Registered Office:
Cumberland House
1 Victoria Street
Hamilton HM 11
Bermuda

JUPITER ADRIA LIMITED

Annual report and consolidated financial statements

31 December 2010

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Advisors and corporate information

Directors
The Rt. Hon. The Lord Lamont of Lerwick (Chairman)
Goranko Fizulic
Reef Hogg
Bernard Lambert
Garth Lorimer Turner
J. Andrew Smith
Bruce Weatherill

Company secretary
Tracy Packwood

Registered office
Cumberland House, 1 Victoria Street,
Hamilton HM11 Bermuda

Manager
Jupiter Adria Management Limited
Cumberland House, 1 Victoria Street,
Hamilton HM11, Bermuda

Principal legal advisors
CMS Cameron McKenna LLP
Mitre House, 160 Aldersgate Street
London EC1A 4DD

Conyers Dill & Pearman
Clarendon House, 2 Church Street
Hamilton HM CX, Bermuda

CMS Zagreb d.o.o.
Jurisiceva 24, 10 000
Zagreb, Croatia

Auditors
KPMG LLP
15 Canada Square
London E14 5GL

Listing sponsor
First Bermuda Securities
Maxwell Roberts Building
1 Church Street
Hamilton HM 11, Bermuda

Property advisors and valuers
Colliers CRE
9 Marylebone Lane
London W1U 1HU

CHAIRMAN'S REVIEW

The challenging economic environment in 2010 continued to affect the Company's progress. The sustained shortage of funding for development projects dictated that the majority of the year was used to focus on improving the performance of the Company's existing tourism operations and to advance permitting and design work for the Company's prioritised project sites. The Company now has three further projects ready to bring rapidly into construction when funding permits.

Notwithstanding the continuing tough economic conditions and Croatia's continuing recession, the luxury segment of the country's tourist industry continued to grow strongly in the Company's key areas of focus in the Dubrovnik region and in Istria. In 2010, the Dubrovnik region experienced a 21% year-on-year increase in tourist room nights in its four and five star hotels and resorts, following 22% growth in 2009. One of the Company's central strategic themes is that the Croatian tourism market is in sustained transition towards becoming a predominantly high end destination.

During 2010, the Company took an important step forward in consolidating ownership of Dubrovnik Sun Gardens by acquiring in full the shares owned by its joint venture partner. The first phase of this project, comprising a 201 key Radisson Blu hotel and 207 resort based residences, opened in July 2009. The breadth and quality of its facilities has established Dubrovnik Sun Gardens within a very short space of time as the leading resort in the Dubrovnik region. In the period since opening, there has been a steady improvement in operating results and in operating standards and guest satisfaction. The first phase of residences have been released for sale. Good levels of interest are being shown by prospective purchasers and it is expected that a second release will follow during the course of 2011. From the beginning of 2011, following completion of the purchase of our partner's stake in Dubrovnik Sun Gardens, the Company made a further significant step in taking over the management of the resort from Rezidor under a license agreement that retains the Radisson Blu brand over the hotel. This move has enabled the combined operating experience of the Company's management team to be focused on developing the performance of the resort to an optimal level in the shortest possible time. The results are already evident.

At 31 December, 2010, the Company held cash balances of €2.9 million. Of these balances, €1.0 million relate to the Company's operations at Dubrovnik Sun Gardens and are not used for general group purposes. Total net equity was €108.1 million and the Company incurred a loss of €13.7 million for the year. Net assets per share were €0.72 reflecting the fair value of Dubrovnik Sun Gardens which, in accordance with IFRS, has been determined with reference to a valuation by Colliers International at 31 December, 2010. Net Assets per share includes the Company's other assets at cost less depreciation and adjustments for impairment. Unlike previous years, due to market conditions and in the interest of minimising costs, the Company has not commissioned a revaluation of all of its development sites.

The Company's cash position and ability to secure further funding to develop its operations to the point of self-sustainability has been a concern since the onset of the economic downturn in 2008. Sustained effort has been applied over the past year to find buyers for a number of the Company's assets in order to bolster the Company's liquidity. The market for development land has in general been very thin and, for land of the scale and purpose that characterise the Company's sites, buyers have not yet re-entered the market. Some interest has been generated from potential buyers in the Company's Nauta Lamjana property, which has the potential to continue operating within its existing use as a small shipyard or to be converted into a mixed use marine service and leisure facility. No firm offers have been received to date, however.

As the economic environment improved towards the end of 2010, the Company's management explored the potential to raise further equity to continue with the project development programme. The results of this exploratory exercise were not encouraging. While the Company attracted interest from a number of substantial investor groups, the cost of funding at this point remains prohibitively expensive and dilutive to current shareholder value.

CHAIRMAN'S REVIEW (CONTINUED)

The Directors have therefore decided to address the Company's liquidity needs by offering a limited issue of new equity to existing shareholders, supported by a strong underwriting commitment from management and an extension of existing debt financing. Amounting in all to between €9 million and €11 million of available cash, this fund-raising is intended to secure the Company's operating cash needs for the next three and a half years. Details of this proposed offering will be circulated to shareholders shortly.

The Directors remain concerned about the economic outlook and, in particular, the Company's prospects for raising debt and equity in support of the project development programme. Nevertheless, the Directors also remain confident that the Company's strategic direction continues to be verifiably valid and that the next two years will illustrate the Company's future potential through performance at Dubrovnik Sun Gardens.

Norman Lamont

Chairman

MANAGER'S REPORT

We are pleased to present the financial results of Jupiter Adria Limited for the year ended 31 December, 2010.

Operations - Dubrovnik Sun Gardens

During December 2010 the Company acquired its joint venture partners' shares in Dubrovnik Sun Gardens ("DSG") (www.radissonblu.com/resort-dubrovnik), bringing the Company's ownership in the project to 100%. DSG is the Company's first major resort development project. The first phase of this 5 star project opened in July, 2009, and comprises a sea-fronting 201 key Radisson Blu hotel, with extensive conference and banqueting facilities, a 2000m^2 spa with indoor heated pool, a sports centre which includes two squash courts, three clay tennis courts, a volleyball court and all weather pitch, an extensive and varied choice of food and beverage outlets, three large outdoor freshwater swimming pools, kids club, a large beach area with facilities for water sports and a harbour with water taxi services to and from Dubrovnik. The completed first phase also includes 207 fully serviced residences, with modern design and appointed to a very high standard, the majority of which have direct sea views, with the remainder having partial sea views or with terraces that open out onto picturesque landscaped gardens. DSG is already, arguably, the leading integrated resort in the Adriatic. Key to its design and future performance is its unrivalled range of conference and leisure facilities, directed at achieving higher occupancy in the shoulder and low seasons than Dubrovnik has historically had the means to capture.

Following a short closure during the 2009 winter season, the resort re-opened on 1 March, 2010. For the ten months to 31 December 2010 the resort achieved occupancy of 44% and an average daily rate (ADR) of €137. These are reasonable results, given that the resort has yet to complete its first full year of operations. The potential to improve both rate and occupancy in the coming years is significant. Since DSG opened, the global economic crisis has had an adverse impact on the leisure and tourism sector generally, with revenue per available room ("RevPAR") suffering from downward pressure on prices. During 2010 there were some signs of recovery: in the first half of the year there was evidence of improving demand and increasing occupancy; towards the latter half there were signs of modest improvement in room rates. These upward trends, which have continued and strengthened in the first quarter of 2011, were most prevalent in the more established western European destinations, but lagging in emerging destinations and regions, where indicators of economic recovery remain depressed.

Dubrovnik, as an emerging destination, is well placed to benefit from a sustained recovery in the leisure and tourism sector. Foreign tourist arrivals to Dubrovnik during 2010 were over 15% up on 2009 and we expect 2011 to show a similar trend. Significantly, growth in arrivals in the four and five star market exceeded 20% for the second year running, while demand in the lower tier segments contracted. Increased press coverage and travel company marketing continues to improve traveller awareness of Dubrovnik as a "must visit" destination. Significant improvements also continue in the airlift into Dubrovnik airport, aided by extended and upgraded facilities which doubled the handling capacity of the airport during the second half of 2010.

In anticipation of consolidating 100% ownership of DSG, the Company entered into negotiations with Rezidor during the year to take over the management of the resort. From the beginning of 2011, we assumed management control of the resort under a license agreement that replaces the management agreement hitherto in place, retaining the Radisson Blu branding.

Since the beginning of 2011, we have seen some strong positive trends developing at DSG. Prospective bookings are strong: To 31 May, 2011, confirmed room nights sold for the year stood at over 40,000 at an ADR of €154. This represents 80% of total room nights sold in the whole of 2010 and a 12% improvement in ADR. Enquiries are also strong, particularly in the MICE segments, where we are also seeing improving forward visibility on reservations. Following a strengthening of the resorts executive management team, we have improved sales distribution and marketing activity, with particular success in capturing new business in the shoulder periods that straddle the peak demand months of July and August. At the same time, pricing is being more pro-actively managed, particularly in the periods of high demand and we expect significant further year-on-year improvements in ADR. Also being implemented are a number of improvements and enhancements to operating standards, resulting in improved levels of guest service and satisfaction

The first sales phase of 25 residences at DSG was launched in the summer of 2010. The sales team generated very good levels of interest from prospective purchasers, predominantly from guests in the resort during August and September. Over 300 enquiries were generated and 8 reservations taken, a further 20 or more leads being rated as likely to proceed. The apartment sales launch was timed to take advantage of the high season and in anticipation of completing the registration of the apartments for sale in the Dubrovnik land registry in the fourth quarter. For reasons that were not transparent until after the Company had assumed overall control of the resort, the registration process was further delayed by several months while a number of legal and technical questions were debated at local and ministerial level. These matters have now been resolved and the sales programme has been re-launched as the 2011 season develops momentum.

The release of the second phase of a further 25 residences is expected to be announced later in the year.

