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JUPITER ADRIA LIMITED

Annual report and consolidated financial statements

31 December 2007

JUPITER ADRIA LIMITED

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Advisors and corporate information

Directors

The Rt. Hon. The Lord Lamont of Lerwick (Chairman)
Donald Lines (Deputy Chairman)
Goranko Fizulic
Reef Hogg
Bernard Lambert
Garth Lorimer Turner
J. Andrew Smith

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

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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

Crown House, 4 Par-la-Ville Road
Hamilton HM 08, Bermuda

Listing sponsor

First Bermuda Securities

Maxwell Roberts Building
1 Church Street
Hamilton HM 11, Bermuda

Property advisors and valuers

HVS International

7-10 Chandos Street
London, W1G 9DQ

Colliers CRE

9 Marylebone Lane
London W1U 1HU

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CHAIRMAN'S STATEMENT

Introduction

Jupiter Adria Limited (the "Company") continued to develop rapidly in 2007. During the year, a number of further acquisitions of development sites were completed, important additions to the management team were made, a third round of equity financing to fund ongoing acquisitions concluded and considerable progress also achieved in relation to planning, design and permitting for the Company's development sites.

At the year end, the Company's net asset value stood at €158.2 million, equivalent to €1.05 per share. The loss attributable to equity holders in the period under review was €12.2 million, equivalent to €0.09 per share. At the year end, the Company held €73 million in cash.

The Company's policy is to hold its properties at cost less accumulated depreciation and impairment losses. Colliers CRE, the Company's property advisers, valued the Company's property portfolio as at 31st December, 2007, at €226 million, from which an adjusted net asset value of €2.03 per share has been derived.¹

The Company now owns or controls seven substantial development sites in Croatia, as well as a significant number of smaller sites for residential development. It also holds interests in three related businesses (equity accounted investees). In respect of its core portfolio, the Company's objective is to develop and to operate these acquired sites as high end branded tourism communities over the coming years, realising profit from the sale of second homes within these developments, whilst retaining management of the overall estates within the framework, typically, of a private residence club.

Plans to bring the Company to the London Stock Exchange in 2007 were postponed as the impact of the severe credit crisis on financial markets became manifest. Shareholders will be aware that prices of listed property related companies have for the most part been trading since the fourth quarter of 2007 at substantial discounts to net asset value. Owing to the continuing uncertainty as to the global economic outlook, it is not possible to say at this point when an IPO of the Company's shares in London may be achievable.

Croatian Economic Development

Croatian GDP growth is estimated to have slowed slightly during 2007 to an annualised level of 5.6%. Registered unemployment continued to fall, to a level of around 12%. Consumer price inflation measured 2.9%. The Croatian National Bank has pursued an aggressively interventionist policy to restrict expansion of the money supply and the growth of Euro denominated credit. The Bank has proved successful to date in maintaining the stability of the exchange rate, which remains within the band averaging around 7.3 Kuna to the Euro in which it has traded for most of the past decade.

The tourism sector in Croatia continued to grow, driven by higher numbers of foreign visitors, which increased by 7% relative to 2006, and by gradual rather than dramatic investment in improvements to the existing stock of hotels and other facilities.

¹ The adjusted net asset value is not reflected in the financial accounts of the Company as it is the Company's policy to account for properties at cost less accumulated depreciation and impairment losses, and has not been subject to audit. The adjusted net asset value is for indicative purposes only and does not represent an actual or intended adjustment to the actual NAV of the Company. Valuation results may not represent actual proceeds should the properties be sold today or in the future.

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Since its formation in January, the new Government has been working with evident renewed purpose to attempt to clear away bureaucratic barriers to the achievement of more rapid investment in the tourism sector, which is viewed as a key focus for future economic development. Very little investment in new tourist facilities has occurred in the last few years, largely as a result of the complexity and strictures of the legislation surrounding tourist development and the bureaucracy of the various ministries involved with the sector.

The Company's Development Sites

Istria

The Company owns three significant development sites in Istria. Our strategy in this region remains to focus on Istria's potential to develop strongly as a destination for year-round tourism, centred on golf, wellness, culture, gastronomy and outdoor pursuits, with close access to the sea and coastline during the season. The Company's three sites, at Markocija, Motovun and Novigrad, are in the North of Istria, within 30 minutes drive of each other and are within one hour's reach of Pula airport. Each site offers a different experience and is being designed to appeal to different segments of the high end market. Istria is estimated to be within six to eight hours' driving time of eighty million people, including much of southern Germany, and as a region has historically attracted the majority of car borne tourists to Croatia. The Company's three Istrian projects enjoy the strong support of the municipalities within which they sit, and of the County and the central government, all of whom are intent on seeing progress in the development of golf as a driver of non-seasonal tourism, especially in Istria.

At **Markocija**, the Company engaged CMLA as principal architects for the master planning and subsequently for the detailed design work for the resort. Chuck Legler, CMLA's principal, has been the architect responsible for the creation of Pont Royal in Provence and spent much of his early career working with Francois Spoerry in Port Grimaud.

The Markocija estate is planned to provide an 80-room hotel and spa, at the heart of a residential community with two adjacent hamlets, set in some 90 hectares, with a challenging 18-hole golf course designed by Jeremy Pern that will be managed by PGA. A total of 175 villas and apartments have been designed for sale and ongoing management within the estate. The site has views over the neighbouring hilltop villages, of the sea and of the Dolomites and south Austrian Alps. The property straddles the border of the municipalities of Buje and Umag.

Work on clearance and landscaping for the golf course began at the end of 2007. The Company expects to begin construction and sales of residential property in the fourth quarter of 2008.

The Company's second Istrian site sits below the important hilltop town of **Motovun**. The town commands the Mirna valley in Central Istria, surrounded by walls built in the 13th and 14th Centuries, but enclosing a community whose roots date back to pre-Roman times. The area is renowned for its truffle woods, cuisine, olive oil and wines, and the town itself for its annual film festival as well as its architectural heritage. The Company engaged Stanhope Gate Architects to conduct the master planning for the project, whose principal, Alireza Sagharchi, has a deep knowledge and experience of urban planning within natural and historic architectural contexts. Working together with the local architectural practice of Igor Rozic, Stanhope Gate has produced a project that the Company believes belongs in its setting and has the potential to be regarded as a benchmark for similar future schemes.

The Motovun estate is designed to comprise a total of 90 residential units, with at least one 18-hole golf course (the zoning is for 36 holes), together with a 40-room hotel, spa and other facilities, within an overall estate of some 200 hectares. The Company expects construction and sales to commence on this project in 2009.

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The Company's third Istrian project lies at **Prascarija**, just to the north of Novigrad, a small fishing town on the Adriatic coast to the West of Motovun. This site of some 90 hectares is set in the context of vineyards, olives, orchards and forest and has good views of the sea, which is less than 2 km distant. The Company contracted CMLA to conduct the initial master planning for the Prascarija site and Jeremy Pern to design the 18-hole golf course. This project is designed to produce a 77-room hotel and 117 houses and apartments, together with 18 holes of golf, a spa, and other facilities.

Approval of the municipal PPU (the broad urban zoning plan) for Novigrad was delayed during 2006 and 2007, for reasons unrelated to the Prascarija site. It was finally approved in April, 2008. Pending its approval, the Company has focused more on the development of the other two sites and construction at Prascarija is expected to commence in the first quarter of 2010.

Aside from the three principal sites outlined above, the Company acquired during 2007 a significant number of sites, primarily in Northern Istria, for the development and sale of individual or small multiple residential properties, with the intention that letting by the purchasers of the majority of this portfolio would be managed, subsequent to sale, by Villas Forum. At the end of 2007, land for the development of in excess of 60 villas had been acquired.

Northern Dalmatia

The Company has acquired a number of sites and projects in the region of Zadar, an area whose high end coastal tourism is set to develop strongly. Zadar itself is developing rapidly as a commercial city. It has good infrastructure and faces fewer topographical challenges in its expansion than, say, Dubrovnik or Split. Zadar as a port is the natural gateway to the north Dalmatian islands, including the Kornati national park, an archipelago of more than 100 islands. It is also within an hour's drive of two mainland national parks.

