

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

JUPITER ADRIA LIMITED

Annual report and consolidated financial statements

31 December 2008

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

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

Conyers Dill & Pearman

Clarendon House, 2 Church Street
Hamilton HM CX, Bermuda

CMS Zagreb d.o.o.

Jurisiceva 24, 10 000
Zagreb, Croatia

Auditors

KPMG LLP
8 Salisbury Square
London EC4Y 8BB

Listing sponsor

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

Property advisors and valuers

Colliers CRE
9 Marylebone Lane
London W1U 1HU

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CHAIRMAN'S REVIEW

As I stated in the Group's last interim report, the current global economic recession has impaired the Group's ability to execute its business plan within the time frames previously planned. Debt finance for construction projects is in very short supply, the market for off-plan sales of resort properties has collapsed and the availability of mortgage products for would-be buyers of second home properties is similarly very constrained.

I also drew shareholders attention to the Group's cash position. At 31st December, 2008, the Group held free cash of €16.7 million. In light of current circumstances and, in particular, the acute lack of available debt finance, the Manager has taken steps to reduce the Group's overhead base and cash burn rate to a level such that the Group can survive on its existing cash reserves into 2011 without recourse to new sources of funds from equity, debt or disposals. In the meantime, the Group is actively exploring a number of opportunities to protect and build its asset values and to generate additional cash flow.

The Group recorded a loss for the year ending 31st December, 2008, of €22.8 million. Net assets at 31st December, 2008, were €135.7 million, equivalent to a net asset value ("NAV") of €0.90 per share, stated at the lower of cost or written down value. This compares to €1.02 per share reported at 31 December 2007 on the same basis.

At 31st December, 2008, Colliers CRE ("Colliers") valued the Company's seven main projects at €263.1 million in aggregate reflecting the inclusion of the Company's 50% share in the Sun Gardens resort in Dubrovnik. The valuation, which reflects residual land market values and which was undertaken using Royal Institute of Chartered Surveyors ("RICS") appraisal and valuation standards, represents an uplift of €0.95 to the Group's NAV, or an adjusted NAV of €1.85. The Colliers valuation also identified an amount of €131.6 million of development profit, which is deducted in arriving at residual land value. This equates to a further €0.88 of NAV, which may be realised by the Group over time through to the completion of construction of its investments. This has been excluded from the adjusted NAV of €1.85.

Having implemented its cash conservation plan, the Group continues to benefit from a management team which, though reduced in scale, has the combination of skills to drive each of the Group's projects through planning and permitting milestones as well as to manage its existing and forthcoming operations.

I am very pleased to welcome Ivana Soljan to the management team. Ivana was until recently chief operating officer of Croatian Telecom and chief executive of T-Com and brings to the Company considerable experience in managing complex, as well as early stage businesses in Croatia, having previously founded businesses in broadcasting, media, marketing and sales.

Norman Lamont

Chairman

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MANAGER'S REPORT

Highlights

We are pleased to present an update on the activities of Jupiter Adria Limited for the year ended 31 December, 2008.

As noted in the Chairman's review, progress on all of our investments has been significantly slowed as a consequence of the deterioration in global economic conditions. Having made good progress during the first half of 2008 with master planning and permitting for a number of the Company's projects, in the autumn we took the decision to put on hold the majority of project related works. This decision was principally the consequence of a lack of availability in the global credit markets of construction and consumer finance, the latter being especially important for our planned residential sales programme.

In view of the delays to our development timetable and the uncertainty as to when global economic conditions will improve, we reviewed the Group's objectives for the next two years and have restructured the Group's management and administrative overhead to the minimum consistent with these objectives. Our most critical objective is to ensure that the Group has sufficient cash headroom for the foreseeable future. We have made significant reductions to the Group's annual rate of cash burn by reducing overheads, in particular payroll. As noted in note 3 to the financial statements, the Group has also renegotiated more favourable terms to the management agreement with Jupiter Adria Management Limited. Following these changes, the Group has sufficient existing free cash to continue operating into the first quarter of 2011 without recourse to new sources of funding via debt, asset sales or equity.

