CUBUS LUX PLC

REPORT AND FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

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I am pleased to present the results for the six months ended 30 September 2010

Overview

The Company continues to explore new leisure related project opportunities in Croatia and Montenegro to further our vision of becoming the number one leisure and tourism company in this region. We are engaged in the development of numerous projects but, as we have commented previously, all are subject to financing.

The Company has advanced in its discussions with a number of parties to provide the funding that will allow the Company to progress its various projects. Whilst the directors remain optimistic of finalising one or more of these, to date, none have yet come to fruition.

The Company currently has term sheets for financing from, the equivalent of, €100,000,000 to €200,000,000 although there can be no guarantee that these will be formalised. In the absence of the necessary funding in the near term the directors are considering a number of alternative options to ensure that the Company remains liquid as funding continues to be sought.

Although our main focus is Olive Island Resort and the funding, we have made considerable progress on Valdanos and the marina expansion programme. The Montenegrin Parliament, at the end of November 2010, finally approved the Detailed Plan for Valdanos and we have now been invited to sign the Purchase Agreement which we expect to do shortly after the New Year. In addition, we are very close to agreeing terms on two of our marina targets.

Cubus Lux d.o.o. – the gaming company

The casino is largely dependent on the local trade and Italian tourists. As previously reported, the numbers of Italian tourists visiting Croatia this year have been much lower than in previous years and, in addition, the trade at the Hotel housing the casino has not yet recovered to the levels achieved prior to the start of the Hotel's refurbishment. As a result, trading during the summer proved quite disappointing and resulted in a loss. The Company has therefore decided to refurbish the casino with a view to the disposal of the gaming business, which would enable the Company's management to concentrate on resort management and real estate projects.

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

As previously outlined, our goal is to have a string of marinas, with some level of real estate development, connecting our principle resorts. We have made good progress in identifying further marinas that would both enhance our business but also meet the Croatian Government's objective of extending the tourism season through top quality leisure facilities. However, all are subject to having sufficient funds to acquire and develop them and as such the Company is currently restricted as to how far it can advance these plans. We would look to finance the expansion through our own sources but would also consider involving a partner as appropriate.

As previously announced, we have also been assessing the viability of increasing the number of berths at our current marina at Sutomiscica but this expansion is restricted to our cash resources. As highlighted above, in the absence of third party funding, the Company is reviewing its own asset base and its ability to realise some value and, in respect of our overall strategy, we are reviewing possible disposal opportunities for the marina at Sutomiscica.

Real estate

Our Molatska development is progressing well and on course for completion by May 2011. As previously reported we have reduced the book value to a pre-agreed disposal price should we leave this project before completion, which we would have to do in the absence of funding. As a result of the initial delayed start of construction, the Hypo Alpe Adria Bank loan which was originally due for repayment 1 October 2010 has been extended to 31 December 2011. This will allow the final draw-downs and enable the project to be fully completed.

Although credit market conditions do still remain difficult for large-scale projects such as ours we are more confident that we will be able very soon to close the purchase contract in respect of Olive Island Resort, our primary focus. In the event that appropriate funding is not secured then the directors would release the Company's interest in the Project and pursue the Municipality for deposits currently paid which amount to €1.7m. The Company needs approximately €70m to complete the land purchase and phase one development for the Olive Island Resort and Hotel.

Our Valdanos project is now approved, subject to signing the purchase agreement and we can focus further on its development and financing (full development costs would be in the region of €135m) and a further announcement will be made when the agreement is signed.

Financial
For the six months ended 30 September 2010 the Company reports revenue of £679,000 and a pre tax loss of £1,411,000.

Loss per share amounted to 7.11p

The Company issued a further 4,620,319 new ordinary shares at 14p during the half year.

Plans for the future
As the first of our 'resort' projects, we continue to focus on the 'Olive Island' project as our main objective. This will set the standard for Cubus Lux and assist in fulfilling our vision and continuing strategy in the leisure and tourism industry of Croatia and Montenegro. This resort together with the accompanying real estate programme will provide a very strong foundation for the Group's future development.

Overall, the board believes it is getting ever closer to obtaining the necessary and significant funding to finance our various existing and prospective projects whilst running alternative contingency plans which would ensure, in the absence of funding, that the Company remains in a secure financial position.

GERHARD HUBER
Chairman
Executive Director

CUBUS LUX PLC

GROUP INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Note	Six months to 30 September 2010 Unaudited £'000	Six months to 30 September 2009 Unaudited £'000	Year ended 31 March 2010 Audited £'000
REVENUE	2	679	965	1,480
Cost of sales		(68)	(106)	(160)
GROSS PROFIT		611	859	1,320
Administrative expenses		(1,377)	(827)	(2,844)
Other (expenses)/income	4	(27)	190	(637)
OPERATING (LOSS)/PROFIT		(793)	222	(2,161)
Net finance expense		(618)	(821)	(1,402)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,411)	(599)	(3,563)
Tax on ordinary activities	3	-	(3)	(2)
LOSS FOR THE PERIOD		(1,411)	(602)	(3,565)
Exchange difference on translation of overseas operations		147	(101)	(25)
TOTAL COMPREHENSIVE LOSS FOR PERIOD/YEAR		(1,264)	(703)	(3,590)
ATTRIBUTABLE TO:				
Equity holders of the Company		(1,379)	(585)	(3,569)
Minority interest		(32)	(17)	4
		(1,411)	(602)	(3,565)
EARNINGS PER SHARE				
Basic and diluted	5	(7.11)p	(3.2)p	(18.99)p