Although the Zadar region attracts a growing amount of the private and charter yacht market that is growing very strongly, it has very little yet in the way of either high end nautical or shore-oriented services and facilities that will encourage this market to grow further and to extend the season beyond the summer months. The Company aims to be at the forefront filling this gap, providing experiences and facilities of high quality to serve both land and water based tourism.

The Company acquired an 80% stake in **Nauta Lamjana** at the end of 2006, a shipyard set on some 20 hectares situated at the southern end of the island of Ugljan, in a natural deepwater bay facing south-west towards the Kornati Archipelago. During 2007, the Company increased its stake in Nauta Lamjana to 86% through public offer. The Company plans to transform the shipyard into a mixed use marine service facility and marina, with residential and hotel accommodation, for which purpose the site has been rezoned. The project is planned to deliver 122 residential villas and apartments, a 260 berth marina, commercial and retail space and a yacht club with 75 rooms, together with full service facilities for yachts up to 50 metres.

Close to Nauta Lamjana on the East coast of the island of Ugljan, facing Zadar, the Company acquired during 2007 a marina project and two adjacent sites at **Preko**. The sites sit within the heart of the pretty village of Preko, from the southern end of which the ferry to Zadar operates. Over the course of the past year, the small new 95-berth marina has been completed and had its formal opening in June, 2008. The Company has worked with WATG to produce a successful design for a new-build high end 61-room hotel and spa with adjacent apartments, construction of which is planned to commence following the end of the season, in October, 2008.

In the first quarter of 2008, the Company acquired a further hectare of development land on the waterfront in Preko in order to build 60 apartments for sale and is working on further acquisition opportunities to increase the critical mass of the Company's interests in Preko.

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To the South, on the adjacent island of Pasmán, which is connected to Uljan by a bridge, the Company has acquired responsibility for the direction and management of a large project through its investment in mid-2007 to purchase Hosting International. Hosting International owns 80% of **Pasmán Riviera**, which is 20% co-owned by the municipality of Pasmán. The Pasmán Riviera project involves a 400-hectare site, encompassing four bays at the south-western end of the island and including up to 100 hectares of building land. The site is zoned for development as a mixed use integrated resort, incorporating up to four hotels and two marinas, as well as substantial residential tourist accommodation, and is one of the largest projects of its type on the Croatian coastline.

The project land is not yet in the control of the municipality, which has been in litigation with the Croatian Ministry of Forestry for the past few years regarding disputed title to the land. The Municipality established its claim in the Municipal Court, following which the case was referred on appeal to the County Court, where it has not yet been heard. Efforts are being made by the parties to the dispute to reach an agreed settlement rather than continue with the lengthy court procedure. For this reason it is not certain if or when development will commence and the Company's commitment to this project will increase materially only once key milestones have been achieved. Hosting International won the right to develop the project and will be obliged to organise a public tender to attract financial investors to the development at the point at which the project land is free to be contributed to Pasmán Riviera. In the meantime, working with Spanish resort specialist consultants, THR, and local architects, the Company has developed a master plan for each zone of the large project site, working closely with the municipality and regional and central government.

The Company believes that its acquisitions and projects within this region, all comfortably inside one hour's delivery time from Zadar airport, will provide beneficial synergies in terms both of the variety and appeal of the services and facilities on offer and of management.

Southern Dalmatia

The Company's investment strategy in the South of the country hinges on the established appeal of Dubrovnik as a destination. The City's existing hotel stock is restricted in its capacity to upgrade to a standard commensurate with international five-star tourism and constrained by limitations of buildable space to produce a resort environment. Dubrovnik has the problem of a lack of space and facilities to deal both with tourists staying in the City and with the annual influx of cruise ship passengers that this year will approach one million visitors. The Company's strategy is, in essence, to develop a small number of high end integrated resort sites away from, but within easy reach of, the City to enable tourists to enjoy the benefits of Dubrovnik without its current limitations. Owing to the steep topography of the coastal strip in the south of the country, there are a limited number of sites that are zoned and suited for such developments. The Company has acquired one such site and has been in negotiation to enter partnership in a second.

At **Cemprjesi** on the island of Sipan, the largest of the Elaphiti isles to the North of the City, the Company acquired a 43 hectare site in 2006 that is zoned for hotel and tourist residential development. Sipan is 12 nautical miles from Dubrovnik and less than one mile from the mainland. Working with Stanhope Gate Architects, the Company has produced a master plan for the Cemprjesi site to create a third community on the island that links into the working life of the existing two communities. Similar to the Company's other sites to the North, the plan incorporates a boutique hotel of 75 rooms, residential accommodation in a mixture of villas and apartments, a spa and other facilities.

During 2007, the Company also acquired a number of other single or multiple properties in other areas of the island for redevelopment and sale and is continuing to acquire such properties. The Company's management are also working closely with the island community and with the City of Dubrovnik to define both the manner in which the new community interacts with the rest of the island and a tourism strategy for the island that seeks to create jobs and wealth while preserving the unique appeal of the island.

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The Company's non-core ("Related") investments

The performance of the Company's related investments in Nova, Croatiansun and Villas Forum has been disappointing in the period, underperforming for a variety of reasons against budget. Provisions have been made against each of these early stage investments and further investment via a mixture of increased equity and loans made to each. Notwithstanding the foregoing, Jupiter Adria Management Limited ("the Manager") believes that the initial rationale for investment in these business areas remains valid and the Manager continues to work closely with both Villas Forum and Croatiansun to refine their individual business models and operations with a view to framing a path towards profitability. In the past few months, the management of Nova has been changed and a new company, Aquas, set up under the direction of the new management team, who are specialists in the provision of excursion and transfer services to the cruise industry, in order to develop the business opportunity.

Potential Impact of Global Economic Downturn

The Company has not yet reached a commercial stage of development. Few if any comparable products to those being developed by the Company have yet come to market in Croatia and it is hard to project the impact of the global economic downturn on the Company's prospects. It is evident that a severe correction is underway in the tourism sector in many parts of the world. A number of markets, such as Spain, represent established markets that have become overbuilt. There are also numerous examples of markets not established and not sufficiently accessible by air or other means, where developments promoted in the past few years represent speculative excess typical of the end of a long bull market.

We are of the view that the investment case for high end tourism in Croatia remains robust within this context. The country's geographical position and accessibility by air and road, its natural and established cultural attractions and identity and the limitations imposed by nature and by legislation on the density of future development are the key drivers, we believe, of latent demand.

The Company's business model is reliant on the availability of construction debt finance and, to a lesser extent, on the availability of end user mortgages for buyers of residential product. The population of banks with an interest in developing a loan book in Croatia was relatively limited prior to the credit crisis. This population comprises, for the most part, banks from the neighbouring or nearby countries of Austria, Slovenia, Hungary, Italy and, to a certain extent, Germany. These banks had typically less or no direct exposure to sub-prime debt, and the Company has to date not witnessed a material change in the posture of these banks vis-à-vis their appetite to fund construction projects.

The question of the availability of end user mortgages is potentially a greater issue, given that the market for second-home mortgages in Europe is relatively thin and that it is currently impossible to predict when the mortgage securitisation markets will re-open and on what terms.

Application of Capital

The Company made a loss of €12.2 million after minority interests in the financial year 2007, equivalent to a loss of €0.09 per share. In the period since the Company's formation, the Company has raised a total of €174 million in equity contributions in three rounds of fundraising, net of €5 million of issue costs. In July, 2007, the Company undertook a capital raise of some €37 million, at a price of €1.80 per share in order to fund acquisitions in the period prior to the intended IPO. The proceeds of this fund-raising were designated for application to the acquisition of the interest in the Paskan Riviera project, for the acquisition of further properties on the island of Sipan and for the acquisition of a partner interest in a resort project close to Dubrovnik. These acquisitions have been successfully concluded.

