

CUBUS LUX PLC
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2010
Company Number: 5127325

CUBUS LUX PLC

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

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CUBUS LUX PLC

ADVISERS

FOR THE YEAR ENDED 31 MARCH 2010

COMPANY SECRETARY

David Simmons
66 Wigmore Street
London W1U 2SB

REGISTERED OFFICE

65 New Cavendish Street
London W1G 7LS

COMPANY NUMBER

05127325

NOMINATED ADVISER

Astaire Securities Plc
46 Worship Street
London
EC2A 2EA

BROKER

Hybridan LLP
Warnford Court
29 Throgmorton Street
London EC2N 2AT

AUDITORS AND REPORTING ACCOUNTANTS

haysmacintyre
Fairfax House
15 Fulwood Place
London WC1V 6AY

SOLICITORS TO THE COMPANY

AS TO ENGLISH LAW

Marriott Harrison
Staple Court
11 Staple Inn Buildings
London WC1V 7QH

SOLICITORS TO THE COMPANY

AS TO AUSTRIAN LAW

Specht Rechtsanwalt GmbH
Teinfaltstraße 8
A-1010 Vienna
Austria

SOLICITORS TO THE COMPANY

AS TO CROATIAN LAW

Law Office Galic
11 Cvjetno Naselje 22
HR-10 000 Zagreb
Croatia

CUBUS LUX PLC

ADVISERS (continued)

FOR THE YEAR ENDED 31 MARCH 2010

REGISTRAR

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

BANKERS TO THE COMPANY

Lloyds TSB
39 Threadneedle Street
London EC2R 8AV

FINANCIAL PUBLIC RELATIONS

Cityroad Communications
3rd Floor, 42-44 Carter Lane
London EC4V 5EA

CUBUS LUX PLC

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 MARCH 2010

I am pleased to present the results for the year to 31 March 2010.

Overview

We continue to progress our strategy of creating value in leisure-related and general real estate projects in Croatia and the neighbouring regions, despite the ongoing effects of the economic slowdown. There has been only a gradual easing of credit markets in the course of the past year, with progress being slower than anticipated a year ago. However, the Board is currently reviewing a variety of financing options potentially available for specific projects.

We continue to see high quality development opportunities arising along the Adriatic coast, and your Board's confidence in the long-term attractions and potential of this part of southern Europe remains intact. The Company has identified, for example, seven locations in Croatia and Montenegro for marina developments and is working with local administrations and finance sources to achieve our vision of a 'String of Pearls' across the Adriatic.

Other high quality leisure developments are also available to us, and subject to financing, the Directors believe the Company has substantial opportunities in the year ahead. Economies in this part of Europe have proved more resilient than elsewhere, and your Board believes it right to start looking beyond the recession and to create a strategy for the recovery.

Cubus Lux d.o.o. – the gaming company

Despite visitor numbers in Croatia generally holding up well in the main holiday season and hotel occupancy averages being stable, the casino business in Croatia has been impacted by a number of factors this last year.

The Italian government's decision to offer families €1,000 per family to take their holiday in Italy reduced the proportion of Italian tourists abroad. Previously, our casino locations had been very popular with Italians due to its close proximity to the Italian border.

In addition, the hotel in Pula, where our all-year casino is located, implemented a refurbishment programme which resulted in a reduction in capacity and amenities over the course of the year. The introduction of a smoking ban in Croatia also hurt the casino business, as it has in other countries.

Taken together, these factors resulted in a small operating loss for the casino division before exchange rate movements and provisions compared to break even in 2009.

The Board, therefore, is reviewing the role of gaming in the forward strategy of the group and actively considering a number of approaches it has received in regard to the casino at Pula and the Company's licences elsewhere.

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

In contrast, tourist activity for marinas – where high quality facilities remain in short supply – continued to grow, and we again experienced heavy demand for berths at our Olive Island location. Our planned extension of the marina there - by an extra 100 berths which would take the total to 300 – is now a priority for us during the next financial year.

We have also made significant progress in identifying new investments for this division. A total of seven prospective locations have now been identified, and negotiations with the relevant local authorities are well advanced. Discussions in regard to financing options are also at an advanced stage.

Real estate

Our small and medium scale developments continue to progress. 'Topping out' of the 'Molatska' site in Zadar (a mix of residential and commercial space) occurred in July 2010 and the project is now scheduled to complete in June 2011. Pre-selling of the 74 apartments and ground floor retail/office space is not possible before obtaining a usage certification which is expected by July 2011. There are, however, many enquiries being recorded.

Credit market conditions for our large-scale projects remained restrictive in the first half of the year. However, financial conditions thereafter improved and our negotiations in regard to the Olive Island Resort have made substantial progress. The Company has made stage payments but so far, insufficient to take the land title. A purchase contract extension to Q1 2011 has been negotiated and we expect a full financing package to secure the full construction costs to be imminent.

Our 3.4 million sq metre project in Montenegro – 'Valdanos' – has also made significant progress. The Directors understand final contracts are close to agreement with the Government of Montenegro, with construction expected to begin in Q4-11/Q1-12. Detailed planning for the site is already underway.

CUBUS LUX PLC

CHAIRMAN'S STATEMENT (continued)

FOR THE YEAR ENDED 31 MARCH 2010

Real estate (continued)

Two other major opportunities have arisen in the course of the year, and are currently being reviewed by the Board. We expect to make further announcements in regard to enlargement of the Board's vision for the Group and financing in the coming months; these will be consistent with our confidence in the future of tourism-related development in the region.

Whilst this has been another difficult and somewhat frustrating year for the Company, your Board believes there is light at the end of the economic tunnel and remains confident of fulfilling its vision for the future of Cubus Lux as a leader in tourism and real estate in the region.

Financial

For the year to 31 March 2010 total operating loss was £2,161,000 (2009: £578,000 loss) after an impairment to goodwill of £837,000 (2009: £Nil).

An external net interest charge of £479,000 (2009: £458,000), loan note interest charge of £923,000 (2009: £1,062,000) and tax of £2,000 (2009: £Nil) give an overall loss for the year of £3,565,000 (2009: £2,098,000).

Loss per share amounted to 18.99p (2009: 14.2p loss per share).

The Company issued a further 1,060,000 shares at 20p and 325,000 shares at 17.5p during the year.

Since the year end the Company has issued a further 2,321,429 shares at 14p in June 2010 and 2,298,890 shares in August 2010 at 14p per share.

Conclusion

Overall we have several pressing issues and my fellow Directors and I are both fully focussed on these and optimistic of our eventual success in resolving these.

At the year end Plava Vala d.o.o was in breach of the loan covenants on the Erste bank loan, due to a delay in the payment of principal and interest. As such the loan has been disclosed as a current liability. There has been no indication to date from the bank that the loan will be called in due to the breach of covenants. However the Directors are in the process of finalising further funding that will enable them to pay off the loan and any arrears due. This will present the opportunity to use the Company income for the expansion of the numbers of berths. This in turn would make the marina profitable throughout the year rather than just in the summer season creating the returns to meet bank liabilities.

The Directors are in the process of re-negotiating the term of the Euro loan notes issued for the acquisition of the Olive Island Project to be repayable by 31 December 2011.

The Directors are close to finalising a re-negotiation of the Hypo Alpe Adria loan in Cubus Lux Projektiranje so that the loan will be repayable on 31 December 2011.

We are close to finalising one of the financing options available to us in order to close the Olive Island Resort purchase contract and commence construction.

We need to fund the final stages of the Molatska residential/commercial real estate development in Zadar in order to realise the planned profits. The Directors are currently negotiating a loan to fund the development. If the Directors are unsuccessful in securing the loan, there is an option to sell the Group's share to the construction partner, who has expressed an interest.

We believe we are very close to obtaining significant finance that will not only resolve the above concerns but enable a fast track through the Valdanos development and allow us to bring forward other pipeline projects currently being developed.