The management team aims to continue to make progress with planning and permitting for each of its existing projects, in order to enhance the value of the Group's investments. At the same time, we continue discussions with various potential funding partners who have expressed interest in providing finance to the Group as and when credit markets ease and economic conditions improve. Our established and increasingly well publicised presence in Croatia, which has been significantly bolstered by the recent appointment as chief executive officer of Ivana Soljan, means we are now widely recognised as the leading long term investor in high end hospitality and tourism in Croatia. This leaves us well placed to take advantage of opportunities that may arise to acquire or partner existing businesses with potential for value improvement and to seek partners, where appropriate, for our existing projects.

Investment Projects

The Group's most advanced project is Sun Gardens, located 30 minutes to the north of Dubrovnik airport and in which the Group holds a 50% joint venture interest. Construction of the first phase is complete and opened in July 2009. This includes a 201 key Radisson Blu hotel, 207 apartments and related resort facilities, including extensive conference and banqueting and a sports centre. The building permit for phase two, which includes a 120-room Regent hotel built into a stunning cliff side location fronting onto the Adriatic, has also been issued. Sun Gardens is the first fully integrated high end resort of international standard in the Dubrovnik area and will enable Jupiter Adria to build its reputation with regard to its development and operating credentials. As summarised in note 30 to the financial statements, in July 2009 the Group signed a €12 million loan facility agreement to enable further investment into this project.

The Company has invested in three projects in Istria. The most advanced of the three is at Markocija, a 90 hectare site situated in northern Istria, close to the Slovenian border. At Markocija, the Company intends to develop a 75 key hotel and spa, to operate under its own brands, and an 18-hole golf course. The initial phase of residential development at Markocija will comprise 175 units in a mixture of villas, townhouses and apartments and will be managed by the Company within the estate. The Company has appointed Kor Real Estate to manage the marketing and sales programme for the residences at Markocija and we expect that recently passed legislation relating to golf projects in Croatia will have a positive impact on the sales plan. The master planning and detailed design has been undertaken by CMLA and location permits for the golf project were issued in July 2008, following which preliminary construction and infrastructure works were undertaken. Work on the completion of permitting for the entire project has been slowed over the past six months to a pace aimed at coinciding with a pick-up in the availability of construction and consumer

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finance. At present, our aim is to launch the residential sale programme for Markocija and to begin construction in 2010, the resort opening in the spring of 2012.

The Group's two other Istrian sites, located at Motovun and Prascarija, are both within a 30 minute drive of Markocija. The Company intends that both these sites will also be operated under the Group's brand with the residential units forming part of the hotel inventory. The Motovun site, which is set in over 200 hectares and has been master planned by Stanhope Gate Architects, comprises the first of two 18 hole golf courses which are zoned for the site and over 130 residential units, a 40 key boutique hotel, a spa and other facilities. At Prascarija, a 90 hectare site located just north of the coastal town of Novigrad and where CMLA have been engaged in the initial master planning, the Company will develop a third 18 hole golf course, an 80 key hotel and approximately 120 residential units.

The Company's three planned golf courses in Istria will be managed by PGA and are integral to the Croatian government's medium term plan for Istria to become a leading central European golf destination, with over twenty courses currently zoned for development.

In Northern Dalmatia, on the island of Ugljan which is a short (20 minute) ferry transfer from Zadar, the Company owns a majority stake in a small shipyard at Nauta Lamjana and, at Preko, a marina and hotel and residential development sites. Working with the architects HGP, we are revising the master plan at Nauta Lamjana, where a favourable revision to the planning parameters means that we can enhance the scope of redevelopment, which over two phases will ultimately comprise a large marina with in excess of 250 berths and substantial dry stack and servicing facilities, a hotel and approximately 150 units of waterside residential units, as well as related commercial and retail space. Our current estimate is that the first phase of the Nauta Lamjana development will be completed by late 2011. Preko is steadily becoming established as a very well regarded, emerging high end destination in the region, given its close proximity to the historic city of Zadar, the Kornati National Park and the area's world class marine based activities.