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Issues and Prospects for 2008

Considerable progress has been registered by the Company in the past twelve months. The Company has a simple and coherent strategy and its acquisitions and development plans are consistent with this strategy. Some delays were encountered in the second half of 2007 in relation to permitting, partly as a result of the general election in November when planning offices and government departments became increasingly reluctant to approve development related applications in the run-up to the elections. This combined with other complexities has contributed to delays of varying duration in the build programmes of several of the Company's sites. This said, the renewed political will exhibited this year by the key ministries of the new government affords encouragement that the bureaucracy that afflicts the Croatian planning system will be ameliorated in the coming months.

The Company has demonstrated its ability to acquire scarce development land in prime locations at good prices. It is expected that during the latter half of 2008, the Company will begin to sell residential product on its estates and to demonstrate its ability to move strongly into operations during the course of 2009 and beyond.

Norman Lamont

Chairman

JUPITER ADRIA LIMITED

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DIRECTORS' REPORT

The directors present their report together with the audited financial statements for the year ended 31 December 2007. The financial statements were approved and authorised for issue by the board on 25 July 2008.

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 statement on pages 4 to 9.

Third private placement

On 13 July 2007 the company closed a third private placement for 20,555,556 ordinary shares at an issue price of €1.80 per ordinary share in consideration for cash subscriptions totalling €36,221,000, net of share issue costs of €781,000.

Manager

The Company is managed by Jupiter Adria Management Limited (the "Manager"), a member of Jupiter Investment Management Group Limited (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 has an initial term of five years. The Manager is entitled to management and performance fees as set out in Note 3 to the consolidated financial statements.

Directors

The directors who held office in the year ended 31 December 2007 and to the date of this report were:

Name	Position
The Rt. Hon. The Lord Lamont of Lerwick	Non-executive chairman
Donald Lines	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

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 €30,000. 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. No new directors were appointed during the year ended 31 December 2007. The biographies of the directors at the date of this report are set out below:

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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, of Defence Procurement 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 1990's 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 RAB Capital and Balli Group plc and he is also a consultant for Consensus.

Donald Lines

Donald Lines has been President of Millpoint Limited since February 1993 and is chairman or a director of a number of investment funds. He is a former President and Chief Executive Officer of The Bank of Bermuda Limited, a position he held between 1979 and 1994. He is a British citizen and Bermuda resident and is a director of a number of investment trusts and investment funds listed on international exchanges.

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 1990's, 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 2001. Among other interests and commitments, Mr Fizulic is President of the Croatian Yachting Association.

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. Société des Bains de Mer also operates a range of more than 20 restaurants and nightclubs, as well as shops, a health spa, and a golf course. 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.

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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.

Currently he is Senior Non-Executive Director and chairman of the remuneration committee of Dawson International PLC, one of the world's leading cashmere businesses and owner of Dorma, one of the world's leading manufacturers of fine bed linens.

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 to 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 Donald Lines 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.

Annual General Meeting ("AGM")

The AGM will be held on 22 August 2008. Notice of the AGM and a form of proxy are included with this Annual Report.

Auditors

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

**KPMG**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders 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 balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 principles 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 opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2007 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 11 addressing the feasibility of the Group's Pasman Rivijera development which is dependent on the successful resolution of title issues relating to the development land in question. The legal ownership of the development property is currently under litigation and the ultimate outcome of the matter cannot presently be determined. Accordingly, no provision for any effects on the Group that may result has been made in the consolidated financial statements.

A handwritten signature in black ink that reads 'KPMG' in a stylized, cursive font.

Chartered Accountants
Hamilton, Bermuda
25 July 2008


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Consolidated balance sheet	Note	31 December 2007 €'000	31 December 2006 (note 32) €'000
Assets			
Property, plant and equipment	11	88,062	61,383
Intangibles	12	33	15
Investment in equity accounted investees	10, 13	172	1,017
Goodwill	14, 23	185	-
Total non-current assets		88,452	62,415
Inventories		100	135
Trade and other receivables	15	4,643	949
Cash and cash equivalents	16	73,172	76,480
Total current assets		77,915	77,564
Total assets		166,367	139,979
Liabilities			
Finance lease liabilities	18	88	87
Total non current liabilities		88	87
Loans and borrowings	19	1,024	-
Trade and other payables	17	7,005	5,460
Provisions	20	50	297
Finance lease liabilities	18	25	19
Total current liabilities		8,104	5,776
Total liabilities		8,192	5,863
Net assets		158,175	134,116
Equity			
Called up share capital	21	1,501	1,295
Share premium		172,373	136,358
Translation reserve		(150)	(37)
Accumulated losses		(16,017)	(4,237)
Total attributable to equity shareholders of the Company		157,707	133,379
Minority interest		468	737
Total equity		158,175	134,116

The notes on pages 19 to 44 form an integral part of these consolidated financial statements.

Approved by the board of directors on 25 July 2008 and signed on its behalf by:



Donald Lines

Director



Garth Lorimer Turner

Director

JUPITER ADRIA LIMITED

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Consolidated income statement		For the year ended 31 December 2007	For the period from 24 October 2005 (date of incorporation) to 31 December 2006 (note 32)
	Note	€'000	€'000
Revenue		7,844	361
Cost of sales		(4,141)	(426)
Gross profit/(loss)		3,703	(65)
Management fees	3	(3,168)	(1,054)
Professional fees		(4,176)	(1,346)
Share based payments	4	(449)	(1,040)
Other administrative expenses		(7,627)	(1,296)
Directors' fees and expenses	6	(340)	(120)
Total administrative expenses		(15,760)	(4,856)
Operating loss		(12,057)	(4,921)
Finance expense	7	(721)	(165)
Finance income	7	3,082	331
Loan impairment loss	15	(773)	(550)
Net finance income / (expense)		1,588	(384)
Share of losses of equity accounted investees	13	(786)	-
Impairment provision – equity accounted investees	13	(1,317)	-
Loss before tax		(12,572)	(5,305)
Income tax expense	25	(23)	-
Loss for the period	8	(12,595)	(5,305)
Allocated to:			
Equity holders of the Company		(12,229)	(5,277)
Minority interest		(366)	(28)
Loss for the period		(12,595)	(5,305)
Basic loss per share (€)	9	(0.09)	(0.18)
Diluted loss per share (€)	9	(0.09)	(0.18)

All results relate to continuing operations.

The notes on pages 19 to 44 form an integral part of these consolidated financial statements.

JUPITER ADRIA LIMITED

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Consolidated statement of changes in shareholders' equity

	Note	Share capital €'000	Share premium €'000	Accumulated Losses €'000	Translation reserve €'000	Total €'000	Minority interest €'000	Total equity €'000
At 24 October 2005		-	-	-	-	-	-	-
Ordinary Shares issued	21	1,295	140,262	-	-	141,557	-	141,557
Share based payments	4	-	-	1,040	-	1,040	-	1,040
Costs related to the issue of new Ordinary Shares	21	-	(3,904)	-	-	(3,904)	-	(3,904)
Loss for the period		-	-	(5,277)	-	(5,277)	(28)	(5,305)
Translation difference		-	-	-	(37)	(37)	-	(37)
Minority interest		-	-	-	-	-	765	765
At 31 December 2006		1,295	136,358	(4,237)	(37)	133,379	737	134,116
At 1 January 2007		1,295	136,358	(4,237)	(37)	133,379	737	134,116
Ordinary Shares issued	21	206	36,796	-	-	37,002	-	37,002
Share based payments	4	-	-	449	-	449	-	449
Loss for the period		-	-	(12,229)	-	(12,229)	(366)	(12,595)
Costs related to the issue of new Ordinary Shares	21	-	(781)	-	-	(781)	-	(781)
Translation difference		-	-	-	(113)	(113)	-	(113)
Minority interest		-	-	-	-	-	97	97
At 31 December 2007		1,501	172,373	(16,017)	(150)	157,707	468	158,175

The notes on pages 19 to 44 form an integral part of these consolidated financial statements.