GERHARD HUBER
Chairman
Executive Director

24 September 2010

The Directors present the annual report together with the financial statements and auditors report for the year ended 31 March 2010.

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

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

Our market

During the latter part of our 'high season' we did experience some impact of the global economic and financial downturn. This is obviously going to impact on our industry sector, leisure and tourism. We have subsequently seen further effects during the calendar year 2010. We are fortunate in that our recently opened marina business is on an upward growth trend as its reputation increases and our income is partially secured through annual contracts for housing of boats. Our casino business is probably a little more susceptible to tourism and we have to make strenuous efforts to bring in guests during the quiet months.

In addition, we have a pipeline of projects lined up ready and will introduce these as our financial and management resources allow. The completion of any of these projects should put us in a good position to grow. In order to take advantage of our position we need to continue to secure financing opportunities.

Olive Island Resort

The Company has a signed Purchase Contract with Ugljan Island Municipality for an overall price of €8.4 million. This includes an initial payment of €4.2 million to register the land in the Company. The first payment of €1 million has been made with the remainder due by January 2011. If the Company has insufficient funds to make this payment the Directors are confident of negotiating an extension.

Following that, the Company will pay a further €4.2 million, as agreed in the tender, in four instalments over 3 years, as each stage of the construction is completed. Financing is being sought for these payment commitments. In the current financial environment it is proving difficult, however the Company is encouraged by four factors: Firstly, the Municipality has developed a strong working relationship with the Company, as evidenced through the marina at Sutomiscica; Secondly, the resort project has been confirmed to be in the Croatian National Interest; Thirdly, the Company has secured a Bank Guarantee and is now seeking only a lender. Fourthly, financing had previously been agreed with a significant Austrian Bank, prior to the conclusion of the land issue. This came after extensive reviews of the project and a satisfactory valuation. Unfortunately, after the start of the 'credit-crunch' this bank was no longer able to support new projects. This status will be reviewed by this particular bank as the economic situation develops. In the meantime, the Company is at an advanced stage in negotiating other financing options.

Marina Sutomiscica

We have now completed three years of operation of the marina. Through marketing at European boat shows we have gained some International interest and have managed to increase our long term berth contracts to more than 90% occupancy. In addition, a major German motoring organisation recently declared it as a 'top' European marina destination. This has helped to increase both the restaurant and boat transit businesses.

This activity has improved the financial performance with the marina producing an annualised operational profit of €300,000 in the latter part of the season ending September 2009. In order, to consolidate on this it is necessary to increase the number of available berths from the current 200. We have an option in the original tender, won in 2005, to build a further 100 berths. The cost of the construction will be approximately €800,000 and limited to the jetties and accompanying services and installations, as all other marina facilities are sufficient to cater for the extended number of guests. We are currently trying to secure finance for this expansion. We believe that expansion is essential and if this is secured the marina will be profitable all year round.

Casinos

Since 2008 we have closed the casino in Medulin and moved the gaming equipment to our Pula casino, at the same time taking on additional floor space. In addition, we have closed the Rabac casino and moved the equipment to a new seasonal casino at Selce, south of Rijeka. Medulin was closed as it was in close proximity to Pula using the same customer base; Medulin had been opened by the Company's former owner but was now considered uneconomical and created a duplicated use of our resources. The Rabac casino was located in a holiday resort which had changed its status to a seasonal holiday location. As a result, the number of guests reduced significantly.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS (continued)**Casinos (continued)**

Despite now occupying a greater floor space at our Pula casino we have not performed as well as the previous year. The main reason for the adverse performance in the year to 31 March 2010 is the condition of the hotel in which the casino is located and the space is leased.

We had successfully grown our business but the hotel was one of several in Istria that were sold during the year. It is now part of a significant refurbishment programme which has unfortunately reduced the number of guests to both the hotel and our casino. The refurbishment is expected to continue throughout 2011.

As we anticipate disruptions at the Pula Hotel to continue we have explored options to expand in other locations. We are in negotiations to open a casino in a new hotel close to Split, in Dalmatia, under a Joint Venture arrangement. We have a licence to open unlimited casinos in Croatia and are currently waiting for the hotel in Split to be completed before concluding negotiations.

Valdanos

After having won the tender to develop the Valdanos land, near Ulcinj in Montenegro, we have started negotiations of the purchase contract with the Montenegro Government. The next step will be to complete a detailed business plan before the project commences. We will need to secure financing to fund the development project and hope to be able to obtain this from local banks in Montenegro.

IAS 36 Impairment of Assets Review

Typically, for a project-rich company, which has obtained some projects through acquisition, the Company, having identified undeveloped projects, has bought goodwill. This goodwill has been separately identified in the consolidated balance sheet of Cubus Lux plc as potential revenue earning intangible assets in accordance with International Financial Reporting Standard 3 ('IFRS 3') Business Combinations, following the acquisitions of Plava Vala d.o.o. ("PV") on 6 March 2006, Duboko Plavetnilo - Ugljan Projektant d.o.o. (DPUP) and Duboko Plavetnilo - Hoteli d.o.o. ("DPH") on 22 February 2008 and Tiha Uvala d.o.o. ("TU") on 30 September 2008.

We have again engaged Brand Finance plc to conduct an impairment review of the intangible assets of Cubus Lux plc at 31 March 2010 for the purposes of compliance with IAS 36 Impairment of Assets.

In accordance with the standard, we have to assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, we are also required to:

- i) Test an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount; and
- ii) Test goodwill acquired in a business combination for impairment annually.

For the purposes of this review, Brand Finance has considered the assets identified through the purchase price allocations ('PPA') for compliance with IFRS 3 Business Combinations in respect of the intangible assets acquired by Cubus Lux Plc.

The assets acquired are summarised in the table below:

IFRS 3 CATEGORY	ASSET	USEFUL ECONOMIC LIFE
Marketing-related	Brand (DPH)	20 years
Marketing-related	Brand (DPUP)	3 years
Contract-related	Hotel management contract (DPH)	10 years
Contract-related	Marina operating licence (PV)	Indefinite
Contract-related	Resort development rights (DPUP)	3 years
Contract-related	Hotel development rights (DPH)	20 years
Contract-related	Hotel development rights (TU)	20 years

During the past year we had experienced significant difficulty in raising sufficient loan finance or equity capital in order to finance the acquisition of the land at the Olive Island Resort, the development of the villas, apartments, hotel and facilities within the resort and the development of the Hotel Sutomišćica adjacent to the Olive Island marina. Also, the delays in construction could have possibly led to the withdrawal of Sol Méliá from the Olive Island Hotel in accordance with the conditions included in the Memorandum of Understanding.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS (continued)

Furthermore the land price has been increased following the protracted negotiations between the Croatian Forestry Commission, the Croatian Central Government and the Municipality of Preko. This could lead to a diminution of the profitability, and hence a reduction of the resulting free-cash flows, of the developments.

Each impairment review comprised a comparison of the carrying amount of the asset with its recoverable amount, where the recoverable amount is the higher of fair value less costs to sell and value in use.

To the extent that the carrying amount exceeds the recoverable amount, the asset is impaired. If either fair value less costs to sell or value in use is higher than the carrying amount, the goodwill is not impaired.

The largest intangible asset in the balance sheet is the Development Rights of the Olive Island Resort. With the delay in start of construction there was the possibility that the present value of the project would have left the Company with an impairment. In the final event there was no impairment but it is essential that we meet the following targets:

- The Company attracts sufficient funding to complete the resort development within the time frame forecast of 2010-2012;
- The development costs do not exceed the forecast cost of €135.4 million (including the land cost of €9.4 million), of which €30.5 million is attributable to the building of the hotel;
- The villas and apartments realise an average price of at least €364,000 after deduction of sales commissions;

The Directors believe that the aforementioned assumptions are achievable.

The impairment review calculations indicated that for all identified intangible assets the valuation exceeded the carrying value and there were no impairments at 31 March 2010.