Residence owners are entitled to a wide range of privileges and benefits, including available mortgage financing of up to 70% of the sales price: further information may be found at www.dubrovniksungardens.com.

The completed first phase of DSG also includes some of the infrastructure and amenities for the two intended subsequent phases of development. The building permit has been issued for phase two of the project, which comprises a 120 key hotel, to be constructed in a unique, cliff side, sea fronting location to the southern end of the DSG site. A third phase of resort residences is planned for the northern part of the site. Once complete, we expect that DSG, with over 700 keys and at least two globally recognised hotel brands will be firmly established as one of the leading high-end, integrated resort destinations in the Mediterranean.

Operations - marine

The Company's other existing operations are located on the island of Ugljan, in northern Dalmatia and close to the historic port of Zadar. JAL owns and operates a 95-berth marina in the small seaside village of Preko (www.marinapreko.com) and owns development land adjacent to the marina. The marina performed well during 2010, operating at capacity for much of the year and generating a small profit. The location permit for a new 50-key hotel on the waterfront adjacent to the marina was issued to the Company in June, 2010. Also planned for future development are small conference and spa facilities and 60 residences adjacent to the hotel, together with a further 50 residential units at a residential development side in the next bay, all within the village of Preko. The Company also owns the Nauta Lamjana shipyard, which is located five minutes drive from Preko on the South-West side of Ugljan. The shipyard was put up for sale during 2010 and has attracted interest but, to date, no firm offers. Both Preko and Lamjana are within an hour's transfer time from Zadar airport and close to the Kornati Islands National Park.

Development projects

As previously reported to shareholders, in view of the continuing challenges presented by the uncertain economic environment and lack of available development finance, since 2008 the Company has slowed significantly spending on its other development projects. During 2010, the Company did commit modest investment to its site at Markocija, located to the north of Croatia in Istria. The Markocija project is the most advanced of the Company's three planned integrated golf resorts in Istria. During 2010, location permits were issued for the three building zones and building permits were issued for the golf course and associated infrastructure. Building permits for the main building zones have been applied for but will not be issued until construction finance is in place.

Markocija is a 90 hectare site, located in northern Istria, five kilometres from the Slovenian border and with good motorway connections to central and northern Europe. The project comprises 159 residential units, a 77-key boutique hotel, an 18-hole golf course, extensive conference, banqueting, meeting and spa facilities with a variety of restaurants and bars built around a series of traditional piazzas with extensive landscaped grounds. The Company has worked with the Provence-based architects CMLA and with Urbis, the Croatian specialist planning and design consultancy to produce the detailed drawings and technical specifications required for the building permit applications. Interior design services have been provided by HBA, who also worked on Dubrovnik Sun Gardens, and it is planned that the golf course, designed by Jeremy Pern, will be managed by PGA. The Company's two other Istrian golf projects, one located close to the historic and picturesque medieval hilltop village

of Motovun, the other close to the vibrant harbour town of Novigrad, are both located about 30 minutes drive from Markocija and each includes 130-150 residential units. The Company also owns unique development land on Sipan, the largest of the Elaphiti Islands and located under 20 kilometres to the north of Dubrovnik. The project, which is still at the master planning stage, will comprise a high end, integrated, mixed use resort with residences for sale, together with a number of small residential developments around the island.

Proposed fund raise and future funding

The proposed fund raise comprises two principal components: an additional debt facility of €5 million, for which conditional terms have been received by the Company; and an internal tender offer of new ordinary shares to existing shareholders of up to €6 million, subject to a minimum raise of €4 million. As part of the tender offer, members of the JAL management team have agreed to underwrite up to €2 million in the event that take up from existing shareholders does not meet the minimum threshold of €4 million. The new debt facility is conditional on the tender offer raising at least €4 million. The Company is aiming to complete the fund raise by no later than mid-August 2011.

As a result of this fund raise, the Company expects to achieve a net cash inflow of between €9 and €11 million. These funds, together with some additional cost savings to be achieved through a further rationalisation of the Company's management structure, overheads and the planned disposal of non-core assets, will provide the Company with sufficient liquidity through to the end of 2014. By this time, the Company intends to have put in place arrangements for a more substantial injection of funds, which will enable it to make significant progress with its existing development portfolio and to provide a stable platform from which to improve performance from operations.

Jupiter Adria Management Limited

6 July 2011

DIRECTORS' REPORT

The directors present their report together with the audited financial statements for the year ended 31 December 2010. The financial statements were approved and authorised for issue by the board on 6 July 2011.

Objective

The Company's objective is to deliver superior returns on investment to its shareholders by becoming one of the pre-eminent providers of high end leisure services, primarily in Croatia and neighbouring countries, by acquiring, developing and operating businesses that may benefit from the expected rapid and sustained growth in travel and tourism in Croatia and the surrounding region.

Principal activities and business review

A review of the activities and progress made by the Company since incorporation and the strategy for future growth and development is set out in the Chairman's review and Managers' report on pages 4 to 8.

Manager

The Company is managed by Jupiter Adria Management Limited (the "Manager"), a member of Jupiter Fund Management plc (the "Jupiter Group"). The Manager provides advisory services to the Company and manages the investment and reinvestment of the Company's assets, in accordance with a management agreement dated 16 June 2006 as amended, which expires on 31 December 2014. The Manager is entitled to management and performance fees as set out in Note 24 to the consolidated financial statements.

Directors

The directors who held office during the year ended 31 December 2010 and to the date of this report were:

Name		Position
The Rt. Hon. The Lord Lamont of Lerwick		Non-executive chairman
Donald Lines	Resigned 20 July 2010	Non-executive deputy chairman
Garth Lorimer Turner		Non-executive director
Reef Hogg		Non-executive director
Goranko Fizulic		Non-executive director
Bernard Lambert		Non-executive director
J. Andrew Smith		Non-executive director
Bruce Weatherill		Non-executive director

Each non-executive director has entered into a letter of appointment with the Company, which entitles them to receive an annual fee of €25,000, except the Chairman who is entitled to receive an annual fee of €50,000. The directors are re-elected annually, and their appointments may be terminated by not less than three months' notice, or by the members of the Company in accordance with the Company's bye-laws. The directors are entitled to claim reasonable out of pocket expenses and to participate in the share option plan. The biographies of the directors at the date of this report are set out below:

The Rt. Hon. The Lord Lamont of Lerwick (Chairman)

Norman Lamont served as member of parliament for Kingston upon Thames in the U.K. from 1972 to 1993 and, during successive Conservative governments, held a number of senior ministerial posts, serving as Minister of Industry, of Energy, Chief Secretary to the Treasury and, latterly, as Chancellor of the Exchequer from 1990 to 1993, during which time he was Chairman of the G7 group of Finance Ministers (1991) and Chairman of EU Finance Ministers (1992).

During his career, he has held a wide range of directorships. He was a director of NM Rothschild and Sons and of Rothschild Asset Management, having begun his business career in asset management with the bank in 1968. In the 1990s he was an advisor to the Romanian Government on privatisation and is currently President of the British Romanian Chamber of Commerce. He has chaired and sat on the board of a number of Jupiter managed funds since 1993 and was Chairman of the East European Food Fund from 1995 to 2005. His current directorships include Balli Group plc and Phorm plc.

Goranko Fizulic

Goranko Fizulic is a Croatian national, a successful entrepreneur and Chief Executive Officer of Magma d.d., one of Croatia's largest non-food retailing companies which he founded with his wife in 1989. Mr Fizulic served as a deputy in the Croatian parliament throughout the 1990s, a founder and senior member of the Croatian Social Liberal Party. He served as Minister of the Economy in the coalition government headed by Ivica Racan from 2000 to 2002.

Reef Hogg

Reef Hogg qualified as a solicitor in 1980 and was a partner in private practice in London, latterly with the firm of Nabarro Nathanson, specialising in corporate finance and fund work. In 1998 he joined Jupiter as general counsel. He was appointed as a director of Jupiter Investment Management Group Limited in 2000. He is a director of Jupiter Dividend & Growth Trust PLC, an investment trust listed on the London Stock Exchange, and of several other investment funds listed on other international stock exchanges. He has advised investment funds investing in Eastern Europe and other emerging markets.

Bernard Lambert

Bernard Lambert has a deep understanding and experience of the hotel and leisure sector. Currently he is the CEO of Société des Bains de Mer which owns and operates a number of prestigious luxury hotel and resort properties in Monte Carlo that offer gambling at four casinos, including the famous Monte-Carlo Casino. He previously had a distinguished 27 year career with Le Meridien Group. From 1997-2001 he was President and Managing Director of Le Meridien Group, responsible for every aspect of finance, strategy and development, sales and marketing for a portfolio that grew to 130 hotels under his leadership. In 2000, Mr. Lambert was recognised as "Corporate Hotelier of the World".

Garth Lorimer Turner

Garth Lorimer Turner is a solicitor qualified in England & Wales and Hong Kong and a qualified Bermuda barrister and attorney. Mr. Lorimer Turner has extensive experience in cross-border international transactions having specialised in the area of corporate law in Hong Kong and London. He is the managing director of Jupiter Asset Management (Bermuda) Limited, a position he has held since 2001. Mr. Lorimer Turner serves on a number of boards and is a director of the Manager.

J. Andrew Smith

J. Andrew Smith has over 35 years of senior executive and marketing experience in the beverage alcohol industry. Immediately prior to his retirement at the end of May 2006, he was President of Brown-Forman Spirits for Europe, Africa and Eurasia, managing nearly 300 people and such brands as Jack Daniel's Tennessee Whiskey, Southern Comfort and Finlandia Vodka. His previous positions at Brown-Forman included International Beverage Marketing Director, responsible for all countries outside the USA and Marketing Director for Europe, Middle East and Africa. He was also General Manager of J. & F. Martell Inc. in New York, the North American marketing affiliate of Martell, the fine French cognac producer.