CUBUS LUX PLC

GROUP BALANCE SHEET

AT 30 SEPTEMBER 2010

	As at 30 September 2010 Unaudited £'000	As at 30 September 2009 Unaudited £'000	As at 31 March 2010 Audited £'000
Non-current assets			
Intangible assets	39,093	39,093	39,093
Goodwill	738	1,576	738
Property, plant and equipment	4,454	5,077	4,780
	44,285	45,746	44,611
Current Assets			
Inventories	10,592	5,725	8,252
Trade and other receivables	966	974	660
Cash at bank	2,592	2,782	2,675
	14,150	9,481	11,587
TOTAL ASSETS	58,435	55,227	56,198
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Called up share capital	2,390	1,892	1,928
Share premium account	17,320	17,114	17,135
Merger reserve	347	347	347
Retained earnings and translation reserves	(3,532)	265	(2,345)
TOTAL EQUITY	16,525	19,618	17,065
MINORITY INTEREST IN EQUITY	205	216	237
LIABILITIES			
Non-current liabilities			
Deferred consideration	416	416	416
Deferred tax liabilities	7,818	7,818	7,818
Loans	4,356	7,047	2,615
	12,590	15,281	10,849
Current liabilities			
Trade and other payables and deferred income	7,772	3,712	6,216
Loans	21,343	16,396	21,831
Amounts due under finance leases	-	4	-
	29,115	20,112	28,047
TOTAL LIABILITIES	41,705	35,393	38,896
TOTAL EQUITY AND LIABILITIES	58,435	55,227	56,198

CUBUS LUX PLC

GROUP CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Six months to 30 September 2010 Unaudited £'000	Six months to 30 September 2009 Unaudited £'000	Year ended 31 March 2010 Audited £'000
Cash flows from operating activities			
(Loss)/profit before taxation	(793)	222	(2,161)
Adjustments for:			
Exchange rate difference	(176)	(202)	(242)
Share based payments	45	28	276
Depreciation and amortisation	163	178	359
Adjustment to deferred consideration	27	(190)	-
Profit on disposal of fixed assets	-	-	60
Impairment of goodwill	-	-	837
Movement in trade and other receivables	(304)	(265)	50
Movement in inventories	(2,505)	(1,165)	(1,887)
Movement in trade and other payables	1,525	46	1,101
Cash flow from operating activities	(2,018)	(1,348)	(1,607)
Interest (paid)/received – net	-	(456)	(434)
Taxation paid	-	(3)	-
Net cash outflow from operating activities	(2,018)	(1,807)	(2,041)
Cash flow from investing activities			
Purchase of property, plant and equipment and intangibles	(8)	(67)	(122)
Proceeds from sale of property	-	20	-
Net cash outflow from investing activities	(8)	(47)	(122)
Cash flows from financing activities			
Issue of shares	646	211	268
Capital element of finance lease repaid	-	(18)	(22)
Net loans undertaken less repayments	1,326	1,090	1,328
Cash inflow from financing activities	1,972	1,283	1,574
Cash and cash equivalents at beginning of period	2,675	3,365	3,365
Net cash outflow from all activities	(54)	(571)	(589)
Non-cash movement arising on foreign currency translation	(29)	(12)	(101)
Cash and cash equivalents at end of period	2,592	2,782	2,675
Cash and cash equivalents comprise			
Cash and cash equivalents	2,592	2,782	2,675

CUBUS LUX PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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 2009	1,790	17,005	347	1,641	(718)	20,065	233	20,298
Prior year adjustment	-	-	-	50	-	50	-	50
At 1 April 2009 as restated	1,790	17,005	347	1,691	(718)	20,115	233	20,348
Share based payments	-	-	-	28	-	28	-	28
Total comprehensive loss for the period	-	-	-	(585)	(101)	(686)	-	(686)
Issue of shares (net of cost)	102	109	-	-	-	211	-	211
At 30 September 2009	1,892	17,114	347	1,134	(819)	19,668	233	19,901
Share based payments	-	-	-	248	-	248	-	248
Total comprehensive loss for the period	-	-	-	(2,984)	76	(2,908)	4	(2,904)
Issue of shares (net of costs)	36	21	-	-	-	57	-	57
At 31 March 2010	1,928	17,135	347	(1,602)	(743)	17,065	237	17,302
Share based payment	-	-	-	45	-	45	-	45
Total comprehensive loss for the period	-	-	-	(1,379)	147	(1,232)	(32)	(1,264)
Issue of shares (net of costs)	462	185	-	-	-	647	-	647
At 30 September 2010	2,390	17,320	347	(2,936)	(596)	16,525	205	16,730

1. BASIS OF PREPARATION

These interim consolidated financial statements are for the six months ended 30 September 2010. They have been prepared in accordance with IAS 34, Interim Financial Reporting. These interim 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 (December 2010). The IFRS standards and IFRIC interpretations that will be applicable at 31 March 2010, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements. The policies set out below have been consistently applied to all the years presented.