LOAN COVENANTS

During the year the loan covenants within Erste bank loan of Plava Vala d.o.o were breached. As such under the requirements of IFRS 7 the loan has been fully disclosed within one year. The breach was due to delays in paying the interest and principals in accordance with the loan term. In addition as a consequence the company's bank account was blocked. The carrying amount of the loan at the year end was £3,542,000.

POST BALANCE SHEET EVENTS

Since the year end the Company placed 2,321,419 ordinary shares of £0.10p each at £0.14p per share on 14 June 2010 and 2,298,890 ordinary shares of £0.10p each at £0.14p per share on 31 August 2010.

On 7 May 2010 the Company re-priced the existing 867,500 share options from the original exercise prices of £1.00 and £1.625 to the mid market price at close, on the day of 15p. Of these, 767,500 expire on 26 April 2011 and 100,000 expire on 26 April 2012.

On 2 July 2010 the Company granted options to Directors and employees over 4,780,000 new ordinary shares, in aggregate, at an exercise price of 14p per share and an expiry date of 21 June 2015. The options granted to Directors were: G Huber 2,000,000; S McCann 1,000,000; C Kaiser 500,000; E Abramovich 260,000; F Molina-Alvarez 260,000; L Nahon 260,000. In addition, 500,000 options were granted to employees.

The Directors are in the process of re-negotiating the term of the Euro loan notes issued for the acquisition of the Olive Island Project to be repayable by 31 December 2011.

The Directors are close to finalising a re-negotiation of the Hypo Alpe Adria loan in Cubus Lux Projektiranje so that the loan will be repayable on 31 December 2011.

At the year end Plava Vala d.o.o was in breach of the loan covenants on the Erste bank loan, due to a delay in the payment of principal and interest. As such the loan has been disclosed as a current liability. There has been no indication to date from the bank that the loan will be called in due to the breach of covenants. However the Directors are in the process of finalising further funding that will enable them to pay off the loan and any arrears due. This will present the opportunity to use the Company income towards the expansion of the numbers of berths. This in turn would make the marina profitable throughout the year rather than just in the summer season creating the returns to meet bank liabilities.

ACCOUNTS PRODUCTION

The financial statements for the year ended 31 March 2010 have been prepared in accordance with International Financial Reporting Standards.

DIVIDENDS

The Directors do not propose a final dividend (2009: £nil).

DIRECTORS

The Directors who served during the year were:

Executive Directors

G Huber	(Executive Chairman)
C Kaiser	(Chief Operating Officer)
S McCann	(Chief Financial Officer)

Non-executive Directors

E Abramovich	#
M Janssen	*
F Molina-Alvarez	* #
L Nahon	* #

* Audit Committee members # Remuneration committee members

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

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. The Directors are also 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 2006 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

Since the year end, the Company has improved the cash position. The summer season was profitable although the continuing recession did have an impact on numbers of tourists. The Company has in addition issued equity in June and August to raise funds to keep existing and new projects running. A total of 4,620,319 shares were issued at 14p per share. Despite this there are still concerns over meeting future liabilities.

The Executive Directors are working continually to obtain the necessary loan finance for the larger projects, in particular for Olive Island Resort. The Municipality of Preko, as existing land owner are very encouraged by the progress being made by the Company and the State of Croatia are aware of our efforts and are very encouraging also. The Municipality, with State support has agreed to extend the payment terms until January 2011. The Directors believe that the conclusion of a financing package is very close and are expecting to receive the Olive Island project loans within the aforementioned payment terms. The loans being negotiated would finance fully the Olive Island project and allow all other liabilities to be paid.

Despite the progress being made, contingency plans are however prepared and include negotiations to sell the Olive Island marina if necessary. In addition, we are reviewing a possible sale of our casino at Pula and our partner in Cubus Lux Projektiranje d.o.o. has offered to buy our 50% share. Furthermore the majority of loan note holders of the

CUBUS LUX PLC

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2010

GOING CONCERN (continued)

€13,000,000 loan notes have indicated that they will not seek repayment from the Company in December 2010 unless the Group has sufficient funds to do so and continue trading and the Directors are in the process of negotiating an extension to 31 December 2011 with the remaining loan note holders.

The Directors are in the process of re-negotiating the term of the Euro loan notes issued for the acquisition of the Olive Island Project to be repayable by 31 December 2011.

The Directors are close to finalising a re-negotiation of the Hypo Alpe Adria loan in Cubus Lux Projektiranje so that the loan will be repayable on 31 December 2011.

At the year end Plava Vala d.o.o was in breach of the loan covenants on the Erste bank loan, due to a delay in the payment of principal and interest. As such the loan has been disclosed as a current liability. There has been no indication to date from the bank that the loan will be called in due to the breach of covenants. However the Directors are in the process of finalising further funding that will enable them to pay off the loan and any arrears due. This will present the opportunity to use the Company income towards the expansion of the numbers of berths. This in turn would make the marina profitable throughout the year rather than just in the summer season creating the returns to meet bank liabilities.

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 80 days (2009: 116 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 forthcoming 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. 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

CUBUS LUX PLC

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2010


ELECTRONIC COMMUNICATIONS (continued)

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)208 639 3399)

ON BEHALF OF THE BOARD


GERHARD HUBER
Chairman
Executive Director
24 September 2010

65 New Cavendish Street
London
W1G 7LS

CORPORATE GOVERNANCE

Under the AIM rules the Group is not obliged to implement the provisions of the Combined (the "Code"). However, the Company is committed to applying the principles of good governance contained in the Code as appropriate to a Company of this size. The Board will continue to review compliance with the Code at regular intervals.

In common with other organisations of a similar size, the Executive Directors are heavily involved in the day to day running of the business and meet regularly on an informal basis as well as at Board Meetings. The Board of Directors meets regularly and is responsible for formulating strategy, monitoring financial performance and approving major items of capital expenditure. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are complied with.

The Board comprises three Executive Directors and four Non-Executive Directors. In view of the size and management structure of Cubus Lux Plc, the Company has not complied with certain minor aspects of the Code as discussed below:

Board of Directors

The Board includes four Non-Executive Directors, all of whom are considered by the Board to be independent.

The Board has six scheduled meetings each year and others as required. The Board of Directors meets regularly and retains full responsibility for the direction and control of the Group. No strategic powers have been delegated and for these reasons the Board did not have, during the year, a formal schedule of matters specifically reserved to it (Paragraph A1 of the Code). During the year all serving Directors attended all Board meetings that were held, except one meeting when six Directors attended and two meetings when five Directors attended.

There is currently no formal agreed procedure for Directors in the furtherance of their duties to take independent professional advice as necessary at the Company's expense (paragraph A5 of the Code).

Non-Executive Directors

The appointment of Non-Executive Directors is a matter for the Board as a whole. Although recommended by the Code, there is currently no formal selection process. The Non-Executive Directors have contracts for services for an unspecified period. (Paragraph A7 of the Code). The Non-Executive directors are subject to re-election every three years.

Terms and conditions of appointment of the Non-Executive Directors are available for inspection.

Executive Directors

The Executive Directors have service contracts which are for unspecified periods and which are determinable by the Company or the Director on giving notice of between six months and one year. Directors are appointed by the Board of Directors but stand for election by the shareholders at the Annual General Meeting. The Executive directors are subject to re-election every three years.

Board Committees

A Remuneration Committee is in place comprising three Non-Executive Directors. The Remuneration Committee meets as required. All serving members attended the meetings held in the year.

An Audit Committee is in place comprising three Non-Executive Directors. The Company's approach to internal control is described below. The Audit Committee has two scheduled meetings each year. All serving members attended the two meetings held in the year.

There is no Nomination Committee. Given the size of the Group, the Board do not consider a Nomination Committee appropriate (paragraph A4 of the Code).

Complete copies of the terms of reference of the Audit and Remuneration Committee are available on request.