Bruce Weatherill

Bruce Weatherill is a Chartered Accountant with experience gained from over 30 years in London and 3 years in Southern Africa, including 20 years as a partner in PwC. He was Global Leader of the PwC Private Banking / Wealth Management Practice for over 10 years and provided a wide range of audit and consulting advice to Financial Services Institutions both in the UK and globally. From July 2008, upon leaving PwC Mr Weatherill has formed his own consultancy to provide executive consulting services to Wealth and Investment Managers around the world and is a Non Executive Director of an international investment management company in Asia.

Corporate governance

The board, which is currently wholly constituted of non-executive directors, has a high regard for and recognises the value of good corporate governance. The board is of the opinion that it has taken the appropriate measures to comply with standards of good corporate governance, having regard for the current stage of development of the Company and its business.

Remuneration Committee

The board has constituted a Remuneration Committee comprised of Mr J. Andrew Smith as chairman, Mr Reef Hogg and Mr Bernard Lambert. The Remuneration Committee has responsibility for determining and agreeing with the board of directors the framework and policy for the remuneration of the Chairman, other directors and key management involved in the business and affairs of the Group.

Audit Committee

The board has constituted an Audit Committee comprised of Mr Bruce Weatherill as chairman, Mr Goranko Fizulic and Mr Garth Lorimer Turner. The Audit Committee has responsibility for reviewing the operation and effectiveness of the Company’s procedures for financial reporting, internal control and risk management and external audit.

Nominations Committee

The board has constituted a Nominations Committee comprised of all non executive board members of the main board. It is responsible for the appointment and composition of the Board.

Dividends

No dividends are proposed for the period.

Going concern

Having made appropriate enquiries the directors consider that the Company and its subsidiaries have sufficient resources to continue its business for the foreseeable future and accordingly the accounts have been prepared on a going concern basis. Further details are disclosed in note 2.

Annual General Meeting (“AGM”)

The AGM will be held on 29 July 2011. Notice of the AGM and a form of proxy will be circulated to shareholders.

Auditors

A resolution to reappoint KPMG LLP as auditors will be proposed at the next AGM.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Bermudan law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU.

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable IFRS's as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Independent Auditors' Report to the members of Jupiter Adria Limited

We have audited the accompanying consolidated financial statements of Jupiter Adria Limited and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 2 to the financial statements concerning the Group’s ability to continue as a going concern. At 31 December 2010 the Group’s cash flow projections show that it has sufficient cash to meet its liabilities until approximately September 2011, after which time further funding will be required. The Directors have commenced an interim fund raising and have signed heads of terms to increase existing facilities by €5 million, which is conditional on a further €4 million being raised from existing shareholders and management. These matters, together with the other matters explained in Note 2, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the Group were unable to continue as a going concern.

KPMG LLP

KPMG LLP

Chartered Accountants

15 Canada Square

London E14 5GL

6 July 2011

Consolidated balance sheet

	Note	31 December 2010 €000	31 December 2009 €000
Assets			
Property, plant and equipment	3	219,048	95,312
Investment in jointly controlled entities	4	-	26,663
Intangibles	5	-	15
Goodwill	6	185	185
Total non-current assets		**219,233**	**122,175**
Inventories		233	46
Work in progress	7	4,878	4,878
Trade and other receivables	8	3,214	2,873
Property available for sale	23	48,200	-
Cash and cash equivalents	9	2,896	7,825
Total current assets		**59,421**	**15,622**
Total assets		**278,654**	**137,797**
Equity attributable to owners of the parent			
Ordinary shares	10	1,501	1,501
Share premium		172,373	172,373
Translation reserve		(562)	(337)
Retained losses		(65,194)	(51,701)
Total equity		**108,118**	**121,836**
Liabilities			
Loans and borrowings	12	150,875	10,309
Finance lease liabilities	13	73	131
Deferred tax liabilities	14	6,334	-
Total non-current liabilities		**157,282**	**10,440**
Trade and other payables	15	13,073	5,096
Provisions	16	130	375
Finance lease liabilities	13	51	50
Total current liabilities		**13,254**	**5,521**
Total liabilities		**170,536**	**15,961**
Total equity and liabilities		**278,654**	**137,797**

The notes on pages 19 to 43 form an integral part of these consolidated financial statements.

Approved by the board of directors on 6 July 2011 and signed on its behalf by:

Bruce Weatherill
Director

Garth Lorimer Turner
Director

Consolidated statement of changes in shareholders' equity

		Attributable to owners of the parent						
	Note	Share capital €000	Share premium €000	Accumulated Losses €000	Translation reserve €000	Total €000	Minority interest €000	Total equity €000
At 1 January 2009		1,501	172,373	(37,987)	(326)	**135,561**	148	**135,709**
Loss for the year		-	-	(14,214)	-	**(14,214)**	(148)	**(14,362)**
Share based payments	11	-	-	500	-	**500**	-	**500**
Translation difference		-	-	-	(11)	**(11)**	-	**(11)**
At 31 December 2009		**1,501**	**172,373**	**(51,701)**	**(337)**	**121,836**	**-**	**121,836**
Loss for the year		-	-	(13,720)	-	**(13,720)**	-	**(13,720)**
Share based payments	11	-	-	227	-	**227**	-	**227**
Translation difference		-	-	-	(225)	**(225)**	-	**(225)**
At 31 December 2010		**1,501**	**172,373**	**(65,194)**	**(562)**	**108,118**	**-**	**108,118**

The notes on pages 19 to 43 form an integral part of these consolidated financial statements.

Consolidated income statement

	Note	Year ended 31 December 2010 €000	Year ended 31 December 2009 €000
Revenue	29	2,830	4,322
Cost of sales		(727)	(1,081)
Gross profit/(loss)		**2,103**	**3,241**
Management fees	24	(2,125)	(2,448)
Professional fees		(334)	(670)
Share based payments	11	(227)	(500)
Other administrative expenses		(5,544)	(8,987)
Directors' fees and expenses	18	(312)	(301)
Total administrative expenses		**(8,542)**	**(12,906)**
Impairment provision – property, plant and equipment	3	(5,900)	-
Operating loss		**(12,339)**	**(9,665)**
Finance expense	19	(1,100)	(411)
Finance income	19	85	228
Net finance expense		**(1,015)**	**(183)**
Share of losses of jointly controlled entities	4	(8,472)	(4,489)
Fair value adjustment to the Group's equity interest in the jointly controlled entities prior to the business combination	4	3,714	-
Gain recognised on the business combination	23	4,405	-
Loss before tax		**(13,707)**	**(14,337)**
Income tax expense	20	(13)	(25)
Loss for the year		**(13,720)**	**(14,362)**
Allocated to:			
Owners of the parent		(13,720)	(14,214)
Minority interest		-	(148)
Loss for the year		**(13,720)**	**(14,362)**
Earnings per share from continuing operations attributable to the equity holders of the company			
Basic loss per share (€)	22	(0.10)	(0.10)
Diluted loss per share (€)	22	(0.10)	(0.10)

Consolidated statement of comprehensive loss

	Year ended 31 December 2010 €000	Year ended 31 December 2009 €000
Loss for the year	(13,720)	(14,362)
Translation difference	(225)	(11)
Total comprehensive loss for the year	**(13,945)**	**(14,373)**
Allocated to:		
Owners of the parent	(13,945)	(14,225)
Minority interest	**-**	(148)
Loss for the year	**(13,945)**	**(14,373)**

All results relate to continuing operations.

The notes on pages 19 to 43 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 December 2010	Year ended 31 December 2009
		€000	**€000**
Loss for the year		**(13,720)**	**(14,362)**
Adjustments for:			
Interest expense	19	964	387
Interest income	19	(37)	(73)
Depreciation and amortisation	3, 5	751	513
Share based payments	11	227	500
Share of losses of jointly controlled entities	4	8,472	4,489
Fair value adjustment to the Group's equity interest in the jointly controlled entities prior to the business combination	23	(3,714)	-
Gain recognised on the business combination	23	(4,405)	-
Impairment provision – property, plant and equipment	3	5,900	-
Operating cash flow before changes in working capital		**(5,562)**	**(8,546)**
Change in inventories		19	50
Change in trade and other receivables		870	1,141
Change in trade and other payables and provisions		80	527
Cash flow from operations		**(4,593)**	**(6,828)**
Interest paid		(14)	(375)
Interest received		37	74
Net cash used in operating activities		**(4,570)**	**(7,129)**
Cash flow from investing activities			
Purchase of property, plant and equipment	3	(1,443)	(2,174)
Disposal of property, plant and equipment	3	87	77
Acquisition of subsidiaries, net of cash acquired	23	(9,446)	-
Capital contribution to jointly controlled entities	4	-	(10,000)
Net cash used in investing activities		**(10,802)**	**(12,097)**
Cash flow from financing activities			
Proceeds from borrowings	12	21,599	10,309
Repayment of borrowings	12	(11,152)	-
Net cash from financing activities		**10,447**	**10,309**
Net decrease in cash and cash equivalents		**(4,925)**	**(8,917)**
Opening cash and cash equivalents		7,825	16,739
Effect of exchange rate fluctuations on cash held		(4)	3
Closing cash and cash equivalents		**2,896**	**7,825**

The notes on pages 19 to 43 form an integral part of these consolidated financial statements.

1. General information

Jupiter Adria Limited (the "Company"), formerly Illyria Holdings Limited, was incorporated in Bermuda as an exempt limited liability company on 24 October 2005. The Company's name was changed to Jupiter Adria Limited on 10 May 2006. The principal activity of the Company is to invest in leisure and tourism related opportunities in Croatia. The consolidated financial statements of the Company comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group").

2. Accounting policies

Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the EU. The financial statements were approved by the board of directors on 6 July 2011.

Basis of preparation

The consolidated financial statements have been presented in euros, which is the Company's functional and presentation currency and all values are rounded to the nearest thousand unless otherwise indicated. The consolidated financial statements have been prepared under the historical cost convention. The accounting policies are set out below and have been consistently applied.