In Southern Dalmatia, the Company owns a 43 hectare site at Cemprjesi, on the island of Sipan, which lies one mile from the mainland, 4 kilometres to the north of Sun Gardens and a 30 minute transfer by boat from the main harbour of Dubrovnik. The master plan for the site, commissioned from Stanhope Gate Architects, comprises a boutique 80 key hotel and over 200 residential units, with a spa and other facilities. The Company has also acquired a number of other smaller sites and properties on the island, for redevelopment and for sale, which will assist the transition of Sipan into a unique, luxury destination.

Non-core Investments

During 2008, the Group ceased its involvement in each of its non-core investments, namely the Nova Dubrovnik marine business, the Croatian Sun property agency and the villa rentals business operated by Villas Forum. In light of the severe economic downturn, it was decided that the Group should concentrate its resources, both managerial and financial, on its core projects. The Group has also halted its planned residential development of around 60 stand-alone residential units on a number of sites, primarily in Istria. These sites will be sold subject to satisfactory offers being received, in line with the Group's current estimate of market value.

Jupiter Adria Management Limited

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DIRECTORS' REPORT

The directors present their report together with the audited financial statements for the year ended 31 December 2008. The financial statements were approved and authorised for issue by the board on 19 August 2009.

Objective

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

Principal activities and business review

A review of the activities and progress made by the Company since incorporation and the strategy for future growth and development is set out in the Chairman's review and Managers' report on pages 4 to 6.

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 expires on 31 December 2014. 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 2008 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 €50,000. The directors are re-elected annually, and their appointments may be terminated by not less than three months' notice, or by the members of the Company in accordance with the Company's bye-laws. The directors are entitled to claim reasonable out of pocket expenses and to participate in the share option plan. No new directors were appointed during the year ended 31 December 2008. 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, a member of the Quebec and Bermuda institutes of chartered accountants 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. 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.

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 12 October 2009. Notice of the AGM and a form of proxy are included with this Annual Report.

Auditors

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

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

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

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

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

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

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

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JUPITER ADRIA LIMITED

We have audited the consolidated financial statements of Jupiter Adria Limited for the year ended 31 December 2008 which comprise the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in shareholders' equity, and the consolidated statement of cash flow and the related notes. These consolidated financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 10, the directors are responsible for the preparation of the accounts in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Our responsibility under the terms of our engagement letter dated 13 January 2009 is to audit the consolidated financial statements having regard to International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view. In addition we report to you if, in our opinion, the company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider whether it is consistent with the consolidated financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the consolidated financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

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Opinion

In our opinion the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended.

Emphasis of matter

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 16 to the financial statements concerning the feasibility of the Group's Pasman Rivijska 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, and no provision for any effects on the Group that may result has been made in the financial statements.



KPMG LLP
Chartered Accountants

London

27 August 2009

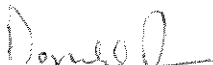
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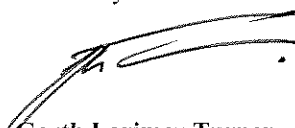
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Consolidated balance sheet	Note	31 December 2008 €'000	31 December 2007 €'000
Assets			
Property, plant and equipment	11	94,701	88,062
Intangibles	12	17	33
Investment in jointly controlled entities	13	21,152	-
Investment in associates	10, 14	-	172
Goodwill	15, 25	185	185
Total non-current assets		116,055	88,452
Inventories		95	100
Work in progress	16	4,878	-
Trade and other receivables	17	4,488	4,643
Cash and cash equivalents	18	16,739	73,172
Total current assets		26,200	77,915
Total assets		142,255	166,367
Liabilities			
Finance lease liabilities	20	291	88
Total non current liabilities		291	88
Loans and borrowings	21	-	1,024
Trade and other payables	19	5,916	7,005
Provisions	22	275	50
Finance lease liabilities	20	64	25
Total current liabilities		6,255	8,104
Total liabilities		6,546	8,192
Net assets		135,709	158,175
Equity			
Called up share capital	23	1,501	1,501
Share premium		172,373	172,373
Translation reserve		(326)	(150)
Accumulated losses		(37,987)	(16,017)
Total attributable to equity shareholders of the Company		135,561	157,707
Minority interest		148	468
Total equity		135,709	158,175

The notes on pages 17 to 45 form an integral part of these consolidated financial statements.