CORPORATE GOVERNANCE (continued)

Performance evaluation

There is currently no formal performance evaluation of the board, its committees and its individual directors (paragraph A6.1 of the Code). In the future this is intended to be formalised and the non-executive directors will be responsible for performance evaluation of the Chairman.

Communication with Shareholders

The Chairman is available to shareholders at any time to discuss strategy and governance matters.

In addition, all company announcements are published on the Company's website, together with financial results.

All shareholders have the opportunity to ask questions and express their views at the Company's Annual General Meeting, at which all Directors are available to take questions.

With the exception of the matters referred to above the Company has complied throughout the financial year with provisions of Section I of Revised Combined Code, issued in July 2008.

AUDIT AND INTERNAL CONTROL

The primary role of the Audit Committee is to keep under review the Group's financial systems and controls and its financial reporting procedures. In fulfilling this role, the Committee receives and reviews work carried out by the external auditors and their findings.

The Board has overall responsibility for operating and monitoring the system of internal control within the Group and for monitoring its effectiveness. The system includes an ongoing process for identifying, evaluating and managing significant business risks. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's system is designed to provide the Directors with reasonable assurance that any material problems are identified on a timely basis and dealt with appropriately.

Guidance on the Turnbull Report was issued in September 1999 and gave guidance to Directors on the requirements of the Combined Code for reviewing the effectiveness of the Group's system of internal control, encompassing operational, compliance and risk management matters in addition to the traditional financial issues. The Audit Committee reviews the effectiveness of the internal controls on an annual basis on behalf of the Board and considers that, given the small size of the Company and the close involvement of the Executive Directors in the day to day operations, it has complied with the requirements in the Combined Code and the Turnbull Report in the year under review and up to the date of approval of the Annual Report and Accounts.

The key elements of the system, which has been designed to meet the specific needs and business risks of the Group, include:

- clearly defined organisation structures with segregation of duties wherever practicable
- agreement of Group short term financial objectives and business plans
- monthly review by the Board of Group Financial Statements and monitoring of results against budgets
- Board control over treasury, taxation, legal, insurance and personnel issues
- Board control over appraisal, review and authorisation of capital expenditure

In common with organisations of similar size the Executive Directors are heavily involved in the day to day running of the business. The Directors believe that although the Company's controls may be slightly less formal than those of larger companies, the close involvement of the Executive Directors more than compensates for this.

CUBUS LUX PLC

CORPORATE GOVERNANCE STATEMENT (continued)

FOR THE YEAR ENDED 31 MARCH 2010

AUDIT AND INTERNAL CONTROL (continued)

The Board believes that it is not currently appropriate for the Company to maintain an internal audit function because of the close involvement of the Executive Directors in the running of the business.

The Audit Committee consider the independence and objectivity of the external auditors on an annual basis, with particular regard to non-audit services. The split between audit and non-audit fees for the year and information on the nature of the non-audit fees appear in note 4 to the financial statements. The non-audit fees are considered by the Committee not to affect the independence or objectivity of the auditors. The Audit Committee monitors such costs in the context of the audit fee for the year, ensuring that the value of non-audit services does not increase to a level where it could affect the auditors' objectivity and independence. The Audit Committee also received an annual confirmation of independence from the auditors.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

CUBUS LUX PLC

We have audited the financial statements of Cubus Lux Plc for the year ended 31 March 2010, 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. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 or Part 16 of the Companies Act 2006. 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 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

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Going Concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures 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 £3,590,000 during the year ended 31 March 2010 and at the year end the Group's current liabilities exceed its current assets by £16,460,000. 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 financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2010 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

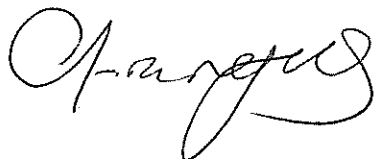
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

CUBUS LUX PLC (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Anastasia Frangos (Senior statutory auditor)
for and on behalf of haysmacintyre, Statutory Auditor

24 September 2010

Fairfax House
15 Fulwood Place
London
WC1V 6AY

CUBUS LUX PLC
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010 £'000	2009 £'000
REVENUE	1,2	1,480	1,535
Cost of sales	3	(160)	(181)
GROSS PROFIT		<u>1,320</u>	<u>1,354</u>
Administrative expenses		(2,644)	(2,758)
Negative goodwill		-	2,721
Exceptional charges	5	(837)	(1,895)
OPERATING LOSS		<u>(2,161)</u>	<u>(578)</u>
Net finance expenditure	7	(1,402)	(1,520)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(3,563)</u>	<u>(2,098)</u>
Tax on ordinary activities	8	(2)	-
LOSS FOR THE YEAR		<u>(3,565)</u>	<u>(2,098)</u>
Exchange differences on translation of overseas operations		(25)	(319)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u><u>(3,590)</u></u>	<u><u>(2,417)</u></u>
Attributable to:			
Equity holders of the Company		(3,569)	(2,098)
Minority interest		4	-
		<u><u>(3,565)</u></u>	<u><u>(2,098)</u></u>
LOSS PER SHARE			
Basic	21	<u><u>(18.99)p</u></u>	<u><u>(14.2)p</u></u>
Diluted	21	<u><u>(18.99)p</u></u>	<u><u>(14.2)p</u></u>

All activities arose from continuing activities.

The notes on pages 24 to 44 are an integral part of these consolidated financial statements

CUBUS LUX PLC

CONSOLIDATED BALANCE SHEET

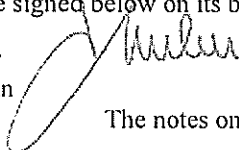
Company Number: 5127325

AT 31 MARCH 2010

ASSETS	Notes	2010 £'000	Restated 2009 £'000
Non-current assets			
Intangible assets	10a	39,093	39,093
Goodwill	10b	738	1,575
Property, plant and equipment	11	4,780	5,147
		<u>44,611</u>	<u>45,815</u>
Current assets			
Inventories	13	8,252	6,365
Trade and other receivables	14	660	710
Cash at bank	15	2,675	3,365
		<u>11,587</u>	<u>10,440</u>
TOTAL ASSETS		<u>56,198</u>	<u>56,255</u>
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Called up share capital	16	1,928	1,790
Share premium account		17,135	17,005
Merger reserve		347	347
Profit and loss account		(2,345)	973
TOTAL EQUITY		<u>17,065</u>	<u>20,115</u>
MINORITY INTEREST IN EQUITY		<u>237</u>	<u>233</u>
LIABILITIES			
Non-current liabilities			
Deferred consideration		416	416
Deferred tax liabilities	8c	7,818	7,818
Loans	18a	2,615	7,711
Amounts due under finance leases	18c	-	14
		<u>10,849</u>	<u>15,959</u>
Current liabilities			
Trade and other payables	17	6,216	5,195
Loans	18b	21,831	14,745
Amounts due under finance leases	18c	-	8
		<u>28,047</u>	<u>19,948</u>
TOTAL LIABILITIES		<u>38,896</u>	<u>35,907</u>
TOTAL EQUITY AND LIABILITIES		<u>56,198</u>	<u>56,255</u>

The financial statements were approved and authorised for issue by the Board of Directors on 24 September 2010 and were signed below on its behalf by:

G Huber
Chairman




The notes on pages 24 to 44 are an integral part of these consolidated financial statements