Going concern

As described in the Chairman's review and Manager's report on pages 4 to 8, the current economic environment is challenging and the Group has reported a loss of €13.7m for the year ended 31 December 2010. At 31 December 2010, the Group had total equity of €108.1m and net current assets of €46.2m. However, net current assets include an amount of €37.7m relating to operations at Dubrovnik Sun Gardens ("DSG") that may be used only within those operations, as described below, along with €4.9m of work in progress over which the timing of recoverability is uncertain. The Directors have prepared cash flow projections for the rest of the Group for the period to 31 December 2012 which show that, in the absence of further funding or sale of property, it has sufficient cash to meet its liabilities only until approximately September 2011, after which time further funding will be required.

The Group meets its day-to-day working capital requirements through a mixture of equity and bank facilities. As explained in more detail in note 12, the Group has loans and borrowings at 31 December 2010 of €150.9m, of which €129.3m relates to DSG. With regards to the DSG loans, there is a Loan to Value test ("LTV") and a Debt Service Coverage Ratio test ("DSCR") effective from the year ending 31 December 2013, the first test dates being 30 June 2014. The maximum permitted LTV is 75% and the minimum DSCR is 1.15.

During 2010, trading performance was satisfactory. Since the beginning of 2011, there have been a number of positive developments with regards to trading, largely driven by performance at DSG. This is evidenced by a strong year on year growth in confirmed bookings and improved average daily rates. Further information is set out in more detail in the Chairman's review and Manager's report on pages 4 to 8.

The Directors believe the going concern basis is appropriate for the following reasons. In relation to financing, the Group's operations are split into two parts; the recently acquired DSG operations (see note 23) and the rest of the Group. Of the Group's debt, €129.3 million is secured against the DSG property and ring-fenced from the rest of the Group. The directors have prepared cash flow projections for the DSG business to 31 December 2012 making key assumptions regarding the expected timing of the sale of apartments and the rate and occupancy of the hotel. Having applied sensitivities to those key assumptions, the directors expect the DSG operations to generate sufficient liquidity to support itself until 31 December 2012. Any surplus cash generated by these operations must be used against its secured debt, and is not available for use by the rest of the Group.

2. Accounting policies (continued)

Going concern (continued)

In order to provide cash for the future operations of the rest of the Group, the directors have embarked upon a fund raise of between €9 and €11million. The fund raise comprises a new debt facility and a tender offer of new shares to existing shareholders. Heads of terms have been agreed with Erste Bank to increase the existing bank debt by €5m, which is conditional on a further €4m being raised from existing shareholders and management. Further details of the fund raise are disclosed in the Manager's report. It is expected that the Group will fund corporate overheads until December 2014, and the continued planning process on the Markocija development, from this amount, which will be raised via a mixture of debt and equity funding. Based upon discussions to date, the Directors are confident that the Company will complete the fund raise within two months of the date of approval of these financial statements. A Tender Offer document will shortly be circulated to shareholders setting out further details.

The Directors acknowledge that, at the date of approval of these financial statements, there can be no certainty that the fund raise will be completed successfully. Accordingly, the Directors consider that these matters represent a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

However, after making enquiries and considering the uncertainties described above, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, the Directors consider it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, there are significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements as disclosed in the following notes:

Note 3 – property, plant and equipment

Note 16 – measurement of provisions

Note 20 – utilisation of tax losses

Note 23 – business combinations

Note 24 – related party transactions

Notes 26 and 27 – risk factors

2. Accounting policies (continued)

Basis of consolidation

Subsidiaries are those entities, including special purpose entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions are eliminated on consolidation.

Associates and jointly controlled entities

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control based on contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and jointly controlled entities are accounted for using the equity method and are initially recognised at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of joint controlled entities.

Acquisitions

Acquisitions of companies that have no significant assets or liabilities other than land and property are considered to be asset acquisitions. Acquisitions of subsidiaries where management intends to operate the existing business as a going concern are treated as business combinations.

Asset purchase acquisitions are accounted for on consolidation as if the Group had acquired the underlying assets directly. Accordingly, no goodwill arises on such acquisition as any difference between the fair value of assets acquired and the acquisition consideration is allocated as appropriate to the property, plant and equipment which have been acquired.

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures where management intends to operate the existing business as a going concern.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities acquired on the date of acquisition.

Goodwill is measured at cost less accumulated impairment losses and is the subject of an annual impairment review.

Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in the income statement.

The assets and liabilities of foreign operations are translated to euros at exchange rates at the reporting date. The income and expenses of foreign operations are translated to euros at average monthly exchange rates.

Foreign exchange adjustments on the translation of foreign operations are recorded in equity as a translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to the income statement.

2. Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of less than three months.

Trade and other receivables

Trade and other receivables are measured at amortised cost using the effective interest method, less impairment losses.

Loans receivable

Loans are measured at amortised cost using the effective interest method less impairment losses.

Trade and other payables

Trade and other payables are measured at amortised cost using the effective interest method.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent expenditures are capitalised as these costs relate to the development of land. Repairs and maintenance costs are expensed as incurred. Land acquired for development is classified initially as property, plant and equipment pending completion of planning and obtaining the necessary building consents. The land will be subsequently reallocated as appropriate in accordance with its intended use.

Depreciation is recognised in the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their estimated useful lives. Land and property under development are not depreciated.

The estimated useful life for the current period is as follows:

- Buildings: 50 years
- Plant and equipment: 5-12 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Intangible assets

Intangible assets, which principally comprise software licences, are measured at cost. Amortisation is recognised in the income statement on a straight line basis over the estimated useful life which is four years. Intangible assets are the subject of an annual impairment review with any impairment amounts expensed in the income statement.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated selling expenses necessary to make the sale.

Work in progress

Work in progress represents costs incurred in connection with planning and consulting services performed by the Group. It is measured at cost less expected losses.

2. Accounting policies (continued)

Property available for sale

Property available for sale comprises 207 apartments situated at the Dubrovnik Sun Gardens resort and are measured at the lower of cost and net realisable value.

Cost of equity transactions

Costs directly related to the issue of new Ordinary Shares are recognised in equity as a reduction of share premium.

Revenue recognition

Revenue is comprised of marine services including the provision of temporary marine repair facilities to third parties, the repair and maintenance of marine vessels and the sale of related supplies, turnover from the operation of a restaurant and bar (excluding VAT and similar taxes) and the sublet of a property to a third party. Revenue is recognised in the accounting period in which the services are rendered.

Cost of goods sold is comprised of supplies directly used in the provision of these marine, restaurant and bar services and is recognised in the accounting period in which the expense is incurred.

Finance leases

Leases of assets where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, finance leases are measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and are depreciated over the shorter of the useful life of the asset in accordance with the accounting policy applicable to that class of asset and the lease term.

Minimum lease payments made under finance leases are allocated between the liability and interest expense so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Share based payments

The Company has established a Share Option Plan (the "Plan") permitting the directors to grant Eligible Participants options to acquire Ordinary Shares. The fair value of the services received in exchange for the grant of options under the Plan is recognised as an expense in profit and loss, with a corresponding increase in equity, over the vesting period with reference to the fair value of the options granted.

Loss per share

The basic loss per share is calculated by dividing the loss attributable to the shareholders of the Company by the weighted average number of Ordinary Shares in issue during the period. The diluted loss per share is equivalent to the basic loss per share as the effect of dilutive potential Ordinary Shares would decrease the net loss per share and so the potential Ordinary Shares are not treated as dilutive.

Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Impairment reviews are carried out on an annual basis.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

2. Accounting policies (continued)

Employee benefits

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred tax is recognised using the balance sheet method, providing for the differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is virtually certain that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related benefit will be realised.

Segment reporting

Segment information is presented in respect of the Group's geographical segments. The Group's primary format for segment reporting is based on geographical segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly common expenses of the Group.

New and amended standards adopted by the Group

The Group has adopted the following new and amended accounting standards, amendments and interpretations, with effect from 1 January 2010

(i) IFRS 2 Share based payments (Amendment), effective from 1 January 2010, which provides guidance on accounting for inter group cash settled shared based payment transactions in the separate financial statements of an entity.

(ii) IFRS 3R Business Combinations, effective from 1 July 2009, which changes the accounting for transaction costs, the valuation of non controlling interests, the initial measurement and subsequent measurement of contingent consideration, and business combinations achieved in stages. These changes have been applied to the business combination disclosed in note 23.

(iii) IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (Amendment), effective from 1 July 2009, which clarifies that all of a subsidiaries assets and liabilities are classified as held for sale if a partial disposal plan results in loss of control and that disclosures required in respect of non current assets and disposal groups classified as held for sale or discontinued operations are only those as set out in IFRS5.

New and amended standards adopted by the Group (continued)

(iv) IAS27R Consolidated and Separate Financial Statements, effective from 1 July 2009, which requires the effects of all transactions with non controlling interests to be recorded in equity if there is no change in control and such transactions no longer result in goodwill or gains and losses; and where control is lost, any remaining interest in the equity is remeasured to fair value with a gain or loss recognised in profit or loss.

(v) IAS 39 Financial Instruments: Recognition and Measurement (Amendment), effective from 1 July 2009, which clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item and gives guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated.

(vi) IFRIC 17 Distribution of Non-cash Assets to Owners, effective from 1 July 2009, which provides guidance on accounting for arrangements where non cash assets are distributed to shareholders.

(vii) IFRS 8 Operating Segments (Amendment), effective from 1 January 2010, which clarifies that segment assets and liabilities need only be reported when included in information reviewed by the chief operating decision maker.

(viii) IAS 7 Statement of Cash Flows (Amendment), effective from 1 January 2010, which provides that only expenditure resulting in recognition of an asset can be presented as cash flow from investing activities.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these consolidated financial statements.