Approved by the board of directors on 19 August 2009 and signed on its behalf by:


Donald Lines


Garth Lorimer Turner

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<i>Director</i>	<i>Director</i>		
		Year ended 31 December 2008	Year ended 31 December 2007
Consolidated income statement	Note	€'000	€'000
Revenue		1,839	7,844
Cost of sales		(248)	(4,141)
Gross profit/(loss)		1,591	3,703
Management fees	3	(3,030)	(3,168)
Professional fees		(3,202)	(4,176)
Share based payments	4	(549)	(449)
Other administrative expenses		(9,582)	(7,627)
Directors' fees and expenses	6	(267)	(340)
Total administrative expenses		(16,630)	(15,760)
Operating loss		(15,039)	(12,057)
Loss on sale of subsidiary		(348)	-
Goodwill impairment loss	25	(488)	-
Impairment provision – property, plant and equipment	11	(4,566)	-
Loss before net finance income		(5,402)	-
Finance expense	7	(1,581)	(721)
Finance income	7	2,289	3,082
Loan impairment loss	17	(484)	(773)
Net finance income		224	1,588
Share of losses of jointly controlled entities	13	(2,431)	-
Share of losses of associates	14	-	(786)
Impairment provision – associates	14	(172)	(1,317)
Loss before tax		(22,820)	(12,572)
Income tax expense	27	(4)	(23)
Loss for the period	8	(22,824)	(12,595)
Allocated to:			
Equity holders of the Company		(22,519)	(12,229)
Minority interest		(305)	(366)
Loss for the period		(22,824)	(12,595)
Basic loss per share (€)	9	(0.16)	(0.09)
Diluted loss per share (€)	9	(0.16)	(0.09)

All results relate to continuing operations.

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The notes on pages 17 to 45 form an integral part of these consolidated financial statements.

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 1 January 2007		1,295	136,358	(4,237)	(37)	133,379	737	134,116
Ordinary Shares issued	23	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	23	-	(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
At 1 January 2008		1,501	172,373	(16,017)	(150)	157,707	468	158,175
Share based payments	4	-	-	549	-	549	-	549
Loss for the period		-	-	(22,519)	-	(22,519)	(305)	(22,824)
Translation difference		-	-	-	(176)	(176)	-	(176)
Minority interest		-	-	-	-	-	(15)	(15)
At 31 December 2008		1,501	172,373	(37,987)	(326)	135,561	148	135,709

The notes on pages 17 to 45 form an integral part of these consolidated financial statements.