PARENT COMPANY BALANCE SHEET

AT 31 MARCH 2010

	Notes	2010 £'000	2009 £'000
ASSETS			
Non-current assets			
Investments	12	23,108	24,145
Current assets			
Trade and other receivables	14	6,406	5,906
Cash at bank	15	-	29
		<u>6,406</u>	<u>5,935</u>
TOTAL ASSETS		<u><u>29,514</u></u>	<u><u>30,080</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Called up share capital	16	1,928	1,790
Share premium account		17,135	17,005
Profit and loss account		(6,422)	(4,217)
		<u>12,641</u>	<u>14,578</u>
TOTAL EQUITY		<u><u>12,641</u></u>	<u><u>14,578</u></u>
LIABILITIES			
Non-current liabilities			
Deferred consideration		416	416
Loans	18a	287	-
		<u>703</u>	<u>416</u>
Current liabilities			
Trade and other payables	17	2,024	1,627
Loans	18b	14,146	13,459
		<u>16,170</u>	<u>15,086</u>
TOTAL LIABILITIES		<u><u>16,873</u></u>	<u><u>15,502</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>29,514</u></u>	<u><u>30,080</u></u>

The financial statements were approved and authorised for issue by the Board of Directors on 24 September 2010 and were signed below on its behalf by:


G Huber
Chairman

The notes on pages 24 to 44 are an integral part of these consolidated financial statements

CUBUS LUX PLC

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2010

	2010 £'000	2009 £'000
Cash flows from operating activities		
Loss before taxation	(3,563)	(2,098)
Adjustments for:		
Net finance expense	1,402	1,520
Profit on disposal of fixed assets	60	-
Exchange rate differences	(242)	1,077
Share based payments	276	220
Depreciation	359	349
Negative goodwill written back to income statement	-	(2,721)
Impairment of goodwill	837	-
Movement in trade and other receivables	50	84
Movement in inventories	(1,887)	1,696
Movement in trade and other payables	1,101	(1,019)
	<hr/>	<hr/>
Cash outflow from operating activities	(1,607)	(892)
Interest paid – net	(434)	(459)
Taxation paid	-	-
	<hr/>	<hr/>
Net cash outflow from operating activities	(2,041)	(1,351)
	<hr/>	<hr/>
Cash flow from investing activities		
Purchase of property, plant and equipment and intangibles	(122)	(190)
Proceeds from sale of property	-	34
	<hr/>	<hr/>
Net cash outflow from investing activities	(122)	(156)
	<hr/>	<hr/>
Cash flows from financing activities		
Issue of shares	268	1,304
Capital element of finance lease repaid	(22)	(21)
Net loans undertaken less repayments	1,328	706
	<hr/>	<hr/>
Cash inflow from financing activities	1,574	1,989
	<hr/>	<hr/>
Net cash (outflow)/inflow from all activities	(589)	482
Cash and cash equivalents at beginning of period	3,365	2,372
Non-cash movement arising on foreign currency translation	(101)	511
	<hr/>	<hr/>
Cash and cash equivalents at end of period	2,675	3,365
	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents comprise		
Cash and cash equivalents	2,675	3,365
	<hr/> <hr/>	<hr/> <hr/>

CUBUS LUX PLC**PARENT COMPANY CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 MARCH 2010**

	2010 £'000	2009 £'000
Cash flows from operating activities		
Loss before taxation	(2,481)	(3,704)
Adjustments for:		
Finance income	(90)	(156)
Finance expense	923	1,068
Impairment of investment	837	-
Exchange rate difference	(498)	1,621
Share based payments	276	220
Movement in trade and other receivables	(433)	(1,010)
Movement in trade and other payables	628	343
	<u>(838)</u>	<u>(1,618)</u>
Cash flows from financing activities		
Issue of shares	268	1,304
Net loans received	541	279
	<u>809</u>	<u>1,583</u>
Cash inflow from financing activities		
	<u>809</u>	<u>1,583</u>
Net cash outflow from all activities	(29)	(35)
Cash and cash equivalents at beginning of period	29	64
	<u>-</u>	<u>29</u>
Cash and cash equivalents at end of period		
	<u>-</u>	<u>29</u>
Cash and cash equivalents comprise		
cash and cash equivalents	<u>-</u>	<u>29</u>

CUBUS LUX PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2010

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Translation reserve £'000	Total attributable to equity holders of the company £'000	Minority Interests £'000	Total £'000
At 1 April 2008	1,463	16,028	347	3,519	(399)	20,958	233	21,191
Share based payments	-	-	-	220	-	220	-	220
Total comprehensive loss for the year	-	-	-	(2,098)	(319)	(2,417)	-	(2,417)
Issue of shares (net of costs)	327	977	-	-	-	1,304	-	1,304
At 31 March 2009	1,790	17,005	347	1,641	(718)	20,065	233	20,298
Prior year adjustment (note 1)	-	-	-	50	-	50	-	50
At 31 March 2009 – as restated	1,790	17,005	347	1,691	(718)	20,115	233	20,348
Share based payments	-	-	-	276	-	276	-	276
Total comprehensive loss for the year	-	-	-	(3,569)	(25)	(3,594)	4	(3,590)
Issue of shares (net of costs)	138	130	-	-	-	268	-	268
At 31 March 2010	1,928	17,135	347	(1,602)	(743)	17,065	237	17,302

CUBUS LUX PLC

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2010

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total £'000
At 1 April 2008	1,463	16,028	(733)	16,758
Share based payments	-	-	220	220
Total comprehensive loss for the year	-	-	(3,704)	(3,704)
Issue of shares (net of costs)	327	977	-	1,304
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2009	1,790	17,005	(4,217)	14,578
Share based payments	-	-	276	276
Total comprehensive loss for the year	-	-	(2,481)	(2,481)
Issue of shares (net of costs)	138	130	-	268
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2010	1,928	17,135	(6,422)	12,641

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 2010). The policies set out below have been consistently applied to all the years presented.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of revenues and expenses during the period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

This year the Group adopted IFRS 8 "Operating Segments", which replaces IAS 14 Segment Reporting. The standard is applied retrospectively. The accounting policy for identifying segments is now based on internal management reporting information that is regularly reviewed by the Executive Directors. In contrast, IAS 14 required the Group to identify one set of segments (business) based on risks and rewards of the operating segments. Segmental reporting is produced on a business basis by type. Note 2 contains further information about the Group's segment reporting accounting policies and new format under IFRS 8. The Group adopted IAS 1 Revised 'Presentation of Financial Statements' and IAS 23 'Borrowing costs' during the year, which has been applied prospectively. The effect of IAS 23 was to decrease the loss for the period by £176,000 and increase inventory by the same amount as well as decreasing the basic and diluted loss per share by £0.94.

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 408, Companies Act 2006.

Going concern

Since the year end, the Company has improved the cash position. The summer season was profitable although the continuing recession did have an impact on numbers of tourists. The Company has in addition issued equity in June and August to raise funds to keep existing and new projects running. A total of 4,620,319 shares were issued at 14p per share. Despite this there are still concerns over meeting future liabilities.

The Executive Directors are working continually to obtain the necessary loan finance for the larger projects, in particular for Olive Island Resort. The Municipality of Preko, as existing land owner are very encouraged by the progress being made by the Company and the State of Croatia are aware of our efforts and are very encouraging also. The Municipality, with State support has agreed to extend the payment terms until January 2011. The Directors believe that the conclusion of a financing package is very close and is fully expecting to receive the Olive Island project loans within the aforementioned payment terms. The loans being negotiated would finance fully the Olive Island project and allow all other liabilities to be paid.

Despite the progress being made contingency plans are however prepared and include negotiations to sell the Olive Island marina if necessary. In addition, we are reviewing a possible sale of our casino at Pula and our partner in Cubus Lux Projektiranje d.o.o. has offered to buy our 50% share. Furthermore the majority of loan note holders of the €13,000,000 million loan notes have indicated that they will not seek repayment from the Company in December 2010 unless the Group has sufficient funds to do so and continue trading and the Directors are in the process of negotiating an extension to 31 December 2011 with the remaining loan note holders.

The Directors are in the process of re-negotiating the term of the Euro loan notes issued for the acquisition of the Olive Island Project to be repayable by 31 December 2011.

The Directors are close to finalising a re-negotiation of the Hypo Alpe Adria loan in Cubus Lux Projektiranje so that the loan will be repayable on 31 December 2011.