JUPITER ADRIA LIMITED

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Consolidated statement of cash flow

		For the year ended 31 December 2007	For the period from 24 October 2005 (date of incorporation) to 31 December 2006 (note 32)
	Note	€'000	€'000
Loss for the period		(12,595)	(5,305)
Adjustments for:			
Interest expense	7	286	127
Interest income	7	(2,731)	(325)
Depreciation and amortisation	8, 11,12	297	39
Share based payments	4	449	1,040
Loan impairment loss	15	773	550
Share of losses of equity accounted investees	13	786	-
Impairment provision – equity accounted investees	13	1,317	-
Operating cash flow before changes in working capital		(11,418)	(3,874)
Change in inventories		35	(20)
Change in trade and other receivables		(3,976)	(287)
Change in trade and other payables and provisions		1,309	886
Cash flow from operations		(14,050)	(3,295)
Interest paid		(234)	(71)
Interest received		2,648	314
Net cash used in operating activities		(11,636)	(3,052)
Cash flow from investing activities			
Loans issued to equity accounted investees	15	(669)	-
Purchase of property, plant and equipment	11	(12,446)	(624)
Acquisition of equity accounted investees	13	(1,227)	(1,017)
Acquisition of subsidiaries, net of cash	22	(14,443)	(54,480)
Net cash used in investing activities		(28,785)	(56,121)
Cash flow from financing activities			
Proceeds from issue of Ordinary Shares		37,002	139,557
Transaction costs related to the issue of Ordinary Shares		(781)	(3,904)
Proceeds from borrowings	19	877	-
Net cash from financing activities		37,098	135,653
Net (decrease) / increase in cash and cash equivalents		(3,323)	76,480
Opening cash and cash equivalents		76,480	-
Effect of exchange rate fluctuations on cash held		15	-
Closing cash and cash equivalents		73,172	76,480

The notes on pages 19 to 44 form an integral part of these consolidated financial statements.

JUPITER ADRIA LIMITED

Annual report and consolidated financial statements 31 December 2007

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). The financial statements were approved by the board of directors on 25 July 2008.

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.

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, information about 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 are described in the following notes:

Note 3 – management and performance fees

Note 4 – measurement of share based payments

Note 11 – property, plant and equipment

Note 13 – impairment of equity accounted investees

Note 20 – measurement of provisions

Note 25 – utilisation of tax losses

Notes 26 and 27 – contingencies and commitments

Note 29 – risk factors

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.

JUPITER ADRIA LIMITED

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2. Accounting policies (continued)

Associates and jointly controlled entities (equity accounted investees)

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 as 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. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

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.

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2. Accounting policies (continued)

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:

- 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.

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.

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2. Accounting policies (continued)

Finance leases (continued)

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.

Reclassification of comparatives

To ensure consistent presentation comparatives are reclassified to reflect the current period presentation.

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.

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.

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.

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2. Accounting policies (continued)

Tax (continued)

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.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

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 2007, and have not been applied in preparing these consolidated financial statements.

(i) IFRS 8 *Operating Segments* will require general and entity wide disclosures about products and services, geographical areas, major customers and facts used to identify an entity's reportable segments. IFRS 8 will become mandatory for the Group's 2009 financial statements.

(ii) Revised IAS 23 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. The revised IAS 23 will be mandatory for the Group's 2009 financial statements. In accordance with the transitional provisions the Group will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.

The Group has not yet determined the potential effect of these standards.

3. Management and performance fees

Jupiter Adria Management Limited (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. Management fees for the year ended 31 December 2007 were €3,168,000 (2006: €1,054,000). Management fees payable as at 31 December 2007 were €847,000 (2006: €623,000).

The Manager is entitled to receive a Performance Fee (the "Fee") as defined in the Investment Management Agreement dated 16 June 2006 and as amended by the Supplemental Management Agreement dated 27 November 2006 (together the "Investment Management Agreement"). 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%.

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3. Management and performance fees (continued)

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.

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.

4. 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	1,450	Options may only be exercised following the third anniversary of the grant date at an exercise price of €1.15.	10 years
Total share options	2,375		

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4. Share based payments (continued)

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

	Weighted average exercise price €'000	Number of options '000	Weighted average exercise price €'000	Number of options '000
	31 December 2007	31 December 2007	31 December 2006	31 December 2006
Outstanding at 1 January	1.00	725	-	-
Exercised during the period	-	-	-	-
Granted during the period	1.13	1,650	1.00	725
Outstanding at end of period	1.09	2,375	1.00	725

The options outstanding at 31 December 2007 have a weighted average exercise price of €1.09 and a weighted average contractual life of 9 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	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	€1.07	€1.16	€0.55
Ordinary Share price as at grant date	€1.15	€1.15	€1.15
Exercise price	€1.15	€1.00	€1.00
Expected volatility	20.68%	20.68%	23.44%
Option life	10 years	10 years	10 years
Risk-free interest rate	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 €449,000 (2006: €50,000) for outstanding share options was recognised for the period.

In 2006, certain members of the Management Team, as defined in note 24, were awarded 1,000,000 Ordinary Shares of the Company for which cash consideration of €10,000 was received. The difference between the cash consideration received and the fair value of the Ordinary Shares issued at the time of issue was €990,000, which was recorded in 2006 as a share based payment in recognition of services provided by these members of the Management Team.

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5. Staff numbers and costs

Staff	For the year ended 31 December 2007	For the period from 24 October 2005 to 31 December 2006
Average numbers (including part time employees)	128	90
	€'000	€'000
Payroll costs:		
Wages and salaries	1,828	140
Social security and pensions	1,072	24
Total payroll costs	2,900	164

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.

6. Directors' remuneration and interests

Directors' remuneration

The average number of directors who held office during the period was 7 (2006: 7). Directors' remuneration for the year ended 31 December 2007 is set out below.

Name	Fees for the year ended 31 December 2007 €'000	Fees for the period ending 31 December 2006 ¹ €'000
The Rt. Hon. The Lord Lamont of Lerwick	30	16
Donald Lines	25	13
Goranko Fizulic	25	13
Reef Hogg	25	13
Bernard Lambert	25	13
Garth Lorimer Turner	25	13
J. Andrew Smith	25	13
	180	94
Travel and other expenses	160	26
Total	340	120

¹ Fees for all directors are accrued from 19 June 2006

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6. Directors' remuneration and interests (continued)

Directors' interests

Directors' interests in the share capital of the Company at 31 December 2007 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
Donald Lines	250,000	100,000 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

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. Accordingly, no options were exercised during the year ended 31 December 2007.

An expense with respect to options issued to the Directors of €132,000 (2006: €50,000) was recognised for the year ended 31 December 2007 and is disclosed as a share based payment in the consolidated income statement.

7. Finance expense and income

	For the year ended 31 December 2007 €'000	For the period from 24 October 2005 to 31 December 2006 €'000
Finance expense		
Interest expense	286	127
Foreign exchange losses	435	38
	<u>721</u>	<u>165</u>
Finance income		
Interest income	2,731	325
Foreign exchange gains	351	6
	<u>3,082</u>	<u>331</u>

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.

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8. Net loss

	For the year ended 31 December 2007 €'000	For the period from 24 October 2005 to 31 December 2006 €'000
The following items have been included in arriving at the loss for the period:		
Transaction costs	2,151	-
Staff costs (Note 5)	2,900	164
Depreciation and amortisation	297	39
Repairs and maintenance on property, plant and equipment	100	16
Auditors' remuneration charged in the income statement comprises:		
Audit of the Company	136	57
Audit of subsidiaries	187	34
	<u>323</u>	<u>91</u>

Transaction costs comprise costs incurred by the Group in preparing for an Initial Public Offering of the Company's shares on the London Stock Exchange.