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Consolidated statement of cash flow	Note	Year ended	Year ended
		31 December 2008	31 December 2007
		€'000	€'000
Loss for the period		(22,824)	(12,595)
Adjustments for:			
Interest expense	7	793	286
Interest income	7	(1,888)	(2,731)
Depreciation and amortisation	11, 12, 25	960	297
Share based payments	4	549	449
Loss on sale of subsidiary		348	-
Loan impairment loss	17	648	773
Share of losses of jointly controlled entities	13	2,431	-
Share of losses of associates	14	-	786
Impairment provision – property, plant and equipment	11	4,566	-
Impairment provision – associates	14	172	1,317
Operating cash flow before changes in working capital		(14,245)	(11,418)
Change in inventories		5	35
Change in trade and other receivables		349	(3,976)
Change in trade and other payables and provisions		(3,360)	1,309
Cash flow from operations		(17,251)	(14,050)
Interest paid		(603)	(234)
Interest received		1,888	2,648
Net cash used in operating activities		(15,966)	(11,636)
Cash flow from investing activities			
Loans issued to associates	26	(421)	(669)
Purchase of property, plant and equipment	11	(11,424)	(12,446)
Disposal of property, plant and equipment	11	652	-
Acquisition of jointly controlled entities	13, 24	(23,583)	-
Acquisition of associates	14	-	(1,227)
Acquisition of subsidiaries, net of cash	24	(4,812)	(14,443)
Disposal of subsidiaries		152	-
Net cash used in investing activities		(39,436)	(28,785)
Cash flow from financing activities			
Proceeds from issue of Ordinary Shares		-	37,002
Transaction costs related to the issue of Ordinary Shares		-	(781)
Proceeds from borrowings	21	12,610	877
Repayment of borrowings	21	(13,634)	-
Net cash from financing activities		(1,024)	37,098
Net (decrease) / increase in cash and cash equivalents		(56,426)	(3,323)
Opening cash and cash equivalents		73,172	76,480
Effect of exchange rate fluctuations on cash held		(7)	15
Closing cash and cash equivalents		16,739	73,172

The notes on pages 17 to 45 form an integral part of these consolidated financial statements.

JUPITER ADRIA LIMITED

Annual report and consolidated financial statements 31 December 2008

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 19 August 2009.

Basis of preparation

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

Going concern

The financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its liabilities as they fall due for the foreseeable future.

The Group is dependent for its working capital requirements on existing cash resources of €16,739,000 as at 31 December 2008. The only debt within the Group at 31 December 2008 is held within jointly controlled entities, as detailed in note 13 to the financial statements, which is non-recourse to the Group.

As described in the Chairman's review and Manager's report on pages 4 to 6, the current economic environment is challenging and the Group has reported a loss of 22,824,000 for the year ended 31 December 2008. At 31 December 2008, the Group had net assets of €135,709,000 and net current assets of €19,945,000. The Directors have prepared cash flow projections for the period to 31 December 2010 which are based on certain assumptions and show that the Group is capable of operating within the cash resources currently available given recently implemented reductions in overheads, the significant slowdown of development activity and the new €12 million loan facility signed in July 2009 (note 30).

In evaluating the going concern assumption, the Directors have taken into account various risks and uncertainties including the following:

- the contingent liabilities set out in note 28
- various sensitivities which might adversely impact on its cash projections to 31 December 2010

After making enquiries, and considering the uncertainties described above, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For these reasons, the directors consider it appropriate to prepare the financial statements on a going concern basis.

JUPITER ADRIA LIMITED

Annual report and consolidated financial statements 31 December 2008

2. Accounting policies (continued)

Use of estimates and judgements

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

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

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

Note 3 – management and performance fees

Note 4 – measurement of share based payments

Note 11 – property, plant and equipment

Note 15 – goodwill

Note 22 – measurement of provisions

Note 27 – utilisation of tax losses

Notes 28 and 29 – contingent liabilities and commitments

Note 31 – 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.

Associates and jointly controlled entities

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

JUPITER ADRIA LIMITED

Annual report and consolidated financial statements 31 December 2008

2. Accounting policies (continued)

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 associates, 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.

JUPITER ADRIA LIMITED

Annual report and consolidated financial statements 31 December 2008

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.

Work in progress

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

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.

JUPITER ADRIA LIMITED

Annual report and consolidated financial statements 31 December 2008

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.

JUPITER ADRIA LIMITED

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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 2008, and have not been applied in preparing these consolidated financial statements.

(i) 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 that asset. The revised IAS 23 will become mandatory for the Group's 2009 consolidated financial statements and will constitute a change in accounting policy for the Group. 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. Therefore there will be no impact on prior periods in the Group's 2009 consolidated financial statements.

(ii) Revised IAS 1 Presentation of Financial Statements (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Group's 2009 consolidated financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2009 consolidated financial statements.

(iii) Amended IAS 27 Consolidated and Separate Financial Statements (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which become mandatory for the Group's 2010 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.