At the year end Plava Vala d.o.o was in breach of the loan covenants on the Erste bank loan, due to a delay in the payment of principal and interest. As such the loan has been disclosed as a current liability. There has been no indication to date from the bank that the loan will be called in due to the breach of covenants. However the Directors are in the process of finalising further funding that will enable them to pay off the loan and any arrears due. This will present the opportunity to use the Company income towards the expansion of the numbers of berths. This in turn would make the marina profitable throughout the year rather than just in the summer season creating the returns to meet bank liabilities.

1. ACCOUNTING POLICIES (continued)

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.

Group accounts consolidate the accounts of the Company and its subsidiary undertakings made up to 31 March 2010. 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.

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

With respect to the recognition of revenue and costs of the Olive Island Resort development and other real estate projects, the Company has now adopted (International Accounting Standard) IAS18 paragraph 14, agreements for the sale of goods. This replaces treatment previously recognised under IAS11, construction contracts. As a consequence the Company has chosen to apply IAS18 retrospectively and restated the Group's 2008 results.

The Company interprets the agreements with buyers as not being 'construction contracts' as defined by IAS11 but more appropriately as agreements for 'the sale of goods' as defined under IAS18. Under IAS18 the Company transfers to the buyer control and the risks and rewards of ownership of the real estate in its entirety at

1. ACCOUNTING POLICIES (continued)*Property development income (continued)*

a single time (i.e. at completion and upon delivery). In this case, revenue is recognised only when the completed unit is delivered to the buyer.

The main argument for the treatment under IAS18 rather than IAS 11 is that the buyer is not specifying the main elements of the structural design, as required by IAS11, but is simply choosing elements from a range of options specified by the Company.

The Company has reversed the recognition of income in respect of deposits taken resulting in £1,755,000 which are now being shown in Short term creditors, as advances, rather than revenue. In addition, the Company has reversed the £1,805,000 costs expensed in two of our wholly owned subsidiary companies, Duboko Plavetnilo Ugljan Projektant d.o.o. (£1,495,000) and Worldwide Leisure Housing LLC (£310,000) prior to acquisition by Cubus Lux Plc and thus accounted for as part of the fair value adjustment and negative goodwill calculation on consolidation. These are now carried forward in inventories.

	2009 As reported £'000s	2009 Revised £'000s	2009 Adjustment £'000s
Balance sheet			
Current assets:			
Inventories – land held for redevelopment	4,529	6,334	1,805
Current liabilities:			
Trade and other payables – advance	-	1,755	1,755
Profit and loss account - brought forward reserves	923	973	50

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.

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.

1. ACCOUNTING POLICIES (continued)

Goodwill and business combinations (continued)

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 functional currency of all subsidiary companies is the Croatian Kuna, Cubus Lux Plc is the British Pound.

The exchange rates used at 31 March 2010 was £1 = Euro 1.1233, £1 = HRK 8.1813

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 goods held for resale together with 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, except for interest costs which are directly attributable to construction of qualifying assets. These are capitalised as a cost of construction. Capitalisation of interest costs cease when the asset is ready for use.

2. BUSINESS SEGMENT ANALYSIS

In identifying its operating segments, management generally follows the Group's business segments which represent the main way segments are analysed in the Group.

The measurement policies the Group uses for segment reporting under IFRS 8 are the same as those used in its financial statements.

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

2010	Casino £'000	Marina £'000	Property £'000	Resort £'000	Central £'000	Total £'000
Revenue						
External	667	773	-	-	40	1,480
Segment operating profit/(loss)	(487)	(199)	(782)	167	(860)	(2,161)
Net finance costs						(1,402)
Loss before taxation						(3,563)
Balance sheet						
Assets	1,129	9,986	8,481	36,344	258	56,198
Liabilities	(674)	(6,108)	(4,284)	(24,550)	(3,280)	(38,896)
Net assets/(liabilities)	455	3,878	4,197	11,794	(3,022)	17,302

2. BUSINESS SEGMENT ANALYSIS (continued)

2009	Casino £'000	Marina £'000	Property £'000	Resort £'000	Central £'000	Total £'000
Revenue						
External	864	660	-	-	11	1,535
Segment operating profit/(loss)	(10)	(158)	1,544	799	(2,753)	(578)
Net finance costs						(1,520)
Loss before taxation						(2,098)
Balance sheet						
Assets	1,273	10,690	8,405	35,551	336	56,255
Liabilities	(296)	(6,269)	(4,344)	(23,853)	(1,145)	(35,907)
Net assets/(liabilities)	977	4,421	4,061	11,698	(809)	20,348

3. COST OF SALES

	2010 £'000	2009 £'000
Concession for operations	160	181

4. EXPENSES BY NATURE

	2010 £'000	2009 £'000
Employee benefit expense (see below)	1,302	1,203
Depreciation	359	349
Operating lease rentals	62	48
Auditors' remuneration:		
Audit fees	22	22
Other service pursuant to legislation	5	4
Employee benefit expense (including directors)		
Wages and salaries	735	694
Taxes and contributions	291	289
Share based payments equity settled	276	220
	1,302	1,203
	No.	No.
The average number of persons (including directors) employed by the group during the period was as follows:	56	65

5. EXCEPTIONAL ITEMS	2010 £'000	2009 £'000
Exchange rate differences	-	1,895
Impairment of goodwill	837	-
	<u>837</u>	<u>1,895</u>

The Company is negotiating a sale of its 50% share of Cubus Lux Projektiranje d.o.o. for a net price of €850,000. This will result in a loss of £837,000 on the cost of investment. This amount is deducted from the goodwill recognised on acquisition.

The 2009 exchange rate differences were exceptional as a result of low £/Euro exchange rate of 1.07798. This included a loss of £1,738,000 on the loan notes.

6. DIRECTORS' EMOLUMENTS, INTERESTS AND SERVICES CONTRACTS

The value of all elements of remuneration receivable by each Director in the year was as follows:

	Fees £	Share based payments £	Total £
At 31 March 2010			
<u>Executive Directors</u>			
G Huber	100,000	5,633	105,633
C Kaiser	25,000	2,816	27,816
S McCann	100,000	40,194	140,194
<u>Non-Executive Directors</u>			
E Abramovich	15,000	2,816	17,816
M Janssen	15,000	2,816	17,816
F Molina-Alvarez	15,000	-	15,000
L Nahon	15,000	2,816	17,816
Total	<u>285,000</u>	<u>57,091</u>	<u>342,091</u>
At 31 March 2009			
<u>Executive Directors</u>			
G Huber	100,000	51,414	151,414
C Kaiser	25,000	25,708	50,708
S McCann	100,000	31,050	131,050
<u>Non-Executive Directors</u>			
E Abramovich	15,000	25,708	40,708
M Janssen	15,000	25,708	40,708
F Molina-Alvarez	9,375	-	9,375
L Nahon	15,000	25,708	40,708
Total	<u>279,375</u>	<u>185,296</u>	<u>464,671</u>

Due to the Company's lack of cash resources the above Directors' fees have not been paid in 2010.

These liabilities to Directors are included in the Related Party Transactions note on page 44.