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

The information set out in this interim report for the six months ended 30 September 2010 does not constitute statutory accounts as defined by section 434 of the Companies Act 2006. The statutory accounts for the year ended 31 March 2010, incorporating an unqualified auditors' report, have been filed with the Registrar of Companies.

Going concern

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 have re-negotiated 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.

2. BUSINESS SEGMENT ANALYSIS

Period ended 30 September 2010:	Casino £'000	Marina £'000	Property £'000	Resort £'000	Central £'000	Total £'000
Revenue						
External sales	268	363	-	-	48	679
Loss						
Segment operating loss	(232)	(240)	(76)	(34)	(211)	(793)
Net finance costs						(618)
Loss before taxation						(1,411)
Assets and liabilities						
Segment assets	1,056	9,735	11,868	35,342	434	58,435
Segment liabilities	(718)	(5,995)	(7,907)	(23,709)	(3,376)	(41,705)
Net assets/(liabilities)	338	3,740	3,961	11,633	(2,942)	16,730

Year ended 31 March 2010:	Casino £'000	Marina £'000	Property £'000	Resort £'000	Central £'000	Total £'000
Revenue						
External sales	667	773	-	-	40	1,480
Profit/(loss)						
Segment operating profit/(loss)	(487)	(199)	(782)	167	(860)	(2,161)
Net finance costs						(1,402)
Loss before taxation						(3,563)
Assets and liabilities						
Segment assets	1,129	9,986	8,481	36,344	258	56,198
Segment 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

Period ended 30 September 2009:	Casino £'000	Marina £'000	Property £'000	Resort £'000	Central £'000	Total £'000
Revenue						
External sales	500	447	-	-	18	965
Profit/(loss)						
Segment operating profit/(loss)	9	46	73	301	(207)	222
Net finance costs						(821)
Profit before taxation						(599)
Assets and liabilities						
Segment assets	1,320	10,236	8,471	34,814	386	55,227
Segment liabilities	(371)	(6,037)	(4,364)	(22,852)	(1,769)	(35,393)
Net assets/(liabilities)	949	4,199	4,107	11,962	(1,383)	19,834

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

3. TAXATION

The Company is controlled and managed by its Board in Croatia. Accordingly, the interaction of UK domestic tax rules and the taxation agreement entered into between the U.K. and Croatia operate so as to treat the Company as solely resident for tax purposes in 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.

4. OTHER EXPENSES/INCOME

Other expenses of £27,000 in the period ended 30 September 2010 (£200,000 income in year ended 31 March 2010; £190,000 income in period ended 30 September 2009), arises in respect of the cost of deferred consideration payable for Duboko Plavetnilo Hotels d.o.o. and as such this adjustment of goodwill has been recognised in the consolidated income statement.

£837,000 of other expenses in the year ended 31 March 2010 relates to the impairment of goodwill in Cubus Lux Projektiranje d.o.o..

5. EARNINGS PER SHARE

The loss per share of 7.11p (year ended 31 March 2010: loss 18.99p; six months ended 30 September 2009: loss 3.2p) has been calculated on the weighted average number of shares in issue during the period namely 19,397,754 (year ended 31 March 2010: 18,773,207; six months ended 30 September 2009: 18,449,564) and losses of £1,379,000 (year ended 31 March 2010: loss £3,569,000; six months ended 30 September 2009: loss £585,000).

The calculation of diluted loss per share of 7.11p (year ended 31 March 2010: loss 18.99p; six months ended 30 September 2009: loss 3.2p) has been calculated on the weighted average number of shares in issue during the period namely 19,397,754 (year ended 31 March 2010; 18,773,207; six months ended 30 September 2009: 18,449,564) and losses of £1,379,000 (year ended 31 March 2010: loss £3,569,000; six months ended 30 September 2009: loss £585,000). For a loss making group with outstanding share options, net loss per share would only be increased by the exercise of out-of-the money options. Since it is inappropriate to assume that option holders would act irrationally no adjustment has been made to diluted EPS for out-of-the-money share options.

We have been engaged by the Company to review the condensed set of financial statements in the interim report for the six months ended 30 September 2010 which comprises the consolidated income statement, consolidated interim balance sheet, consolidated interim statement of changes in shareholders' equity, consolidated interim cash flow statement, and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' Responsibilities

The interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the AIM rules. As disclosed in note 1, the annual financial statements of Cubus Lux plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim report has been prepared in accordance with International Accounting Standard 34, ''Interim Financial Reporting,'' as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange for companies whose securities are traded on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely on this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report for the six months ended 30 September 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

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 ability to continue as a going concern. The Group incurred a net loss of £1,264,000 during the period ended 30 September 2010 at the period end the Group's current liabilities exceed its current assets by £14,965,000. This along with the other matters explained in note 1 to the condensed consolidated interim financial statements, indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The consolidated interim financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

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Registered Auditors

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