(iv) Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will become mandatory for the Group's 2009 consolidated financial statements, with retrospective application.

JUPITER ADRIA LIMITED

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3. Management and performance fees

To 31 December 2008, as defined in the Investment Management Agreement dated 16 June 2006 and as amended by the Supplemental Management Agreements dated 27 November 2006 (together the "Investment Management Agreement") 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 2008 were €3,030,000 (2007: €3,168,000). Management fees payable as at 31 December 2008 were €792,000 (2007: €847,000).

In February 2009, the terms of the Investment Management Agreement were further amended such that management fees are capped at €2,500,000 per annum and the payment of €1,000,000 per annum of management fees is deferred until 31 December 2011, with effect from 1 January 2009. The term of the management agreement has been extended to terminate on 31 December 2014. The management fee will revert back to 2% per annum of the Company's consolidated net asset value payable quarterly in arrears, in the event of unconditional new equity or debt funding of at least €25 million being made available to the Company.

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

The Fee is to be calculated for the following periods:

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

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.

JUPITER ADRIA LIMITED

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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	1,000	Options may only be exercised following the third anniversary of the grant date at an exercise price of €1.15.	10 years
12 March 2008 to Employees	326	Options may only be exercised following the third anniversary of the grant date at an exercise price of €1.80.	10 years
Total share options	2,251		

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

	Weighted average exercise price €'000 31 December 2008	Number of options '000 31 December 2008	Weighted average exercise price €'000 31 December 2007	Number of options '000 31 December 2007
Outstanding at 1 January	1.09	2,375	1.00	725
Exercised during the period	-	-	-	-
Granted during the period	1.80	426	1.13	1,650
Lapsed during the period	1.27	(550)	-	-
Outstanding at end of period	1.18	2,251	1.09	2,375

The options outstanding at 31 December 2008 have a weighted average exercise price of €1.18 (2007: €1.09) and a weighted average contractual life of 7 years (2007: 9 years).

JUPITER ADRIA LIMITED

Annual report and consolidated financial statements 31 December 2008

4. Share based payments (continued)

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

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

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

An expense of €549,000 (2007: €449,000) for outstanding share options was recognised for the period.

5. Staff numbers and costs

Staff	Year ended 31 December 2008	Year ended 31 December 2007
Average numbers (including part time employees)	139	128
	€'000	€'000
Payroll costs:		
Wages and salaries	2,789	1,828
Social security	959	755
Pensions	455	317
Total payroll costs	4,203	2,900

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.

JUPITER ADRIA LIMITED

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6. Directors' remuneration and interests

Directors' remuneration

The average number of directors who held office during the period was 7 (2007: 7). Directors' remuneration for the year ended 31 December 2008 is set out below.

Name	Year ended	Year ended
	31 December	31 December
	2008	2007
	€'000	€'000
The Rt. Hon. The Lord Lamont of Lerwick	35	30
Donald Lines	25	25
Goranko Fizulic	25	25
Reef Hogg	25	25
Bernard Lambert	25	25
Garth Lorimer Turner	25	25
J. Andrew Smith	25	25
	185	180
Travel and other expenses	82	160
Total	267	340

Directors' interests

Directors' interests in the share capital of the Company at 31 December 2008 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

¹Granted 13 September 2006 ²Granted 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 2008.

For the year ended 31 December 2008 an expense with respect to options issued to the Directors of €132,000 (2007: €132,000) was recognised and is disclosed as a share based payment in the consolidated income statement.

JUPITER ADRIA LIMITED

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7. Finance expense and income

	Year ended 31 December 2008 €'000	Year ended 31 December 2007 €'000
Finance expense		
Interest expense	793	286
Foreign exchange losses	788	435
	<u>1,581</u>	<u>721</u>
Finance income		
Interest income	1,888	2,731
Foreign exchange gains	401	351
	<u>2,289</u>	<u>3,082</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.