(i) IFRS 7 Financial Instruments, Disclosures (Amendment), effective from 1 January 2011, amends the credit risk disclosures for financial assets.

(ii) IFRS 9 Financial Instruments: Classification and Measurement, effective from 1 January 2013, which introduces new requirements for classifying and measuring financial assets and for measuring financial liabilities at fair value through profit or loss.

(iii) IAS 24 Related Party Disclosures (Amendment), effective from 1 January 2011, which clarifies and simplifies the definition of a related party.

(iv) IFRIC 14 (Amendment) Prepayments of a Minimum Funding Requirement (Amendment), effective from 1 January 2011 with retrospective application, which permits and entity to treat the prepayment of minimum funding requirements as an asset.

(v) IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, effective from 1 July 2010, which clarifies that equity instruments issued to a creditor to extinguish a financial liability are measured at fair value with any gain or loss recognised in profit or loss.

3. Property, plant and equipment

At 31 December 2010	**Land €000**	**Buildings €000**	**Plant & equipment €000**	**Property under development €000**	**Total €000**
Cost					
At 1 January 2010	81,305	-	4,671	10,216	**96,192**
Additions at cost	170	-	168	2,578	**2,916**
Acquisition of subsidiaries (note 23)	43,708	55,478	22,714	6,000	**127,900**
Disposals	-	-	(234)	-	**(234)**
Exchange differences	(185)	-	(105)	(110)	**(400)**
At 31 December 2010	**124,998**	**55,478**	**27,214**	**18,684**	**226,374**
Accumulated depreciation					
At 1 January 2010	-	-	880	-	**880**
Charge for the period	-	-	736	-	**736**
Disposals	-	-	(112)	-	**(112)**
Impairment	5,900	-	-	-	**5,900**
Exchange differences	-	-	(78)	-	**(78)**
At 31 December 2010	**5,900**	**-**	**1,426**	**-**	**7,326**
Net book value at 31 December 2010	**119,098**	**55,478**	**25,788**	**18,684**	**219,048**
Assets held under finance leases have the following net book value:					
Cost			210	-	**210**
Accumulated depreciation			(104)	-	**(104)**
Net book value at 31 December 2010			**106**	**-**	**106**

At 31 December 2009	**Land €000**	**Buildings €000**	**Plant & equipment €000**	**Property under development €000**	**Total €000**
Cost					
At 1 January 2009	80,360	-	4,947	10,086	**95,393**
Additions at cost	881	-	149	96	**1,126**
Disposals	-	-	(450)	-	**(450)**
Exchange differences	64	-	25	34	**123**
At 31 December 2009	**81,305**	**-**	**4,671**	**10,216**	**96,192**
Accumulated depreciation					
At 1 January 2009	-	-	692	-	**692**
Charge for the period	-	-	498	-	**498**
Disposals	-	-	(336)	-	**(336)**
Exchange differences	-	-	26		**26**
At 31 December 2009	**-**	**-**	**880**	**-**	**880**
Net book value at 31 December 2009	**81,305**	**-**	**3,791**	**10,216**	**95,312**
Assets held under finance leases have the following net book value:					
Cost			270	-	**270**
Accumulated depreciation			(194)	-	**(194)**
Net book value at 31 December 2009			**76**	**-**	**76**

Certain land owned by the Group is secured against loans and borrowings, as disclosed in more detail in note 12. Property under development relates to assets in the course of construction.

3. Property, plant and equipment (continued)

During 2010, the Group undertook an impairment review regarding land held for development at Preko, on the island of Ugljan which is located close to the city of Zadar in Northern Dalmatia. With reference to an independent assessment of prevailing land values, the Group has concluded that the carrying value of certain development land is subject to possible impairment and has, accordingly, recognised an impairment provision of €5.9 million against the carrying value of this land. The Group has undertaken impairment reviews of its other development project sites in Croatia and concluded that no further provisions are required at this time.

4. Investment in jointly controlled entities

The investment in the jointly controlled entities, which are listed in note 30, is shown below. On December 15, 2010 the Group acquired control of the jointly controlled entities (note 23).

	31 December 2010	31 December 2009
Cost	**€000**	**€000**
Opening balance	26,663	21,152
Capital contribution	-	10,000
Group share of losses	(8,472)	(4,489)
Fair value adjustment to the Group's equity interest in the jointly controlled entities prior to the business combination	3,714	-
Fair value of the Group's share of assets acquired and liabilities assumed on the business combination (note 23)	(21,905)	-
Closing balance	**-**	**26,663**

5. Intangibles

	31 December 2010	31 December 2009
Cost	**€000**	**€000**
Opening balance	58	55
Additions at cost	-	13
Disposals	-	(10)
Closing balance	**58**	**58**
Accumulated amortisation		
Opening balance	43	38
Amortisation for the year	15	15
Disposals	-	(10)
Closing balance	**58**	**43**
Carrying amount	**-**	**15**

Intangible assets comprise software licenses which are amortised over 4 years.

6. Goodwill

	31 December 2010	31 December 2009
	€000	**€000**
At cost	**185**	**185**

The carrying amount of goodwill at 31 December 2010 arose on the acquisition of Hosting International d.o.o. in June 2007.

7. Work in progress

Work in progress of €4,878,000 is being recognised by the Group in connection with certain planning and consulting services for the Pasman Rivijera development project. The related land is owned by the Pasman Municipality and is partially the subject of a title dispute by a third party, which may prevent the disputed portion of the land from being developed.

Management is of the opinion that litigation proceedings will be concluded in favour of the Municipality. However, in the event that there is an adverse outcome, the Municipality will re-parcel the land to ensure that development can proceed on the undisputed portion. In this scenario, the Directors anticipate that sufficient revenues will be generated from the undisputed portion of land to recover the work-in-progress.

8. Trade and other receivables

	31 December 2010 €000	31 December 2009 €000
Amounts falling due within one year:		
Trade receivables	707	1,041
Other receivables	549	121
Receivable from related parties (note 24)	357	475
VAT	903	772
Prepayments and accrued income	698	464
	3,214	**2,873**

The carrying values of trade and other receivables are not materially different to their fair values.

9. Cash and cash equivalents

Cash and cash equivalents held by the Group at 31 December 2010 and 31 December 2009 comprise cash held at bank as well as cash held by two related parties, Jupiter Adria AG and Jupiter Asset Management Limited on behalf of the Group (see note 24). Cash is placed on short term money market deposits.

Out of the total Group cash balances held at 31 December 2010 of €2,896,000, cash held by Suncani Vrtovi d.o.o., Vrtovi Sunca Orasac d.o.o. and Dubrovacki Vrtovi Sunca d.o.o., which in aggregate amounts to €1,004,000, is not freely available for use by other Group companies. At 31 December 2009 cash deposits of €1.0 million were held on a pledged deposit account and consequently not freely available for use by the Group (note 12).

The carrying values of cash and cash equivalents are not materially different to their fair values.

10. Called up share capital

The Company was incorporated with an authorised share capital of US$12,000 divided into 12,000 shares par value US$1.00 each (the "US dollar shares"). By a resolution of the members of the Company passed on 9 May 2006 it was resolved to change the currency of denomination of the Company's share capital from US dollars to euros and the authorised share capital of the Company was increased to €2,500,000 by the creation of 250 million Ordinary Shares par value €0.01 each and the cancellation of the US dollar shares. The holders of Ordinary Shares are entitled to receive notice of, and to attend and vote at, general meetings of the Company. Each Ordinary Share carries one vote. Although the Ordinary Shares carry rights to dividends it is not currently expected that any dividends will be declared. The Group also has issued share options (see note 11).

Authorised equity share capital	
250 million Ordinary Shares of €0.01 each	**€2,500,000**
Allotted and called up equity share capital	
150,052,287 fully paid Ordinary Shares of €0.01 each	**€1,500,523**
Issued shares at 31 December 2010 and 31 December 2009	**150,052,287**

11. Share based payments

On 13 September 2006 the Company established a Share Option Plan that entitles Eligible Participants to purchase Ordinary Shares subject to the terms of the Plan. Eligible Participants include any person who is either a director of a Participating Company or is an employee of or consultant to a Participating Company. A Participating Company includes members of the Group and the Manager. In accordance with the Plan, share options are exercisable at the option exercise price of the Ordinary Shares following the third anniversary of the grant date.

The terms and conditions of the grants are set out below. All options are to be settled by physical delivery of Ordinary Shares.

Grant date	Number of options ('000)	Vesting conditions	Contractual life of options
13 September 2006 to Directors	525	Options may only be exercised following the third anniversary of the grant date at an exercise price of €1.00.	10 years
16 October 2006 to Directors	200	Options may only be exercised following the third anniversary of the grant date at an exercise price of €1.00.	10 years
5 June 2007 to Employees	200	Options may only be exercised following the third anniversary of the grant date at an exercise price of €1.00.	10 years
5 June 2007 to Employees	950	Options may only be exercised following the third anniversary of the grant date at an exercise price of €1.15.	10 years
12 March 2008 to Employees	176	Options may only be exercised following the third anniversary of the grant date at an exercise price of €1.80.	10 years
Total share options	**2,051**		

11. Share based payments (continued)

The number of weighted average exercise prices of share options is as follows:

	Weighted average exercise price €000 31 December 2010	Number of options '000 31 December 2010	Weighted average exercise price €000 31 December 2009	Number of options '000 31 December 2009
Outstanding at 1 January	1.14	2,051	1.18	2,251
Lapsed during the period	-	-	1.64	(200)
Outstanding at end of period	1.14	2,051	1.14	2,051

The options outstanding at 31 December 2010 have a weighted average exercise price of €1.14 (2009: €1.14) and a weighted average contractual life of 5 years (2009: 6 years).