9. Loss per share

Basic loss per share

	For the year ended 31 December 2007 €'000	For the period ending 31 December 2006 €'000
Loss attributable to ordinary shareholders (€'000)	12,229	5,277
Weighted average number of Ordinary Shares	139,126,868	28,881,214
Basic loss per share (€)	0.09	0.18

Diluted loss per share

Loss attributable to ordinary shareholders (€'000)	12,229	5,277
Weighted average number of Ordinary Shares	140,796,663	28,898,351
Diluted loss per share (€)	0.09	0.18
Weighted average number of Ordinary Shares for the purposes of basic loss per share		
	139,126,868	28,881,214
Effect of dilutive potential Ordinary Shares - share options	1,669,795	17,137
Weighted average number of Ordinary Shares for the purpose of diluted loss per share		
	140,796,663	28,898,351
Diluted loss per share	0.09	0.18

Diluted loss per share is equivalent to 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 cannot be treated as dilutive in accordance with IAS 33 Earnings per Share.

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10. Principal subsidiaries and equity accounted investees

Subsidiaries	2007 Interest in ordinary share capital	2007 Indirect interest in ordinary share capital	2006 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%	-	-	Switzerland
Stancija Markocija d.o.o. ²	100%	-	100%	Croatia
Jupiter Adria d.o.o.	100%	-	100%	Croatia
Nauta Lamjana d.d.	86.21%	-	80.18%	Croatia
Stancija Dolzani d.o.o. ³	100%	-	100%	Croatia
Cepljesi d.o.o.	100%	-	100%	Croatia
Vila Tartuf d.o.o.	100%	-	-	Croatia
Vile Livade d.o.o.	100%	-	-	Croatia
Ledina d.o.o.	100%	-	-	Croatia
Vila Žužiči d.o.o.	100%	-	-	Croatia
Vila Motovun d.o.o.	100%	-	-	Croatia
Vila Zumesk d.o.o.	100%	-	-	Croatia
Casalinus d.o.o.	100%	-	-	Croatia
Stancija Dajla d.o.o. ⁴	100%	-	100%	Croatia
Hosting International d.o.o. ⁵	-	85%	-	Croatia
Pašman Rivijera d.o.o. ⁵	-	68%	-	Croatia
Marina Preko d.o.o.	-	62.07%	-	Croatia
Prečanka d.o.o.	-	86.21%	-	Croatia
Preko d.o.o.	-	86.21%	-	Croatia
Tertius d.o.o.	100%	-	-	Croatia
Decimus d.o.o.	100%	-	-	Croatia
Undecimus d.o.o.	100%	-	-	Croatia
Sextus d.o.o.	100%	-	-	Croatia
Jupiter Adria London Limited ⁶	100%	-	-	UK
Equity accounted investees				
Vile Forum d.o.o. ⁷	50%	-	50%	Croatia
Croatiansun Limited	30%	-	-	Croatia
Nova Dubrovnik d.o.o.	40%	-	-	Croatia

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

² Name changed from Golf Invest d.d. to Stancija Markocija d.o.o. on 6 November 2007

³ Name changed from Golf Resort Istra d.o.o. Stancija Dolzani d.o.o. on 1 October 2007

⁴ Name changed from Zeck Badza d.o.o. Stancija Dajla d.o.o. on 20 September 2007

⁵ Sinseg AG owns 100% of Hosting International d.o.o. which in turn owns 80% of Pašman Rivijera d.o.o.

⁶ Jupiter Adria London Limited was incorporated on 19 April 2007

⁷ Trades under the name Villas Forum

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11. Property, plant and equipment

At 31 December 2007

	Land €'000	Plant & equipment €'000	Property under development €'000	Total €'000
Cost				
At 1 January 2007	59,246	1,273	898	61,417
Acquisition of subsidiaries (note 22, 23)	8,630	2,627	2,935	14,192
Additions at cost	7,666	719	4,351	12,736
Disposals	-	(13)	-	(13)
Exchange differences	13	24	5	42
At 31 December 2007	75,555	4,630	8,189	88,374
Accumulated depreciation				
At 1 January 2007	-	34	-	34
Charge for the period	-	289	-	289
Disposals	-	(11)	-	(11)
At 31 December 2007	-	312	-	312
Net book value at 31 December 2007	75,555	4,318	8,189	88,062

Assets held under finance leases have the following net book value:

Cost		162	-	162
Accumulated depreciation		(28)	-	(28)
Net book value as at 31 December 2007		134	-	134

At 31 December 2006

	Land €'000	Plant & equipment €'000	Property under development €'000	Total €'000
Cost				
At 24 October 2005	-	-	-	-
Acquisition of subsidiaries (note 22)	58,779	1,116	898	60,793
Additions at cost	467	157	-	624
At 31 December 2006	59,246	1,273	898	61,417
Accumulated depreciation				
At 24 October 2005	-	-	-	-
Charge for the period	-	34	-	34
At 31 December 2006	-	34	-	34
Net book value at 31 December 2006	59,246	1,239	898	61,383

Assets held under finance leases have the following net book value:

Cost		128	-	128
Accumulated depreciation		(2)	-	(2)
Net book value at 31 December 2006		126	-	126

Certain land owned by the Group is secured against loans and borrowings, as disclosed in more detail in note 15.

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11. Property, plant and equipment (continued)

Property under development includes rights, with a carrying value of €4.2 million, acquired by the Group to provide certain planning and consulting services for the Pasman Rivijera development project. As the sole consulting company for the project, the Company is required under the services agreement to have an 80% ownership stake in Pasman Rivijera d.o.o with the remaining shareholding held by the Pasman Municipality.

The feasibility of the project is initially dependent on the successful resolution of title issues relating to the development land in question. This is currently under litigation and, if the outcome is in favour of the Municipality, will result in the contribution of the development land to Pasman Rivijera d.o.o. The Company is also required under the services agreement to conduct a public tender for investors to fund the project.

Management is of the opinion that the litigation proceedings will be concluded in the favour of the Municipality. On the basis that Management believes that it is most probable that the proceedings will be concluded with positive outcome for the Group, management has not provided for any amounts related to the legal claim nor impairment of the underlying assets. In the event that the Municipality is not eventually successful in acquiring title to the development land, the Company may be required to write down this asset, resulting in a charge to profit and loss of up to €4.2 million. The balance of property under development relates to assets in the course of construction.

12. Intangibles

	31 December 2007 €'000	31 December 2006 €'000
Cost		
Opening balance	20	-
Acquisition of subsidiaries (note 22)	38	20
Disposals	(15)	-
Closing balance	<u>43</u>	<u>20</u>
Accumulated amortisation		
Opening balance	5	-
Amortisation for the year	8	5
Disposals	(3)	-
Closing balance	<u>10</u>	<u>5</u>
Carrying amounts		
At 31 December 2007	<u>33</u>	-
At 31 December 2006	-	<u>15</u>

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

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13. Investment in equity accounted investees

	Vile Forum d.o.o.	Croatiansun Limited	Nova Dubrovnik d.o.o.	Marina Preko d.o.o. ¹	Total
	€'000	€'000	€'000	€'000	€'000
At 1 January 2007	1,017	-	-	-	1,017
Acquired during the period	7	687	533	-	1,227
Group share of losses	(278)	(236)	(241)	(31)	(786)
Impairment provision	(746)	(451)	(120)	-	(1,317)
Adjustment to previously equity accounted investee	-	-	-	31	31
At 31 December 2007	-	-	172	-	172

¹ Classed as an associate from initial acquisition until the Group gained control, thereafter treated as a subsidiary (note 22 (a)).

Equity accounted investees are the subject of an annual impairment review. A review performed for the year ending 31 December 2007 concluded there was a requirement to recognise an impairment provision against the carrying value of each of the equity accounted investees, as disclosed in the above table. The Group intends to continue to provide financial support to each of these businesses, subject to ongoing review and assessment of future trading prospects.

Summary financial information for equity accounted investees is shown below. The ownership interest held by the Group is disclosed in note 10.