8. Net loss

	Year ended 31 December 2008 €'000	Year ended 31 December 2007 €'000
The following items have been included in arriving at the loss for the period:		
Transaction costs	-	2,151
Staff costs (Note 5)	4,203	2,900
Depreciation and amortization	472	297
Repairs and maintenance on property, plant and equipment	182	100
Auditors' remuneration charged in the income statement comprises:		
Audit of the Company	100	136
Audit of subsidiaries	129	187
	<u>229</u>	<u>323</u>

Transaction costs incurred in 2007 comprise costs incurred by the Group in preparing for an Initial Public Offering of the Company's shares on the London Stock Exchange.

JUPITER ADRIA LIMITED

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9. Loss per share

Basic loss per share

	Year ended 31 December 2008 €'000	Year ended 31 December 2007 €'000
Loss attributable to ordinary shareholders (€'000)	(22,519)	(12,229)
Weighted average number of Ordinary Shares	139,126,868	139,126,868
Basic loss per share (€)	(0.16)	(0.09)

Diluted loss per share

Loss attributable to ordinary shareholders (€'000)	(22,519)	(12,229)
Weighted average number of Ordinary Shares	140,801,578	140,796,663
Diluted loss per share (€)	(0.16)	(0.09)
Weighted average number of Ordinary Shares for the purposes of basic loss per share	139,126,868	139,126,868
Effect of dilutive potential Ordinary Shares - share options	1,674,710	1,669,795
Weighted average number of Ordinary Shares for the purpose of diluted loss per share	140,801,578	140,796,663
Diluted loss per share	(0.16)	(0.09)

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.

JUPITER ADRIA LIMITED

Annual report and consolidated financial statements 31 December 2008

10. Principal subsidiaries and associates

Subsidiaries	2008 Interest in ordinary share capital	2008 Indirect interest in ordinary share capital	2007 Interest in ordinary share capital	2007 Indirect interest in ordinary share capital	Country of incorporation/ formation
EG Jupiter Jadran ¹	99.9%	-	99.9%	-	Switzerland
Jupiter Jadran AG	100%	-	100%	-	Switzerland
Sinseg AG	85%	-	85%	-	Switzerland
Stancija Markocija d.o.o. ²	100%	-	100%	-	Croatia
Jupiter Adria d.o.o.	100%	-	100%	-	Croatia
Nauta Lamjana d.d.	87.15%	-	86.21%	-	Croatia
Stancija Dolzani d.o.o. ³	100%	-	100%	-	Croatia
Cepļjesi d.o.o.	100%	-	100%	-	Croatia
Vila Tartuf d.o.o.	100%	-	100%	-	Croatia
Vile Livade d.o.o.	100%	-	100%	-	Croatia
Ledina d.o.o.	100%	-	100%	-	Croatia
Vila Žužiči d.o.o.	100%	-	100%	-	Croatia
Vila Motovun d.o.o.	100%	-	100%	-	Croatia
Vila Zumesk d.o.o.	100%	-	100%	-	Croatia
Casalinus d.o.o.	100%	-	100%	-	Croatia
Stancija Dajla d.o.o. ⁴	100%	-	100%	-	Croatia
Hosting International d.o.o. ⁵	-	85%	-	85%	Croatia
Pašman Rivijera d.o.o. ⁵	-	68%	-	68%	Croatia
Marina Preko d.o.o.	100%	-	-	62.07%	Croatia
Prečanka d.o.o.	100%	-	-	86.21%	Croatia
Preko d.o.o.	100%	-	-	86.21%	Croatia
Tertius d.o.o.	100%	-	100%	-	Croatia
Decimus d.o.o.	100%	-	100%	-	Croatia
Undecimus d.o.o.	100%	-	100%	-	Croatia
Sextus d.o.o.	100%	-	100%	-	Croatia
Jupiter Adria London Limited ⁶	100%	-	100%	-	UK
Septimus d.o.o.	100%	-	-	-	Croatia
Zmorac Nekretnine d.o.o.	100%	-	-	-	Croatia
Nova Dubrovnik d.o.o. ⁷	85%	-	-	-	Croatia
Harpun d.o.o.	100%	-	-	-	Croatia
Adria Spas Limited ⁸	100%	-	-	-	UK