6. DIRECTORS' EMOLUMENTS, INTERESTS AND SERVICES CONTRACTS (continued)

The Directors of the company at 31 March 2010 and 31 March 2009 had an interest in the ordinary share capital of the company as follows:

	2010	2009
<u>Executive Directors</u>		
G Huber	3,216,622	3,205,822
C Kaiser	2,251,605	2,251,605
S McCann	30,000	30,000
<u>Non-Executive Directors</u>		
E Abramovich	24,000	24,000
M Janssen	460,688	460,688
F Molina-Alvarez	-	-
L Nahon	61,467	61,467

Details of options over the Company's shares granted under the Enterprise Management Incentives Scheme are as follows:

	Options held at 1 April 2009	Lapsed	Granted	Options held at 31 March 2010	Exercise Price £	Exercisable
<u>Executive Directors</u>						
G Huber	200,000	-	-	200,000	1.00	27/04/09 to 26/04/11
C Kaiser	100,000	-	-	100,000	1.00	27/04/09 to 26/04/11
S McCann	130,000	-	-	130,000	1.00 - 1.6275	27/04/09 to 26/04/12
<u>Non-Executive Directors</u>						
E Abramovich	100,000	-	-	100,000	1.00	27/04/09 to 26/04/11
M Janssen	100,000	-	-	100,000	1.00	27/04/09 to 26/04/11
F Molina-Alvarez	-	-	-	-	-	-
L Nahon	100,000	-	-	100,000	1.00	27/04/09 to 26/04/11

The market price of the shares at 31 March 2010 was 13.5p (2009: 33.5p) with a quoted range during the year of 10p to 52p. No Director exercised any share options during the year or in the prior year.

7. FINANCE EXPENDITURE

	2010 £'000	2009 £'000
Interest receivable	73	17
Interest payable on loans	(552)	(475)
Interest payable on loan notes	(923)	(1,062)
	<u>(1,402)</u>	<u>(1,520)</u>

8. 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.

(a) The taxation charge comprises:

	2010 £'000	2009 £'000
Current corporation tax for the period	2	-
Deferred tax	-	-
	<u>2</u>	<u>-</u>
Utilisation of tax losses brought forward	<u>-</u>	<u>-</u>
Current year tax charge	<u>-</u>	<u>-</u>
	<u>£'000</u>	<u>£'000</u>

(c) Deferred tax

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

Deferred tax on separately identifiable intangible assets	<u>7,818</u>	<u>7,818</u>
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(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 2010 are £10,634,000 (2009: £7,891,000).

9. LOSS FOR THE FINANCIAL YEAR

The Parent Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Parent Company loss after taxation was £2,481,000 (2009: loss £3,704,000).

CUBUS LUX PLC

NOTES TO THE REPORT AND FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2010

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	Brand £'000	Total £'000	Right to Develop £'000	Management Contract £'000	Total £'000	Right to Develop £'000		
Cost or valuation At 1 April 2008	5,372	26,382	121	110	31,875	2,187	1,730	4,027	-	35,902	
Acquired on acquisition	-	-	-	-	-	-	-	-	3,191	3,191	
At 31 March 2009 and 31 March 2010	5,372	26,382	121	110	31,875	2,187	1,730	4,027	3,191	39,093	

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 2009	1,575
Impairment	(837)
	<hr/>
At 31 March 2010	738
	<hr/> <hr/>

The adjustment of £837,000 is in respect of the write down of Cubus Lux Projektiranje d.o.o.

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 2010-2012 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.

In line with IAS 36 "Impairment of Assets" a full impairment review of the intangible assets was undertaken, by Brand Finance Plc, as at 31 March 2010. This annual impairment review of goodwill determined that no provision for impairment was required.

Intangible assets with finite lives

During the year to 31 March 2010 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 before Summer 2011.

In line with IAS 36 "Impairment of Assets" a full impairment review of the assets with finite lives was undertaken, by Brand Finance Plc, as at 31 March 2010. 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 £'000	Resort Assets £'000	Total £'000
Cost or valuation								
At 1 April 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
Additions	-	26	-	1	3	92	-	122
Disposals	-	-	-	(2)	-	(58)	-	(60)
Exchange rate movements	(2)	(56)	-	(21)	(1)	-	(2)	(82)
At 31 March 2010	119	4,202	3	1,586	344	54	26	6,334
Depreciation								
At 1 April 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
Charge for the year	4	132	-	145	68	9	1	359
Disposals	-	-	-	-	-	-	-	-
Exchange rate Movements	(1)	(2)	-	(8)	(1)	-	-	(12)
At 31 March 2010	83	378	3	850	223	10	7	1,554
Net Book Value								
At 31 March 2010	36	3,824	-	736	121	44	19	4,780
At 31 March 2009	41	3,984	-	895	186	19	22	5,147

CUBUS LUX PLC

NOTES TO THE REPORT AND FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2010

12. INVESTMENTS	£'000
Company	
At 1 April 2008	23,443
Additions	2,462
Disposals	(1,760)
	<hr/>
At 31 March 2009	24,145
Additions	-
Reduction in deferred consideration	(200)
Impairment of Cubus Lux Projektiranje d.o.o. (10b)	(837)
	<hr/>
At 31 March 2010	<u>23,108</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 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
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

13. INVENTORIES - GROUP	2010	2009
	£'000	£'000
Work in progress and goods held for resale	16	31
Land held for development	8,236	6,334
	<hr/>	<hr/>
	<u>8,252</u>	<u>6,365</u>

14. TRADE AND OTHER RECEIVABLES	2010		2009	
	Group £'000	Company £'000	Group £'000	Company £'000
Amounts owed by Group undertakings	-	6,182	-	5,680
Trade receivables	78	-	31	-
Other receivables	462	168	518	171
Prepayments and accrued income	120	56	161	55
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>660</u>	<u>6,406</u>	<u>710</u>	<u>5,906</u>

Group and Company 'other debtors' includes £51,000 for unpaid share capital as at 31 March 2010 (2009 £51,000).

CUBUS LUX PLC

NOTES TO THE REPORT AND FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2010

15. CASH AT BANK	2010		2009	
	Group £'000	Company £'000	Group £'000	Company £'000
Cash at bank	2,675	-	3,365	29

Included within the cash at bank and in hand at 31 March 2010 is £208,000 (2009: £114,000) 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. has £3,000 (2009: £3,000) on deposit with OTP Leasing for security over a lease for a van and £8,000 (2009: £8,000) with Erste Leasing as security for a boat and Duboko Plavetnilo Ugljan Projektant d.o.o. has a deposit of £8,000 (2009: £8,000) with Erste Bank to secure a vehicle lease.

16. CALLED UP SHARE CAPITAL	2010 £'000	2009 £'000
Allotted, called up and fully paid:		
19,261,122 (2009: 17,876,122) ordinary shares of £0.10 each	1,926	1,788
1,555,554 deferred shares of £0.001 each	2	2
	<u>1,928</u>	<u>1,790</u>

On 30 June 2009, the Company placed 1,060,000 ordinary shares of £0.10p each at £0.20p per share.

On 30 December 2009, the Company placed 325,000 ordinary shares of £0.10 each at £0.175p per share.

Share options

Share options are granted to directors and employees. 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 71% and has been based on historical share prices. The average share price during the year was 19 pence.

At 1 April 2009	Number of options		Exercise price (pence) £	Exercisable
	At 31 March 2010			
767,500	767,500	1.00	27/04/2009 to 26/04/2011	
100,000	100,000	1.6275	27/04/2010 to 26/04/2012	
<u>867,500</u>	<u>867,500</u>			

17. TRADE AND OTHER PAYABLES	2010		2009	
	Group £'000	Company £'000	Group £'000	Company £'000
Amounts owed to Group undertakings	-	-	-	25
Trade payables	1,976	815	1,199	680
Other taxes and social security	428	-	166	-
Other payables	442	-	641	-
Accruals and deferred income	1,024	618	604	92
Provision for deferred consideration	591	591	830	830
Advances	1,755	-	1,755	-
	<u>6,216</u>	<u>2,024</u>	<u>5,195</u>	<u>1,627</u>

Group 'other creditors' in 2010 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

With the acquisition of Worldwide Leisure Housing LLC, the Company acquired loans payable to Volksbank of €1,100,000. This will be repaid in three years and accrues interest of 12 month Euribor plus 0.625%.

