus Lux Gradenje d.o.o.	Croatia	100%	Real estate development
Cubus Lux Usluge d.o.o.	Croatia	100%	Service Company
Cubus Lux Tennis 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
Deep Blue Developments GmbH	Austria	100%	Resort developer
Tiha Uvala d.o.o.	Croatia	100%	Hotel developer
Cubus Lux Projektiranje d.o.o.	Croatia	50%	Real Estate developer

<b>13. INVENTORIES - GROUP</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Land held for development	4,560	3,172
	<hr/>	<hr/>

<b>14. TRADE AND OTHER RECEIVABLES</b>	<b>2009</b>		<b>2008</b>	
	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amounts owed by group undertakings	-	5,680	-	3,999
Trade debtors	31	-	1,829	1,769
Other debtors	518	171	402	267
Prepayments and accrued income	161	55	153	40
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>710</u>	<u>5,906</u>	<u>2,384</u>	<u>6,075</u>

Group and company other debtors includes £51,000 for unpaid share capital as at 31 March 2009 (2008: £51,000).

CUBUS LUX PLC

NOTES TO THE REPORT AND FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

15. CASH AT BANK	2009		2008	
	Group £'000	Company £'000	Group £'000	Company £'000
Cash at bank	3,365	29	2,372	64

Included within the cash at bank and in hand at 31 March 2009 is £114,000 (2008: £224,000) which is held by the Croatian Ministry of Finance as a bond to cover any large casinos wins. Cubus Lux d.o.o. is required to keep this bond in place in order to maintain its gaming licence.

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

In addition, Plava Vala d.o.o. have £3,000 (2008: £3,000) on deposit with OTP Leasing for security over a lease for a van and £8,000 (2008: £8,000) with Erste Leasing securing for a boat and Duboko Plavetnilo Ugljan Projektant d.o.o. have a deposit of £8,000 (2008: £8,000) with Erste Bank to secure a vehicle lease.

16. CALLED UP SHARE CAPITAL	2009 £'000	2008 £'000
<b>Authorised:</b>		
The authorised share capital consists of 402,000,000 (2008: 302,000,000) ordinary shares of £0.10 (2008: £0.01) each and 2,000,000 deferred shares of £0.001 each.		
<b>Allotted, called up and fully paid:</b>		
17,876,120 (2008: 146,143,655) ordinary shares of £0.10 each (2008: £0.01 each)	1,788	1,461
1,555,554 deferred shares of £0.001 each	2	2
	<u>1,790</u>	<u>1,463</u>

On 6 August 2008 the authorised share capital of the company was increased to a nominal amount of £4,020,000 by the creation of 100,000,000 new ordinary shares of £0.01 each.

On 6 August 2008 the company consolidated the ordinary share capital and converted 146,143,660 ordinary shares of £0.01 each by a factor of 10:1 to 14,614,366 ordinary shares of £0.10 each, with the same rights attached.

On 26 May 2008, 5 ordinary shares of £0.01 each at £0.17 per share were issued to allow for the exact conversion in the 10:1 consolidation.

On 29 December 2008, the company placed 50,000 ordinary shares of £0.10p each at £0.575p per share.

On 13 March 2009, the company placed 3,211,756 ordinary shares of £0.10 each at £0.40p per share.

On 6 July 2009, the company placed 1,060,000 ordinary shares of £0.10 each at £0.20 per share.

**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 after 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 2 years is estimated to be 70% and has been based on historical share prices. The average share price during the year was 104 pence.

CUBUS LUX PLC

NOTES TO THE REPORT AND FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

16. CALLED UP SHARE CAPITAL (continued)

Number of options		Exercise price (pence) £	Exercisable
At 1 April 2008 £	At 31 March 2009 £		
730,000	730,000	£1.00	27/04/2009 to 26/04/2011
100,000	100,000	£1.6275	27/04/2010 to 26/04/2012
<u>£830,000</u>	<u>£830,000</u>		

17. TRADE AND OTHER PAYABLES

	2009		2008	
	Group £'000	Company £'000	Group £'000	Company £'000
Amounts owed to group undertakings	-	25	-	-
Trade creditors	1,199	680	844	285
Other taxes and social security	166	-	123	-
Other creditors	641	-	1,969	-
Accruals and deferred income	604	92	502	170
Provision for deferred consideration	830	830	1,995	1,995
	<u>3,440</u>	<u>1,627</u>	<u>5,433</u>	<u>2,450</u>

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. and Tiha Uvala d.o.o..

18a) LOANS – LONG TERM

Plava Vala d.o.o. entered into a loan agreement with Erste and Steiermärkische Bank on 18 November 2006, the loan originally amounted to €3,800,000 but on 25 July 2008 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 Euro 1.1 million. This will be repaid in three years and accrues interest of 12 month Euribor plus 0.625%.

Cubus Lux Projektiranje d.o.o. has a Eur 2,376,745 construction loan from a Eur 8.5 million facility with Hypo Alpe Adria Bank. The interest rate is currently Euribor plus 8% and the loan is due to be repaid in full by 1 October 2011.

	2009		2008	
	Group £'000	Company £'000	Group £'000	Company £'000
Due within one year	654	-	189	-
Due within two to five years	7,419	-	3,921	-
Due in more than five years	708	-	1,132	-
	<u>8,781</u>	<u>-</u>	<u>5,242</u>	<u>-</u>
Current portion of long term debt	(654)	-	(189)	-
	<u>8,127</u>	<u>-</u>	<u>5,053</u>	<u>-</u>

18b) LOANS – SHORT TERM	2009		2008	
	Group £'000	Company £'000	Group £'000	Company £'000
Loan note	13,174	13,174	10,616	10,374
Other loans	917	285	-	-
Current portion of long term debt	654	-	189	-
	<u>14,745</u>	<u>13,459</u>	<u>10,805</u>	<u>10,374</u>

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. These carry a redemption price of 100% of par value plus an additional 0.15% of par value per calendar month plus interest of EURIBOR plus 4% per annum.