The fair value of services received in return for share options granted is based on the fair value of share options granted measured using the Black-Scholes formula with the following inputs:

Grant Date	**12 March 2008 to Employees**	**5 June 2007 to Employees**	**5 June 2007 to Employees**	**13 September 2006 and 16 October 2006 to Directors**
Fair value of option at grant date	€0.85	€1.07	€1.16	€0.55
Ordinary Share price as at grant date	€1.80	€1.15	€1.15	€1.15
Exercise price	€1.80	€1.15	€1.00	€1.00
Expected volatility	24.57%	20.68%	20.68%	23.44%
Option life	10 years	10 years	10 years	10 years
Risk-free interest rate	4.60%	4.18%	4.18%	3.75%

The expected volatility was computed using the volatility of the shares of a publicly quoted company engaged in comparable business activities to the Group.

An expense of €227,000 (2009: €500,000) for outstanding share options was recognised for the year.

12. Loans and borrowings

	31 December 2010 €000	31 December 2009 €000
Non-current:		
Bank borrowings	150,875	10,309
	150,875	**10,309**

During 2010, Group loans and borrowings increased significantly as a result of the business combination disclosed in note 23. Further information regarding the Group's loans and borrowings are disclosed in the table below.

Borrower	Facility €000	Interest	Repayment	31 December 2010 €000	31 December 2009 €000
JAL *Loan*	12,000	3 month EURIBOR + 640 bps	Bullet repayment July 2012	-	10,309
JAL *Acquisition loan*	26,600	3 month EURIBOR + 250 bps	Bullet repayment December 2013	21,599	-
DVS *Senior loan tranche A*	53,000	3 month EURIBOR + 200 bps	Amortising quarterly over 18 years from September 2013	53,000	-
DVS *Senior loan tranche B*	50,000	3 month EURIBOR + 200 bps	Bullet repayment December 2014	50,000	-
DVS *Senior loan tranche C*	5,000	3 month EURIBOR + 200 bps	Bullet repayment December 2014	5,000	-
DVS *Working capital and investment loan tranche D*	5,000	3 month EURIBOR + 250 bps	Bullet repayment December 2014	3,776	-
DVS *Working capital and investment loan tranche E*	10,000	3 month EURIBOR + 250 bps	Bullet repayment December 2020	10,000	-
VSO *Loan*	7,500	3 month EURIBOR + 150 bps	Bullet repayment December 2014	7,500	-
Total				**150,875**	**10,309**

On 15 December 2010, JAL signed a new three year, €26.6 million acquisition loan facility agreement, the primary purpose of which was to fund the acquisition of SV, VSO and DVS (note 23) and to refinance the then balance outstanding on its €12 million loan facility.

The new €26.6 million facility is secured by mortgages against certain development land owned by the Group relating to its projects at Motovun, Novigrad, Nauta Lamjana and Sipan. At 31 December 2010, €10.0 million of the facility had been drawn to part fund the acquisition of SV, VSO and DVS, €11.1 had been drawn to refinance the balance outstanding on its €12 million loan facility and €0.5m had been drawn to cover fees incurred relating to the facility. The balance of the facility remains available to cover future interest and related fees and also interest payable in respect of the €7.5 million VSO loan.

On 15 December 2010, on completing the acquisition of SV, VSO and DVS, the Group assumed loans and borrowings of €129.3 million which relate primarily to project loans used to fund the construction of the first phase of Dubrovnik Sun Gardens resort ("DSG"). The DVS loans are secured against the property, plant and equipment of DSG and €1,224,000 of tranche D remained undrawn at 31 December 2010. Tranches C and D are repayable in advance of December 2014 from net sale proceeds realised from properties available for sale (note 23). On 27 November 2008, a nil premium interest rate hedging arrangement was put in place covering €62,290,500 of Tranche A, capping 3 month EURIBOR at 5.75% with a floor at 2.145%, for the period ending 31 December 2011. The fair value of the hedging arrangement is €644,000 (note 15).

12. Loans and borrowings (continued)

The VSO loan is secured on as yet undeveloped land owned by VSO and a second ranking charge over the Group's projects at Motovun, Novigrad, Nauta Lamjana and Sipan.

On 30 July 2009, the Group signed a three year €12 million loan facility agreement, the purpose of which was to fund further investment by the Group in SV. The facility, which was repayable in July 2012, was secured by a mortgage against certain land owned by the Group connected with the Motovun and Sipan projects and a pledge over a €1 million cash deposit account. The balance outstanding on the loan was refinanced in December 2010 and the pledge over the cash deposit account expired in July 2010.

The carrying value of loans and borrowings is not significantly different to their fair value.

13. Finance lease liabilities

	Principal €'000	Interest €'000	Minimum lease payments €'000
Less than one year	51	9	60
Between one and five years	73	5	78
At 31 December 2010	**124**	**14**	**138**
Less than one year	50	13	63
Between one and five years	131	14	145
At 31 December 2009	**181**	**27**	**208**

Finance lease obligations comprise leases for motor vehicles

14. Deferred tax liabilities

	31 December 2010 €000	31 December 2009 €000
Deferred tax liabilities	6,334	-
	6,334	**-**

Further details on the deferred tax liabilities are disclosed in note 23.

15. Trade and other payables

	31 December 2010 €000	31 December 2009 €000
Trade payables	2,522	1,283
Amounts due to related parties (note 24)	2,839	1,597
Other payables and accruals	7,712	2,216
	13,073	**5,096**

Amounts due to related parties comprise management fees payable to Jupiter Adria Management Limited and accounting services fees payable to Jupiter Adria AG.

Included in other payables and accruals is an amount of €644,000 which represents the fair value of the interest rate hedging arrangement disclosed in note 12.

The carrying values of trade and other payables are not materially different to their fair values.

16. Provisions

	31 December 2010 €000	31 December 2009 €000
Opening balance	375	275
Made during the period	-	100
Released during period	(245)	-
Carrying amount	**130**	**375**

Provisions held at 31 December 2010 comprise the following: €100,000 (2009:100,000) in respect of a claim being made by suppliers to the Group which is under dispute; €30,000 (2009: €30,000) in respect of a number of court cases with former employees of the Group's subsidiary, Nauta Lamjana d.d. who are contesting certain payments in respect of the cessation of their employment by Lamjana. During 2010, a provision of €245,000 was released: this was being carried in respect of liabilities that may arise during the course of liquidating Nova Dubrovnik d.o.o. These provisions represent the Group's estimate of the most likely liability that may arise in order to settle these claims in full.

17. Staff numbers and costs

Staff	Year ended 31 December 2010	Year ended 31 December 2009
Average numbers (including part time employees)	106	137
	€000	**€000**
Payroll costs:		
Wages and salaries	1,582	2,373
Social security	517	956
Pensions	308	416
Total payroll costs	**2,407**	**3,745**

Pension costs represent contributions paid on behalf of the Group to defined contribution pension schemes which are not operated or managed by the Group. All costs related to such pension schemes have been fully paid or accrued. The Group has no further liabilities with respect to these pension schemes for the period under review.

18. Directors' remuneration and interests

Directors' remuneration

Directors' remuneration for the year ended 31 December 2010 is set out below. Donald Lines resigned from the Board on 20 July 2010.

Name	Year ended 31 December 2010 €000	Year ended 31 December 2009 €000
The Rt. Hon. The Lord Lamont of Lerwick	50	50
Donald Lines	14	25
Goranko Fizulic	25	25
Reef Hogg	25	25
Bernard Lambert	25	25
Garth Lorimer Turner	25	25
J. Andrew Smith	25	25
Bruce Weatherill	25	3
	214	**203**
Travel and other expenses	98	98
Total	**312**	**301**

Directors' interests

Directors' interests in the share capital of the Company at 31 December 2010 are set out below:

Name	Number of Ordinary Shares in which the director has an interest	Number of options over Ordinary Shares in which the director has an interest	Exercise price
The Rt. Hon. The Lord Lamont of Lerwick	147,467	125,000 [1]	€1
Goranko Fizulic	-	100,000 [1]	€1
Reef Hogg	60,000	100,000 [2]	€1
Bernard Lambert	-	100,000 [1]	€1
Garth Lorimer Turner	180,000	100,000 [2]	€1
J. Andrew Smith	48,000	100,000 [1]	€1
Bruce Weatherill	-	-	-

[1] Granted 13 September 2006 [2] Granted 16 October 2006

The options may only be exercised following the third anniversary and before the tenth anniversary of the date granted. No options were exercised during the year ended 31 December 2010 (2009: nil).

For the year ended 31 December 2010 an expense with respect to options issued to the Directors of €nil (2009: €96,000) was recognised and is disclosed as a share based payment in the consolidated income statement.

19. Finance expense and income

	Year ended 31 December 2010	Year ended 31 December 2009
Finance expense	**€000**	**€000**
Interest expense	964	387
Foreign exchange losses	136	24
	1,100	**411**
Finance income		
Interest income	37	73
Foreign exchange gains	48	155
	85	**228**

Finance expense comprises interest due on third party loans, foreign exchange losses and bank charges. Finance income comprises interest on short term cash deposits and foreign exchange gains.

20. Taxation and deferred tax

	31 December 2010 €000	31 December 2009 €000
Loss before tax	(13,707)	(14,337)
Tax expenses benefits calculated at domestic rates applicable to the respective countries	(871)	(1,005)
Expenses not deductible for tax purposes	383	564
Tax losses not recognised	501	466
Income tax expense	**13**	**25**
Effective tax rate	**nil%**	**nil%**

The principal charge to current tax arises in respect of the Group's UK subsidiary which is subject to a tax rate of 28%. Domestic tax rates in Croatia and Switzerland are 20% and 8.5% respectively. There are no applicable taxes in Bermuda. The aggregated tax losses of the Group's subsidiaries are summarised below.