	Vile Forum d.o.o.	Croatiansun Limited	Nova Dubrovnik d.o.o.	Total
	€'000	€'000	€'000	€'000
At 31 December 2007				
Assets	630	1,133	1,317	3,080
Liabilities	(708)	(1,045)	(1,670)	(3,423)
For the period ending 31 December 2007				
Revenue	634	50	367	1,051
Profit/(loss) for the period	(557)	(662)	(603)	(1,822)

14. Goodwill

	31 December 2007 €'000
Cost	
At 1 January 2007	-
Acquisitions (note 23)	185
At 31 December 2007	185

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15. Trade and other receivables

	31 December 2007 €'000	31 December 2006 €'000
Amounts falling due within one year:		
Trade receivables	2,630	671
Other receivables	1,531	550
Impairment provision	(773)	(550)
Other receivables net of impairment	<u>758</u>	<u>-</u>
Loans to related parties (note 24)	224	-
VAT	553	83
Prepayments and accrued income	478	195
	<u>4,643</u>	<u>949</u>

At 31 December 2007 and included in other receivables is a loan of €303,000 due from a third party, Vile Forum Gradnja d.o.o. The loan is repayable on demand and bears interest at 4%.

At 31 December 2007 loans totaling €600,000 were due to the Group from Keppler Saunders d.o.o, a wholly owned subsidiary of Croatiansun Limited which is 30% owned by the Group, with €550,000 due for repayment either on demand or by 27 July 2007 and €50,000 due on 17 March 2008. Interest on these loans is charged at between 6.4% and 8% with €54,000 due at 31 December, 2007. An impairment provision has been recognised representing the loans due for repayment at 31 December 2007 and interest due at 31 December 2007 on the basis that Keppler Saunders d.o.o. has not been able to fulfill its obligations within the terms of the original loan agreements and may not be able to do so in the future. The amount of the provision in aggregate is €654,000, of which €550,000 was provided for in 2006 and €104,000 provided for in 2007. In addition, an amount of €4,000 owed to the Group by Croatiansun Limited has been impaired in 2007.

At 31 December loans totaling €500,000 were due to the Group from Nova Dubrovnik d.o.o, an equity accounted investee of the Group. Interest on these loans is charged at 3.5%. In addition, at 31 December 2007 loans totaling €165,000 were due to the Group from Vile Forum d.o.o., an equity accounted investee of the Group. Interest on these loans is charged at 4.5%. Impairment provisions have been recognized in 2007 against the full amount of these loans, as Nova Dubrovnik d.o.o and Vile Forum d.o.o have not been able to fulfill their obligations within the terms of the original loan agreements and may not be able to do so in the future.

At 31 December 2008 loans totaling €224,000 were due to the Group from Jupiter Adria AG, a related party (note 24). The loan is unsecured, interest free and has no fixed repayment date.

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

16. Cash and cash equivalents

Cash and cash equivalents held by the Group at 31 December 2007 and 31 December 2006 comprise cash held at bank as well as cash held by 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. Interest earned on these deposits during the period averaged 4.0% (2006: 3.5%).

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

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17. Trade and other payables – current

	31 December 2007 €'000	31 December 2006 €'000
Amounts falling due within one year:		
Trade payables	2,325	2,189
Amounts due to related parties (notes 3 and 24)	987	623
Other payables and accruals	3,693	181
Unpaid acquisition costs due on the acquisition of subsidiaries	-	2,467
	<u>7,005</u>	<u>5,460</u>

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

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

18. Finance lease liabilities

	Principal € '000	Interest € '000	Minimum lease payments € '000
Less than one year	25	8	33
Between one and five years	88	11	99
At 31 December 2007	<u>113</u>	<u>19</u>	<u>132</u>
Less than one year	19	7	26
Between one and five years	87	12	99
At 31 December 2006	<u>106</u>	<u>19</u>	<u>125</u>

Finance lease obligations comprise leases for motor vehicles.

19. Loans and borrowings

	31 December 2007 €'000	31 December 2006 €'000
Current:		
Bank borrowings	1,024	-
	<u>1,024</u>	<u>-</u>

On 7 August 2007 Nauta Lamjana d.d. ("Lamjana") concluded a loan facility agreement, the purpose of which is to fund the working capital and general corporate purposes of Lamjana. The loan, which amounted to €877,000 with an annual interest rate of 7.5%, was secured against land which makes up part of the Lamjana development site. The loan was repaid in full and the security was released on 5 May 2008.

At 31 December 2007, Precanka d.o.o. ("Precanka") had a loan outstanding of €147,000 with an annual interest rate of 7.75%, secured against land owned by Precanka. The loan, which was drawn by Precanka prior to its acquisition by the Group, was repaid in full and the security released on 22 January 2008.

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

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20. Provisions

At 31 December 2007 a provision of €50,000 (2006: €297,000) had been established 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. This provision represents the most likely liability that may arise in order to settle these claims in full. The movement of the provision during the year is the result of a number of claims being agreed and paid.

21. 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.

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**

Movements in the issued shares of the Company during the period from 24 October 2005 to 31 December 2006 and for the year to 31 December 2007

	No. of Shares
Ordinary Shares issued on incorporation*	9,417
Ordinary Shares issued on first private placing	42,487,314
Ordinary Shares issued on second private placing	87,000,000
Issued shares at 31 December 2006	<u>129,496,731</u>
Ordinary Shares issued on third private placing	20,555,556
Issued shares at 31 December 2007	<u>150,052,287</u>

The Group also has issued share options (see note 4).

In 2006, 2,000,000 Ordinary Shares with a value of €2,000,000 were issued to shareholders of Cepljesi d.o.o., one of whom is currently a member of the Management Team as defined in note 24, during the first private placing, as payment in kind for a portion of the Company's acquisition of 22% of the shares of Cepljesi d.o.o.

In 2006, costs of €3,904,000 related to the issue of Ordinary Shares during the period have been recorded against share premium. In 2007, costs of €781,000 related to the issue of Ordinary Shares during the period have been recorded against share premium.

* The US dollar shares were exchanged for Ordinary Shares on 9 May 2006 at the then prevailing exchange rate, and subsequently cancelled.

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22. Acquisitions

The Group has made a number of acquisitions in the year, for a total consideration of €13.2 million (2006: €58.7 million). Significant acquisitions completed during the year include:

(a) On 25 January 2007, the Group acquired 33% of the ordinary share capital of Marina Preko d.o.o., a marine services company, which owns a 95 berth marina on the island of Ugljan, near Zadar, Croatia. A further 33% of the ordinary share capital was acquired on 20 December 2007 bringing the aggregate holding to 62.07%. The remaining ordinary share capital of Marina Preko d.o.o. was acquired by the Group on 18 February 2008 bringing its aggregate holding to 100%. Construction of the marina was completed during the first half of 2008 and the marina was officially opened on 24 June 2008.

(b) Between 9 February 2007 and 11 June 2007 the Group acquired seven companies which own land on which the Group intends to use for residential development. The companies acquired were: Vila Tartuf d.o.o., Vile Livade d.o.o., Ledina d.o.o., Vila Zuzici d.o.o. (all acquired on 9 February 2007); Casalinus d.o.o. (acquired 23 February 2007); Vila Zumesk d.o.o. (acquired 15 March 2008); Vila Motovun (acquired 11 June 2007).

(c) On 5 March 2007, the Group acquired 30% of the issued ordinary share capital of Croatiansun Limited. On the same date, Croatiansun Limited acquired 100% of Keppler Saunders d.o.o., a real estate agency focussing on the Croatian market.

(d) On 30 March 2007, the Group acquired 40% of the issued ordinary share capital of Nova Dubrovnik d.o.o. ("Nova"). Nova is a Dubrovnik based boat transportation company.

(e) On 11 April 2007, the Group acquired 100% of the ordinary share capital of Preko d.o.o. and Precanka d.o.o., which own respectively a hotel and restaurant site which were not operational at the acquisition date and which the Group intends to redevelop into a four star standard hotel plus related facilities at Preko on the island of Ugljan, near Zadar, Croatia.