The loans are redeemable on 31 December 2009.

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.

18c) FINANCE LEASES – LONG TERM	2009		2008	
	Group £'000	Company £'000	Group £'000	Company £'000
Due within one year	8	-	5	-
Due within two to five years	14	-	38	-
	<u>22</u>	<u>-</u>	<u>43</u>	<u>-</u>
Current portion of long term debt	(8)	-	(5)	-
	<u>14</u>	<u>-</u>	<u>38</u>	<u>-</u>

#### FINANCE LEASES – SHORT TERM

	2009		2008	
	Group £'000	Company £'000	Group £'000	Company £'000
Current portion of long term debt	8	-	5	-
	<u>8</u>	<u>-</u>	<u>5</u>	<u>-</u>

#### 19. 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.

	2009 £'000	2008 £'000
The future aggregate minimum lease payments under operating leases are as follows:-		
No later than 1 year	67	10
Later than 1 year and no later than 5 years	153	-
	<u>220</u>	<u>10</u>

## 20. 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 £10,000.

A secondary risk is in terms of the loan notes translation. In the year a significant charge was taken but this has since been seen to partly reverse.

### 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 optimisation 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 to be increased or decreased. Goals, policies and processes have not been changed during the period ending 31 March 2009 nor for the period ending 31 March 2008.

### 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.

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 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 3 months, carrying value is similar to fair value due to shortness of these instruments. For longer-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.

**20. FINANCIAL RISK MANAGEMENT (continued)**Fair value of financial instruments (continued)*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 differ 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, are similar to their 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 the 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.

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:

<b>Income statement:</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Euro	10	(13)
	<u>          </u>	<u>          </u>

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.



## 20. FINANCIAL RISK MANAGEMENT (continued)

## Analysis of amounts included in the balance sheet by currency

	2009			2008		
	Borrowings £'000	Cash and Cash Equivalents £'000	Total £'000	Borrowings £'000	Cash and Cash Equivalent £'000	Total £'000
Sterling	-	154	154	-	306	306
Euro	(20,544)	3,189	(17,355)	(15,858)	1,935	(13,923)
Others	-	22	22	-	131	131
	<u>(20,544)</u>	<u>3,365</u>	<u>(17,179)</u>	<u>(15,858)</u>	<u>2,372</u>	<u>(13,486)</u>

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. The Group maintains a mix of fixed and floating rate debt. The portion of fixed rate debt was approved by the Board and any variation requires Board approval. A significant portion of the long-term debt entered into in 2007/08 in order to finance the acquisition of the Olive Island companies is held at fixed rates of interest. Sensitivity analysis considering the Group's exposure to interest rate movements is detailed in the notes to the Financial Statements.

The following table shows sensitivity of changes of interest rates relating to Group's loans as of 31 March 2009, with the assumptions that all other variables are constant, on profits and losses before taxes.

	2009 £'000	2008 £'000
Increase of 1% in interest rates		
On Euro borrowing	<u>(94)</u>	<u>(33)</u>

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 from 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 its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are review and approved by the Group's management.

**20. FINANCIAL RISK MANAGEMENT (continued)**

**Financial risk management objectives**

**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.

**21. EARNINGS PER SHARE**

The loss per share of 14.2p (2008: earnings 47.8p) has been calculated on the weighted average number of shares in issue during the year namely 14,785,356 (year ended 31 March 2008: 10,181,002) and losses of £2,098,021 (year ended 31 March 2008: profit £4,871,401).

The calculation of diluted losses per share of 14.2p (year ended 31 March 2008: earnings 45.4p) is based on the loss on ordinary activities after taxation and the weighted average of 14,785,356 (2008: diluted average of 10,724,816) shares. For a loss making group with outstanding share options, net loss per share would only be increased by the exercise of out-of-the money options. Since it is inappropriate to assume that option holders would act irrationally no adjustment has been made to diluted EPS for out-of-the-money share options.

On 6 August 2008 the company's ordinary shares of £0.01 each were consolidated by the factor 10:1 to ordinary shares of £0.10 each.

The previously reported comparative earnings per share of 31 March 2008 (basic 4.78p, diluted 4.54p) have been restated.

**22. RELATED PARTY TRANSACTIONS**

Within group creditors is an interest free loan of £195,000 owed to Christian Kaiser, a director of the company.

Within group creditors is an interest free loan of £202,000 owed to Gerhard Huber, a director of the company.

Within group creditors is a loan due to Phoenix Holdings Limited of €50,000 plus interest of €10,000. Christian Kaiser is a director of both companies.

Within group creditors are interest free loans from Dodge Private Equity Limited totalling €54,000. Gerhard Huber is a director of both companies.

Short term loans include a loan of £40,000 owed to Leon Nahon, a director of the company, and a loan of £92,766 owed to Auxell GmbH, a company owned by Michael Janssen, a director of the company. The loans attract interest at 8% per annum.

Included within the short term loan note is €2,148,066 owed to Dodge Private Equity Limited, a company owned by Gerhard Huber, €513,897 owed to Michael Janssen and €488,141 owed to Phoenix Holdings Limited, a company owned by Christian Kaiser. Interest has been accruing on these amounts in accordance with the terms of the loan notes. All individuals are directors of the company.

**23. ULTIMATE CONTROLLING PARTY**

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