Tax losses arising in the year	**Expiry date:**	**2010 total €000**	**2009 total €000**
2005	31 December 2010	-	471
2006	31 December 2011	537	537
2007	31 December 2012 – 14	672	672
2008	31 December 2013 – 15	1,216	1,216
2009	31 December 2014 – 16	466	466
2010	31 December 2015 – 17	501	-
Total		**3,392**	**3,362**

Deferred tax asset not recognised		
Opening balance	3,362	3,308
Tax loss for the current period	501	466
Tax loss expired	(471)	(412)
Closing balance	**3,392**	**3,362**

20. Taxation and deferred tax (continued)

Depending on the circumstances, there are a variety of taxes that may arise in each jurisdiction in which the Group operates. The disclosure below details the principal taxes relevant to the Group; however, it is not a comprehensive summary of the tax system in each country.

a) Bermuda

At the date of this report, there is no Bermuda income tax, corporation tax, profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Company or its shareholders other than shareholders ordinarily resident in Bermuda. The Company is not subject to stamp duty on the issuance or transfer of its Ordinary Shares. The Company is liable to pay in Bermuda a registration fee based upon its assessable share capital at a rate currently not exceeding US$31,000 (2009: US$ 31,000) per annum. The Company has received from the Minister of Finance of Bermuda under the Exempted Undertaking Tax Protection Act 1966 an assurance that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital assets, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not until 28 March 2035 be applicable to the Company except in so far as such tax applies to persons ordinarily resident in Bermuda and holding such Ordinary Shares of the Company.

b) Croatia and Switzerland

Tax losses may only be utilised by the company in which they arise and may be carried forward for between five and seven years subsequent to the year in which the loss was incurred, depending on the tax jurisdiction of the company. No deferred tax asset has been recognised at 31 December 2010 (2009: €nil), due to the uncertainty that future taxable income will be available to utilise and benefit from the tax losses. The future availability of these tax losses is subject to review by the local tax authorities.

21. Net loss

	Year ended 31 December 2010 €000	**Year ended 31 December 2009 €000**
The following items have been included in arriving at the loss for the period:		
Staff costs (note 17)	2,407	3,745
Depreciation (note 3) and amortization (note 5)	751	513
Repairs and maintenance on property, plant and equipment	196	314
Auditors' remuneration charged in the income statement comprises:		
Audit of the Company	80	78
Audit of subsidiaries	73	138
	153	**216**

22. Loss per share

Basic and diluted loss per share [1]	**Year ended 31 December 2010**	**Year ended 31 December 2009**
Loss attributable to ordinary shareholders (€'000)	(13,720)	(14,214)
Weighted average number of Ordinary Shares	139,126,868	139,126,868
Basic loss per share (€)	(0.10)	(0.10)

[1] Diluted loss per share is equivalent to basic loss per share as the effect of diluting potential Ordinary Shares would decrease the net loss per share and so the potential Ordinary Shares cannot be treated as dilutive in accordance with IAS 33 Earnings per Share.

23. Business combinations

On 16 July 2008, the Group acquired 50% of the ordinary share capital of Suncani Vrtovi d.o.o. (“SV”) and Vrtovi Sunca Orasac d.o.o. (“VSO”): SV owns 100% of the ordinary share capital of Dubrovacki Vrtovi Sunca d.o.o. (“DVS”). Together with SV, VSO and DVS, the Group is developing the Dubrovnik Sun Gardens resort (“DSG”). The first phase of DSG, which comprises a 201 key Radisson Blu hotel, 207 residential apartments for sale and extensive resort facilities and amenities, opened in July 2009. Two further phases of development are planned, details of which are disclosed in the Manager’s Report on pages 6 to 8. The Group operates the Radisson Blu hotel under a licence agreement with Rezidor Hotel Group S.A.

On 15 December 2010, the Group completed the acquisition of the remaining 50% of the ordinary share capital of SV and VSO, for a total consideration of €17,500,000: this comprised the acquisition of receivables due to the former co-owners from DVS with a fair value of €10,000,000 and the assumption certain liabilities of the co-owners connected with the DSG project with a fair value of €7,500,000.

The provisional fair values of consideration paid and assets acquired is summarised below.

Consideration at 15 December 2010	**€000**
Cash	10,000
Liabilities assumed	7,500
Total consideration transferred	17,500
Fair value of the equity interest in SV and VSO held before the business combination (note 4)	21,905
Total consideration	**39,405**
Negative goodwill (gain recognised on the business combination as shown in the consolidated income statement)	4,405
	43,810
Acquisition related costs (included in other administrative expenses in the consolidated income statement for 2010)	491
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	1,004
Property, plant and equipment (note 3)	127,900
Property available for sale	48,200
Inventories	206
Trade and other receivables	1,216
Trade and other payables	(6,606)
Borrowings (note 12)	(121,776)
Deferred tax liabilities	(6,334)
Total identifiable net assets	**43,810**

Negative goodwill arising on the business combination of €4,405,000 results from the Group being able to successfully negotiate the acquisition of DSG for a consideration at less than the fair value of the net assets acquired.

Property available for sale comprise 207 residential units which form part of DSG, which are currently being marketed for sale in phases. Included in trade and other payables is an amount of €644,000 in respect of interest rate hedging arrangements (note 12). Deferred tax liabilities comprise amounts provided following a revaluation of property held by and reflected in the local books and records of DSG. In the year ended 31 December 2010, DSG recorded revenues of €11,006,000 and retained losses of €16,944,000.

On 10 August 2009 the Group completed a capital reorganisation of Nauta Lamjana d.d., which increased the Group’s shareholding to 95.23%. On 11 November 2010, the Group acquired the balance outstanding of ordinary shares in Nauta Lamjana d.d. for €176,000, taking its holding to 100%.

23. Business combinations (continued)

On 16 September 2010, the Group's interest in the ordinary share capital of Occo London Limited ("occo") was reduced to 17.5%, following a recapitalisation. occo ceased to be a subsidiary on this date and the Group's residual investment in occo is carried at €nil.

24. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or if both parties are under the control of a common entity or entities.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

Investment Manager

Jupiter Adria Management Limited (the "Manager") provides management services to the Company pursuant to an Investment Management Agreement dated 16 June 2006, as amended. The Manager is paid a fee each quarter in arrears equal to 2% per annum of the Company's consolidated net asset value, subject to a minimum quarterly fee of €400,000. For the purpose of calculating management fees, the Manager and the Company have agreed that assets will be valued using the purchase price plus capitalised expenses including acquisition costs and development costs.

In February 2009, the terms of the Investment Management Agreement were amended, such that management fees are capped at €2,500,000 per annum and the payment of €1,000,000 per annum of management fees is deferred until 31 December 2011, with effect from 1 January 2009.

On 7 April 2010 the Investment Management Agreement was amended to increase from €1,000,000 to €1,250,000 the amount of annual fee deferred for payment until 31 December 2011. The term of the management agreement was also extended to terminate on 31 December 2014.

On 4 February 2011 the management agreement was amended such that management fees for the quarters ended 30 September 2010 and 31 December 2010 are reduced €475,000 and €375,000 respectively, with payment deferred until 31 December 2012. Management fees for the year ended 31 December 2010 were €2,125,000 (2009: €2,448,000). Management fees payable as at 31 December 2010 were €2,500,000 (2009: €1,323,000). The management fee will revert back to 2% per annum of the Company's consolidated net asset value payable quarterly in arrears, in the event of unconditional new equity or debt funding of at least €25 million being made available to the Company.

The Manager is also entitled to receive a Performance Fee (the "Fee"). The Fee is determined by reference to increases in the Company's annual share price above a watermark price, the related annualized rates of return achieved and whether such returns exceed specified thresholds. If a minimum annualized return of 10% is achieved, a Fee of 20% of the increase in annual share price is payable. The Fee is increased to 30% if the annualized return exceeds 20%.

The Fee is to be calculated for the following periods:

1. The first period of calculation will be from the date of the first closing of the private placement of Ordinary Shares to the admission of all or substantially all of the Company's share capital on the Alternative Investment Market of the London Stock Exchange plc or another equivalent or similar share market excluding the Bermuda Stock Exchange ("Listing").
2. The second period of calculation will be from the day after the date of Listing to the end of the financial year of the Company in which the Listing takes place.
3. In subsequent periods the period of calculation will be defined as the annual period from the end of one financial year to the end of the following financial year until the date of termination of the Investment Management Agreement.

24. Related party transactions (continued)

With the exception of the first period of calculation, the annual price is determined as the average mid-market price of the Company's Ordinary Shares in the three month period following the end of the financial year.

For the first Period of calculation the annual price is defined as the listing price of the Company's share capital upon Listing. The watermark price for each period of calculation is normally the annual price calculated immediately following the end of the period of calculation for which a Fee was last paid. However for the first period calculation only the watermark price is determined to be €1.00 corresponding to the issue price of the first closing of the private placement of Ordinary Shares. Due to the uncertainty as to the timing of any future listing and the listing price that may be achieved, no performance fee has been accrued to date.

The Manager has retained the services of certain consultants ("Consultants") to assist it in the discharge of its duties. Certain individuals employed by Jupiter Asset Management Limited provide the Manager with advice and assistance and, together with the Consultants, they form the Group's management team (the "Management Team").

Members of the Management Team have acquired an interest in the Company totalling 3,217,391 Ordinary Shares: 1,000,000 Ordinary Shares were issued as part consideration for the acquisition of Cepljesi d.o.o. (an additional 1,000,000 Ordinary Shares were also issued to an individual who was but no longer is a member of the Management Team, in connection with this acquisition) and 1,000,000 Ordinary Shares were issued to members of the Management team in consideration for services provided during the start up phase of the Company. The balance of Ordinary Shares equalling 1,217,391, were acquired by the Management Team at market price during the second and third private placements.

Jupiter Adria AG

Jupiter Adria AG is a limited liability company incorporated in Lucerne, Switzerland, which is a partner of EG Jupiter Jadran and which makes acquisitions on behalf of EG Jupiter Jadran. Service fees of €81,000 (2009: €135,000) were accrued for accounting services provided by Jupiter Adria AG to the Group.