(f) On 5 June 2007, the Group acquired 85% of Sinseg AG ("Sinseg"). On the same date, Sinseg acquired 100% of the ordinary share capital of Hosting International d.o.o. ("Hosting"), which in turn acquired 40% of the ordinary share capital of Pasman Rivijera d.o.o. (bringing its total holding in Pasman Rivijera d.o.o. to 80%). The Group, through the acquisition of these companies, intends to pursue tourism development opportunities on Pasman Island in central Croatia. Subject to the occurrence of future events, the Group may be required to make additional payments of up to approximately €9,100,000 in respect of these acquisitions. The acquisition of Hosting, which operates a hospitality and leisure consultancy and which holds an 80% investment in Pasman Rivijera d.o.o., has been treated as a business combination (see note 23). In connection with the acquisition of Hosting, the Group has issued a guarantee to Sinseg for an amount up to €1,526,000. The guarantee may be invoked in the event that it becomes evident that the minimum value of the shares in Hosting at the date Hosting was acquired by Sinseg is less than €1,526,000. The amount payable by the Group under the terms of the guarantee is the difference between €1,526,000 and the determined minimum value of the shares in Hosting.

(g) Further shares in Nauta Lamjana d.d. were acquired from minority shareholders for an aggregate consideration of €236,000 increasing the Company's total ownership from 80.18% to 86.21%.

(h) On 24 August 2007, the Group acquired 100% of the issued ordinary share capital of four companies (Decimus d.o.o., Tertius d.o.o., Undecimus d.o.o. and Sextus d.o.o.) All four companies own land in the Dubrovnik area which the Group intends to use for residential development.

(i) On 19 December 2007, the Group paid a non-refundable deposit representing 10% of the total share purchase price for Zmorac Nekretnine d.o.o. The balance for the remaining 90% was paid on 20 February 2008. Zmorac Nekretnine d.o.o. owns development land on the island of Ugljan, near Zadar, Croatia. It is intended this land will be used for a waterfront residential development.

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23. Business combinations

On 5 June 2007, the Group acquired 85% of Sinseg AG which in turn acquired 100% of the ordinary share capital of Hosting International d.o.o (see note 22 (f)). Details of the net assets of Hosting International d.o.o and goodwill are as follows:

	31 December 2007 € '000
Purchase consideration:	
- Cash paid	1,526
- Direct costs relating to the acquisition	-
Total purchase consideration	<u>1,526</u>
Fair value of net assets acquired:	
Property, plant and equipment	1,403
Net current liabilities	(62)
Total fair value of net assets acquired	<u>1,341</u>
Goodwill	<u>185</u>

The fair value of goodwill arising on the acquisition of Hosting International d.o.o may be impacted by the Pasmán Rivijera litigation proceedings outlined in more detail in note 11.

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

The Manager provides management services to the Company pursuant to an Investment Management Agreement dated 16 June 2006, as amended on 27 November 2006 by the Supplemental Management Agreement. 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"). Fees paid to the Manager are disclosed in note 3.

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. Cash transfers have been made to Jupiter Adria AG by the Group during the year to fund acquisitions. Service fees of €140,000 (2006: € nil) were accrued for accounting services provided by Jupiter Adria AG to the Group.

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24. Related party transactions (continued)

Loans to associates

The Group has made loans to Keppler Saunders d.o.o, Nova Dubrovnik d.o.o, Vile Forum d.o.o. and Jupiter Adria AG, who are related parties. Further information on these loans is given in note 15.

25. Taxation and deferred tax

	31 December 2007 €'000	31 December 2006 €'000
Loss before tax	(12,572)	(5,305)
Tax expenses / (benefits) calculated at domestic rates applicable to the respective countries	(789)	(166)
Expenses not deductible for tax purposes	140	4
Tax losses not recognised	672	162
Income tax expense	23	-
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 30%. The aggregated tax losses of the Group's subsidiaries are summarised below.

Tax losses arising in the year	Expiry date:	2007 Total €'000	2006 Total €'000
2002	31 December 2007	-	287
2003	31 December 2008	9	9
2004	31 December 2009	412	412
2005	31 December 2010	471	471
2006	31 December 2011	537	537
2007	31 December 2012 - 14	672	-
Total		2,101	1,716
Deferred tax asset not recognised			
Opening balance at 1 January 2007		1,716	1,814
Tax loss for the current period		672	162
Tax loss expired		(287)	(260)
At 31 December 2007		2,101	1,716

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\$ 28,000 per annum.

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25. Taxation and deferred tax (continued)

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 2016 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 2007, 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.

26. Contingencies

(a) At 31 December 2007 the book value of land included a parcel of land owned by Nauta Lamjana d.d. which is being used for marine related activities. Due to its current usage and given that a part of this land is on waterfront locations which the Croatian government determines to be public land, it is considered land held under concession for which an annual fixed concession fee of €10,000 is paid to the Croatian government, plus a variable fee of 1% of profit after tax. The current concession right is valid to 2031. Nauta Lamjana d.d. is negotiating with the government to reduce the area of land deemed to be held under concession and ultimately, to reduce the annual concession fee payable.

(b) Land owned by Cexpljesi d.o.o. is situated near the waterfront and may form public land as determined by the Croatian government. The area of public land and possible financial effect (such as the payment of concession fees) and any other financial consequences cannot be determined at the date of this report.

(c) The Group has issued a guarantee to Sinseg AG, further details of which are given in note 22 (e).

27. Commitments

During the year ended 31 December 2007, the Group has entered into a number of contracts in connection with the planning, design and related consultancy and other services required during the pre-construction phase of its investments. At 31 December 2007 these commitments in aggregate amounted to approximately €8 million and are expected to be settled over the course of the next three years.

28. Post balance sheet events

(a) On 12 January 2008, the Group acquired an additional 34% of the of Marina Preko d.o.o. bringing its aggregate holding to 96.07%.

(b) On 8 February 2008 the Group acquired additional shares in Croatiansun Limited, increasing its holding to 47%.

(c) On 20 February 2008, the Group completed the acquisition of 100% of the ordinary share capital of Zmorac Nekretnine d.o.o. (note 22 (i)). Zmorac Nekretnine d.o.o owns land on the island of Ugljan, in a small bay adjacent to the marina at Preko.

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28. Post balance sheet events (continued)

(d) On 25 February 2008 the Group acquired an additional 45% of the issued shares in Nova Dubrovnik d.o.o (“Nova”) taking the Group’s total holding to 85%. On 16 May 2008, the Group incorporated a new wholly owned subsidiary, Aquas d.o.o. (“Aquas”) and the Group intends to transfer the operating assets of Nova to Aquas.

(e) On 5 March 2008, the Group acquired 100% of the ordinary share capital of Septimus d.o.o, which owns land in the Dubrovnik area.

(f) On 20 May 2008, the Group acquired 100% of the ordinary share capital of Harpun d.o.o (“Harpun”). Management intend to use Harpun to acquire development land on the island of Ugljan, near to the Preko hotel and marina which are currently owned by the Group.

(g) On 12 June 2008, the group incorporated a new wholly owned subsidiary, Jupiter Adria Spas Limited.

(h) On 29 June 2008, the Group signed a €13 million loan facility agreement, the purpose of which is to fund the working capital and general corporate purposes of the Group including possible future investments. The facility, which is currently unsecured was drawn down in full on 30 June 2008, is repayable on 29 June 2009 and bears interest at Euribor plus 8%. Interest is paid on a quarterly basis. The lenders are Metage Funds Limited and Metage Special Emerging Markets Fund Limited, both of whom are shareholders of the Company.

(i) 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”). In connection with this acquisition, the Group has issued a guarantee to Erste Bank der oesterreichischen Sparkassen AG for an amount of up to €5,000,000. This may become payable in the event that future project development costs, which relate to this acquisition, exceed a specified amount.

The aggregate consideration for the acquisitions disclosed above was €30.5 million.

29. 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. The Group does not currently use derivative financial instruments to hedge its exposure to risk.