	2010		2009	
	Group £'000	Company £'000	Group £'000	Company £'000
Due within one year	-	-	654	-
Due within two to five years	2,615	287	7,419	-
Due in more than five years	-	-	708	-
	<u>2,615</u>	<u>287</u>	<u>8,781</u>	<u>-</u>
Current portion of long term debt	-	-	(654)	-
	<u>2,615</u>	<u>287</u>	<u>8,127</u>	<u>-</u>

18b) LOANS – SHORT TERM	2010		2009	
	Group £'000	Company £'000	Group £'000	Company £'000
Loan note	13,607	13,607	13,174	13,174
Other loans	8,224	539	917	285
Current portion of long term debt	-	-	654	-
	<u>21,831</u>	<u>14,146</u>	<u>14,745</u>	<u>13,459</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 €13,000,000 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 Directors are in the process of re-negotiating the term of the Euro loan notes issued for the acquisition of the Olive Island Project to be repayable by 31 December 2011.

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 2009 the amount was increased to €4,050,000. The loan will 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. During the year the Company breached the loan covenants. As such under the requirements of IFRS 7 the loan has been fully disclosed within one year. The breach was due to delays in paying the interest and principals in accordance with the loan terms. In addition as a consequence the Company's bank account has been blocked. The carrying amount of the loan at year end was £3,542,000. Since the year end the Directors are close to finalising further funding that will enable them to repay the loan and any arrears due.

Cubus Lux Projektiranje d.o.o. has a €3,122,484 construction loan from a €8,500,000 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. Since the year end the Directors are close to finalising a re-negotiation of the loan in Cubus Lux Projektiranje so that it will be repayable on 31 December 2011.

18c) FINANCE LEASES – LONG TERM	2010		2009	
	Group £'000	Company £'000	Group £'000	Company £'000
Due within one year	-	-	8	-
Due within two to five years	-	-	14	-
	<u>-</u>	<u>-</u>	<u>22</u>	<u>-</u>
Current portion of long term debt	-	-	(8)	-
	<u>-</u>	<u>-</u>	<u>14</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>14</u></u>	<u><u>-</u></u>
FINANCE LEASES – SHORT TERM				
Current portion of long term debt	-	-	8	-
	<u>-</u>	<u>-</u>	<u>8</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.

	2010 £'000	2009 £'000
The future aggregate minimum lease payments under operating leases are as follows:-		
No later than 1 year	75	67
Later than 1 year and no later than 5 years	20	153
	<u>95</u>	<u>220</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 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 to euro where a 1% movement in the average rate impacts trading profit of subsidiaries by £76,000.

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 2010 nor for the period ending 31 March 2009.

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.

20. FINANCIAL RISK MANAGEMENT (continued)

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 differ 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 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:

	2010 £'000	2009 £'000
Income statement:		
Euro	76	10

20. FINANCIAL RISK MANAGEMENT (continued)

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.

Analysis of amounts included in the balance sheet by currency

	2010			2009		
	Borrowings £'000	Cash and Cash Equivalents £'000	Total £'000	Borrowings £'000	Cash and Cash Equivalent £'000	Total £'000
Sterling	(110)	-	(110)	-	154	154
Euro	(24,752)	2,633	(22,119)	(20,544)	3,189	(17,355)
Others	-	42	42	-	22	22
	<u>(24,862)</u>	<u>2,675</u>	<u>(22,187)</u>	<u>(20,544)</u>	<u>3,365</u>	<u>(17,179)</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 2010, with the assumptions that all other variables are constant, on profits and losses before taxes.

	2010 £'000	2009 £'000
Increase of 1% in interest rates		
On Euro borrowing	<u>(80)</u>	<u>(94)</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.

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 18.99p (2009: loss 14.2p) has been calculated on the weighted average number of shares in issue during the year namely 18,773,207 (year ended 31 March 2009: 14,785,356) and losses of £3,565,000 (year ended 31 March 2009: loss £2,098,000).

The calculation of diluted losses per share of 18.99p (year ended 31 March 2009: loss 14.2p) is based on the loss on ordinary activities after taxation and the weighted average of 18,773,207 (2009: average of 14,785,356) 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 dilute EPS for out-of-the-money share options.

22. CAPITAL COMMITMENTS

Duboko Plavetnilo Ugljan Projektant d.o.o. has a commitment in terms of the purchase price of the land, for the Olive Island Resort, on island Ugljan. This comprises an initial payment of €4.2 million followed by four further payments as each stage of the construction is completed. The total cost of the land is €8.4 million (2008: €8.4 million). This amount has not been provided for in the Group accounts as the commitment is only payable once the Group has sufficient funds. The land purchase price will be satisfied from long term bank finance for the project. If the land is not paid for then the purchase price is cancelled and the monies currently paid will be returned to the company.

23. POST BALANCE SHEET EVENTS

Since the year end the Company placed 2,321,419 ordinary shares of £0.10p each at £0.14p per share on 14th June 2010 and 2,298,890 ordinary shares of £0.10p each at £0.14p per share on 31st August 2010.

On 7 May 2010 the Company re-priced the existing 867,500 share options from the original exercise prices of £1.00 and £1.625 to the mid market price at close, on the day of 15p. Of these, 767,500 expire on 26 April 2011 and 100,000 expire 26 April 2012.

On 2 July 2010 the Company granted options to Directors and employees over 4,780,000 new ordinary shares, in aggregate, at an exercise price of 14p per share and an expiry date of 21 June 2015. The options granted to Directors were: G Huber 2,000,000; S. McCann 1,000,000; C Kaiser 500,000; E Abramovich 260,000; F Molina-Alvarez 260,000; L Nahon 260,000. In addition, 500,000 options were granted to employees.

The Directors are in the process of re-negotiating the term of the Euro loan notes issued for the acquisition of the Olive Island Project to be repayable by 31 December 2011.

The Directors are close to finalising a re-negotiation of the Hypo Alpe Adria loan in Cubus Lux Projektiranje so that the loan will be repayable on 31 December 2011.

At the year end Plava Vala d.o.o was in breach of the loan covenants on the Erste bank loan, due to a delay in the payment of principal and interest. As such the loan has been disclosed as a current liability. There has been no indication to date from the bank that the loan will be called in due to the breach of covenants. However the Directors are in the process of finalising further funding that will enable them to pay off the loan and any arrears due. This will present the opportunity to use the Company income towards the expansion of the numbers of berths. This in turn would make the marina profitable throughout the year rather than just in the summer season creating the returns to meet bank liabilities.

24. RELATED PARTY TRANSACTIONS

Within Group 'creditors' is an interest free loan of €210,000 (2009: €210,000) owed to Christian Kaiser, a director of the Company.

Within Group 'creditors' is an interest free loan of €218,000 (2009: €218,000) owed to Gerhard Huber, a director of the Company.

Within Group 'creditors' is a loan due to Phoenix Holdings Limited of €50,000 (2009: €50,000) plus interest of €13,000 (2009: €10,000). Christian Kaiser is a director of both Phoenix Holdings Limited and the Company.

Within Group 'creditors' are interest free loans from Dodge Private Equity Limited totalling €53,000 (2009: €54,000). Gerhard Huber is a director of both Dodge Private Equity Limited and the Company.

Short term loans include a loan of £71,000 (2009: £Nil) owed to Gerhard Huber a director of the Company. A loan of £10,000 (2009: £40,000) owed to Leon Nahon, a director of the Company, and a loan of £142,000 (2009: £93,000) 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 (2009: €2,148,066) owed to Dodge Private Equity Limited, a company owned by Gerhard Huber, €513,897 (2009: €513,897) owed to Michael Janssen and €488,141 (2009: €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.

Amounts owed to Directors at 31 March 2010 in respect of unpaid Directors Fees and expenses are: G Huber £139,000 (2009: £31,000); C Kaiser £71,000 (2009: £24,000); S McCann £174,000 (2009: £74,000); E Abramovich £47,000 (2009: £24,000); M Janssen £41,000 (2009: £19,000); F Molina-Alvarez £31,000 (2009: £14,000); L Nahon £42,000 (2009: £19,000). Interest on these amounts is accruing at 8% per annum.

25. ULTIMATE CONTROLLING PARTY

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