Loans to related parties

At 31 December 2010 amounts totalling €357,000 (2009: €324,000) from Jupiter Adria AG and €nil (2009: €151,000) from jointly controlled entities, which are all related parties, were due to the Group. These amounts are unsecured, interest free and have no fixed repayment date.

25. Post balance sheet events

The are no post sheet events to report.

26. Financial risk

The Group's activities expose it to a number of financial risks: market risk (which includes currency risk, and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program seeks to minimise potential adverse effects of financial risk on the Group's performance.

(a) Market risk

(i) Currency risk
The Group is exposed to foreign currency risk as certain of its current financial assets and liabilities are dominated in Croatian Kunas ("HRK"), Sterling ("GBP") and Swiss Francs ("CHF") but accounted for in Euros. These are summarised below.

At 31 December 2010

	HRK	**CHF**	**USD**	**GBP**
Current:	**€000**	**€000**	**€000**	**€000**
Trade and other receivables	2,277	-	-	18
Cash	1,170	54	-	206
Trade and other payables and provisions	(3,413)	(9)	-	(41)
Finance lease liabilities	(124)	-	-	-
Net exposure	**(90)**	**45**	**-**	**183**

At 31 December 2009

	HRK	**CHF**	**USD**	**GBP**
Current:	**€000**	**€000**	**€000**	**€000**
Trade and other receivables	2,195	-	-	16
Cash	484	8	1	176
Trade and other payables and provisions	(3,247)	-	-	(92)
Finance lease liabilities	(181)	-	-	-
Net exposure	**(749)**	**8**	**1**	**100**

The Group's current financial assets and liabilities do not have significant exposure to foreign currency risk. As a result, a sensitivity analysis has not been presented.

(ii) Interest rate risk
The Group's only significant interest bearing asset is cash, the majority of which is placed on short term money market deposit and the returns generated by these cash deposits fluctuate depending on market rates of interest.

Prior to it being refinanced in December 2010, the Group did not put in place any hedging arrangements in connection with the €12 million loan facility, given its relatively short dated maturity period and previously prevailing forward rate yield curves. An interest rate swap arrangement is in place in connection with loans assumed by the Group on the acquisition of the jointly controlled entities, further details of which are disclosed in note 12.

26. Financial risk (continued)

(b) Credit risk

The majority of the Group's credit exposure relates to surplus cash held on short-term deposits.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	31 December 2010 €000	31 December 2009 €000
Trade and other receivables (note 8)	3,214	2,873
Cash and cash equivalents (note 9)	2,896	7,825
	6,110	**10,698**

Trade and other receivables fall due within one year and are stated net of impairments. There are no significant provisions for doubtful debts. The majority of trade and other receivables are due from Croatian entities.

At 31 December 2010, cash and cash equivalents of €1,590,000 (2009: €5,388,000) were held in the name of Jupiter Asset Management Limited on behalf of the Group.

(c) Liquidity risk

The Group currently maintains sufficient cash balances to mitigate liquidity risk. The Group monitors forecast liquidity based on expected cash flows. At 31 December 2010, the Group's trade and other receivables, trade and other payables, and finance lease liabilities have due dates which are less than one year, except for finance lease liabilities which fall due between one and five years (note 13). The Group's loan and borrowings have repayment dates commencing in September 2013, except in certain circumstances as disclosed more fully in note 12.

At 31 December 2010, cash and cash equivalents of €1,004,000 (2009: €1,000,000) were subject to certain restrictions and therefore not freely available for use by the Group.

Capital raised from the three private placements to date has been used to acquire the Group's property portfolio and to pay management fees and other costs incurred by the Group. The Group intends that the majority of costs associated with the development of its property portfolio will be funded by debt.

27. Other risk factors

The Group's performance partly depends on political stability and the regulatory environment in Croatia. If the political and/or regulatory climate alters or stability deteriorates, this could have a material impact on the value of the Group's assets that are situated in Croatia. Changes in the institution and enforcement of regulations relating to taxation, land use and zoning restrictions, planning regulations, environmental protection and safety and other matters represent risks that may adversely affect the Group's assets and results of operations.

28. Capital management

The Group's capital includes share capital, share premium, reserves and accumulated losses. The Group's policy is to maintain its ability to continue as a going concern, so it can provide returns to shareholders and benefits for other stakeholders. To date, the Group's acquisition of property investments has been funded from equity. Any significant future development of the Group's existing property investments, or future acquisitions by the Group, will require further equity or alternative sources of finance. If appropriate, the group may seek to fund future development and acquisitions by bank debt, or seek co-investors or joint venture partners.

29. Segment information

The Group is currently at the early stages of developing a number of sites into high end hospitality, leisure and related businesses located in Croatia, which is the Group's primary business segment. The Group is also currently engaged in marine services, including the temporary provision of marine repair facilities to third parties. The table below shows the revenue, results, assets, liabilities and other information for the Group's geographic segments. The Group has concluded that the reportable segments now required following the adoption of IFRS 8 are consistent with those reported previously under IAS 14.

For the year ended 31 December 2010

Geographic segments	Croatia €000	Other* €000	Total €000
Revenue from external customers	2,830	-	**2,830**
Depreciation and amortisation	751	-	**751**
Impairment provision	(5,900)	-	**(5,900)**
Operating loss	(7,451)	(4,888)	**(12,339)**
Share of losses of jointly controlled entities	(8,472)	-	**(8,472)**
Assets	276,056	2,598	**278,654**
- investment in jointly controlled entities	-	-	**-**
- other non current assets	219,233	-	**219,233**
- current assets (excluding cash)	55,653	872	**56,525**
- cash	1,170	1,726	**2,896**
Liabilities	145,615	24,921	**170,536**
- non-current loans and finance leases	129,349	21,599	**150,948**
- current loans and finance leases	51	-	**51**
- current liabilities	9,751	3,322	**13,073**
- provisions	6,464	-	**6,464**

* Bermuda, Switzerland and United Kingdom. Other assets consist mainly of cash raised in private placements to be utilised for future investments.

For the year ended 31 December 2009

Geographic segments	Croatia €000	Other* €000	Total €000
Revenue from external customers	4,322	-	**4,322**
Depreciation and amortisation	513	-	**513**
Operating loss	(2,762)	(6,903)	**(9,665)**
Share of losses of jointly controlled entities	(4,489)	-	**(4,489)**
Assets	129,778	8,019	**137,797**
- investment in jointly controlled entities	26,663	-	**26,663**
- other non current assets	95,512	-	**95,512**
- current assets (excluding cash)	7,119	678	**7,797**
- cash	484	7,341	**7,825**
Liabilities	3,428	12,533	**15,961**
- non-current loans and finance leases	131	10,309	**10,440**
- current loans and finance leases	50	-	**50**
- current liabilities	2,872	2,224	**5,096**
- provisions	375	-	**375**

* Bermuda, Switzerland and United Kingdom. Other assets consist mainly of cash raised in private placements to be utilised for future investments.

30. Principal subsidiaries and associates

Subsidiaries	2010 Interest in ordinary share capital	2010 Indirect interest in ordinary share capital	2009 Interest in ordinary share capital	2009 Indirect interest in ordinary share capital	Country of incorporation/ formation
EG Jupiter Jadran [1]	99.9%	-	99.9%	-	Switzerland
Jupiter Jadran AG	100%	-	100%	-	Switzerland
Sinseg AG	85%	-	85%	-	Switzerland
Stancija Markocija d.o.o.	100%	-	100%	-	Croatia
Jupiter Adria d.o.o.	100%	-	100%	-	Croatia
Nauta Lamjana d.d.	100%	-	95.23%	-	Croatia
Stancija Dolzani d.o.o	100%	-	100%	-	Croatia
Cepljesi d.o.o.	100%	-	100%	-	Croatia
Vila Tartuf d.o.o.	100%	-	100%	-	Croatia
Vile Livade d.o.o.	100%	-	100%	-	Croatia
Ledina d.o.o.	100%	-	100%	-	Croatia
Vila Žužiči d.o.o.	100%	-	100%	-	Croatia
Vila Motovun d.o.o.	100%	-	100%	-	Croatia
Vila Zumesk d.o.o.	100%	-	100%	-	Croatia
Casalinus d.o.o.	100%	-	100%	-	Croatia
Stancija Dajla d.o.o.	100%	-	100%	-	Croatia
Hosting International d.o.o.[2]	-	85%	-	85%	Croatia
Pašman Rivijera d.o.o.[2]	-	68%	-	68%	Croatia
Marina Preko d.o.o.	100%	-	100%	-	Croatia
Prečanka d.o.o.	100%	-	100%	-	Croatia
Preko d.o.o.	100%	-	100%	-	Croatia
Tertius d.o.o. [3]	100%	-	100%	-	Croatia
Jupiter Adria London Limited	100%	-	100%	-	UK
Zmorac Nekretnine d.o.o.	100%	-	100%	-	Croatia
Nova Dubrovnik d.o.o.[4]	85%	-	85%	-	Croatia
Harpun d.o.o.	100%	-	100%	-	Croatia
Vrtovi Sunca Orasac d.o.o.	100%	-	50%	-	Croatia
Suncani Vrtovi d.o.o.	100%	-	50%	-	Croatia
Dubrovacki Vrtovi Sunca d.o.o.	-	100%	-	50%	Croatia
Associates					
Occo London Limited [5]	17.15%	-	100%	-	UK

[1.] EG Jupiter Jadran is a partnership constituted by and between the Company, Jupiter Adria AG and Jupiter Jadran AG

[2.] Sinseg AG owns 100% of Hosting International d.o.o. which in turn owns 80% of Pašman Rivijera d.o.o.

[3.] These companies were merged into Tertius d.o.o. on 9 September 2009

[4.] In liquidation

[5.] Ceased to be a subsidiary on 16 September 2010.