(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 2007

	HRK	Euros	CHF	GBP
	€’000	€’000	€’000	€’000
Trade and other receivables	3,790	853	-	-
Cash	2,238	70,737	77	120
Trade and other payables and provisions	(3,677)	(3,181)	-	(197)
Loans and borrowings	(1,024)	-	-	-
Finance lease liabilities	(113)	-	-	-
Net exposure	1,214	68,409	77	(77)

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29. Financial risk (continued)

At 31 December 2006

	HRK €'000	Euros €'000	CHF €'000	GBP €'000
Trade and other receivables	560	389	-	-
Cash	1,278	75,115	87	-
Trade and other payables and provisions	(2,345)	(3,412)	-	-
Finance lease liabilities	(106)	-	-	-
Net exposure	(613)	72,092	87	-

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.

The Group had no significant long term borrowings at 31 December 2007.

(b) Credit risk

The majority of the Group's credit exposure relates to surplus cash held on short-term deposits. In order to mitigate counterparty risk cash is currently held evenly across three financial institutions to a maximum limit of €25 million per institution.

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

	For the year ended 31 December 2007 €'000	For the period ending 31 December 2006 €'000
Trade and other receivables (note 15)	4,643	949
Cash and cash equivalents	73,172	76,480
	77,815	77,429

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, including an amount of €303,000 from Vile Forum Gradnje d.o.o. which is disclosed in more detail in note 15. An amount of €224,000 is due from Jupiter Adria AG, a related party, which is disclosed in more detail in note 15.

At 31 December 2007, cash and cash equivalents of €26,427,000 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. The Group's trade and other receivables, trade and other payables, loans and borrowings 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 18).

Capital raised from the three private placements to date have 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.

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30. 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.

31. 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, asset, liability and other information for the Group's geographic segments.

For the year ended 31 December 2007

	Croatia	Other*	Total
Geographic segments	€'000	€'000	€'000
Revenue	7,844	-	7,844
Operating loss	(2,523)	(9,534)	(12,057)
Loan impairment loss	(773)	-	(773)
Impairment provision – equity accounted investees	(1,317)	-	(1,317)
Assets	<u>94,837</u>	<u>71,530</u>	<u>166,367</u>
- non current	88,452	-	88,452
- current (excluding cash)	4,147	596	4,743
- cash	2,238	70,934	73,172
Liabilities	5,071	3,121	8,192
Other information			
- depreciation and amortisation	297	-	297

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

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31. Segment information (continued)

For the period from 24 October 2005 (date of incorporation) to 31 December 2006

	Croatia €'000	Other* €'000	Total €'000
Geographic segments			
Revenue	361	-	361
Operating loss	(628)	(4,293)	(4,921)
Loan impairment loss	(550)	-	(550)
Assets	<u>63,371</u>	<u>76,608</u>	<u>139,979</u>
- non current	61,398	1,017	62,415
- current (excluding cash)	695	389	1,084
- cash	1,278	75,202	76,480
Liabilities	2,451	3,412	5,863
Other information			
- depreciation and amortisation	39	-	39

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

32. Comparatives

Certain comparative line items in the balance sheet and statement of cash flows have been reclassified to reflect that transactions made by a related party, Jupiter Adria AG were on behalf of and for the benefit of EG Jupiter Jadran. These reclassifications are summarised below.

	Previously stated €'000	Reclassification €'000	Reclassified €'000
Consolidated balance sheet			
Trade and other receivables	8,674	(7,725)	949
Cash and cash equivalents	68,755	7,725	76,480
Consolidated statement of cash flow			
Foreign exchange	(5)	5	-
Transfers to related party	(44,001)	44,001	-
Transfers from related party	1,928	(1,928)	-
Acquisition of subsidiaries, net of cash	(20,127)	(34,353)	(54,480)
Cash and cash equivalents	68,755	7,725	76,480

Property, plant and equipment and segment information have been reclassified to reflect a reclassification of intangibles and properties under development.

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33. 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.

NOTICE OF MEETING

NOTICE is HEREBY GIVEN of the Annual General Meeting of the Members of JUPITER ADRIA LIMITED (the "Company") to be held at Cumberland House, 1 Victoria Street, 3rd Floor, Hamilton HM 11, Bermuda on 22 August, 2008 at 10:00 am (Bermuda time).

AGENDA

1. To appoint a Chairman of the Meeting.
2. To receive and adopt the Chairman's Review and the audited Financial Statements of the Company for the year ended 31 December 2007, together with the Auditors' Report thereon.
3. To determine the number of Directors

It is proposed to set the number of Directors at seven.
4. To re-elect the Board of Directors.

It is proposed that the following persons, having indicated their willingness to stand, and being eligible, be separately re-elected Directors: The Rt. Hon. The Lord Lamont of Lerwick, Mr. Donald Lines, Mr. Goranko Fizulic, Mr. Reef Hogg, Mr. Bernard Lambert, Mr. J. Andrew Smith and Mr. Garth Lorimer Turner.

5. To appoint Auditors.

It is proposed that KPMG be reappointed Auditors of the Company for the year ending 31st December 2008, at a fee to be approved by the Directors.

BY ORDER OF THE BOARD

TRACY PACKWOOD
COMPANY SECRETARY

Dated: 25 July 2008

Note: Members unable to attend are entitled to appoint one or more proxies to attend and vote instead of that Member at the meeting and any proxy so appointed need not also be a Member. To appoint a proxy, Members are requested to complete the enclosed form of proxy and return it for the attention of Mrs. Tracy Packwood at Jupiter Adria Limited, Cumberland House, 1 Victoria St, 3rd Floor, Hamilton HM11, Bermuda by airmail and on facsimile # +1 441-295-8690.

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To be used for the Annual General Meeting of the above-named Company to be held at Cumberland House, 1 Victoria Street, 3rd Floor, Hamilton HM11, Bermuda on 22 August 2008 commencing at 10:00 am (Bermuda time).

I/We _____

of _____

_____ being (a) shareholder(s) of Jupiter Adria Limited hereby appoint the Chairman of the Meeting, and grant authority to him, to appoint any such person to act in his stead whom he deems fit, failing whom _____

as my/our proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held on 22 August and at any adjournment thereof. I/We direct my/our proxy to vote on the resolutions set out in the Notice convening the Annual General Meeting as follows:-

ORDINARY RESOLUTIONS

***FOR**

***AGAINST**

THAT the Chairman's Review and the audited Financial Statements of The Company for the year ended 31 December 2007, together with the Auditors' Report thereon, be received and adopted.

THAT the number of Directors be set at seven, and that any vacancy on the Board be filled at the discretion of the Directors.

- THAT Lord Lamont be elected as Director.
- THAT Mr. Donald Lines be elected as Director,
- THAT Mr. Goranko Fizulic be elected as Director.
- THAT Mr. Bernard Lambert be elected as Director.
- THAT Mr. Reef Hogg be elected as Director.
- THAT Mr. J. Andrew Smith be elected as Director.
- THAT Mr. Garth Lorimer Turner be elected as Director.

THAT KPMG be reappointed Auditors of the Company for the year ending 31st December 2008 at a fee to be approved by the Directors.

Dated this _____ day of _____ 2008 Signature _____

* Please indicate how you wish your proxy to vote by placing a tick in the appropriate box. If you do not do so, your proxy will abstain or vote for or against the resolution at his/her discretion.

JUPITER ADRIA LIMITED

NOTES:

1. If you wish to appoint as your proxy some person other than the Chairman of the Meeting, please insert in BLOCK CAPITALS the full name of the person of your choice, delete the words “the Chairman of the Meeting, failing whom” and initial the amendment.
2. This proxy (and the Power of Attorney and other authority, if any, under which it is signed or a notarially certified office copy thereof must be deposited with the Company’s Secretary at Cumberland House, 1 Victoria Street, Hamilton, Bermuda HM11, Attention: Tracy Packwood, Company Secretary (Fax: + 1 441 295 8690), not less than 36 hours before the time appointed for the holding of the Meeting.
3. If the appointer is a Corporation, this proxy must be executed under its Common Seal or under the hand of some Officer or Attorney duly authorised on its behalf.
4. In the case of joint holders, any one such person may sign.