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 In liquidation

⁸ Adria Spas Limited was incorporated on 12 June 2008. Name changed from Jupiter Adria Spas Limited on 24 November 2008

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10. Principal subsidiaries and associates (continued)

Subsidiaries	2008	2008	2007	2007	Country of incorporation/ formation
	Interest in ordinary share capital	Indirect interest in ordinary share capital	Interest in ordinary share capital	Indirect interest in ordinary share capital	
Jointly controlled entities					
Vrtovi Sunca Orasac d.o.o.	50%	-	-	-	Croatia
Suncani Vrtovi d.o.o.	50%	-	-	-	Croatia
Dubrovacki Vrtovi Sunca d.o.o.	-	50%	-	-	Croatia
Dvorac Soderini d.o.o.	-	50%	-	-	Croatia
Associates					
Vile Forum d.o.o. ⁹	-	-	50%	-	Croatia
Croatiansun Limited ¹⁰	47%	-	30%	-	Croatia
Nova Dubrovnik d.o.o. ¹¹	-	-	40%	-	Croatia

⁹ Trades under the name Villas Forum

¹⁰ In liquidation

¹¹ In liquidation

11. Property, plant and equipment

At 31 December 2008

	Land €'000	Plant & equipment €'000	Property under development €'000	Total €'000
Cost				
At 1 January 2008	75,555	4,630	8,189	88,374
Acquisition of subsidiaries (note 24, 25)	5,396	-	95	5,491
Additions at cost	4,325	447	7,121	11,893
Disposals	-	(121)	(597)	(718)
Reclassified as work in progress (note 16)	(249)	-	(4,629)	(4,878)
Impairment	(4,566)	-	-	(4,566)
Exchange differences	(101)	(9)	(93)	(203)
At 31 December 2008	80,360	4,947	10,086	95,393

Accumulated depreciation

At 1 January 2008	-	312	-	312
Charge for the period	-	444	-	444
Disposals	-	(60)	-	(60)
Exchange differences	-	(4)	-	(4)
At 31 December 2008	-	692	-	692

Net book value at 31 December 2008

80,360	4,255	10,086	94,701
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Assets held under finance leases have the following net book value:

Cost	374	-	374
Accumulated depreciation	(86)	-	(86)
Net book value as at 31 December 2008	288	-	288

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11. Property, plant and equipment (continued)

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	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

Certain land owned by the Group is secured against loans and borrowings, as disclosed in more detail in note 21. During the year, land and property under development with a carrying value of €4,878,000 has been reclassified as work in progress. The balance of property under development relates to assets in the course of construction.

12. Intangibles

	31 December 2008 €'000	31 December 2007 €'000
Cost		
Opening balance	43	20
Acquisition of subsidiaries (note 24)	22	38
Disposals	(10)	(15)
Closing balance	55	43
Accumulated amortisation		
Opening balance	10	5
Amortisation for the year	28	8
Disposals	-	(3)
Closing balance	38	10
Carrying amount	17	33

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

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13. Investment in jointly controlled entities

	Vrtovi Sunvc Orasac d.o.o.	Suncani Vrtovi d.o.o. ¹	Total
	€'000	€'000	€'000
At 1 January 2008	-	-	-
Acquired during the period (note 24)	7,315	16,268	23,583
Group share of losses	(417)	(2,014)	(2,431)
At 31 December 2008	6,898	14,254	21,152

¹ Suncani Vrtovi d.o.o. owns 100% of the ordinary share capital of Dubrovacki Vrtovi Sunca d.o.o. and Dvorac Soderini d.o.o.

Summary financial information for jointly controlled entities is shown below. The ownership interest held by the group is shown in note 10.

	Vrtovi Sunvc Orasac d.o.o.	Suncani Vrtovi d.o.o. ¹	Total
	€'000	€'000	€'000
At 31 December 2008			
Assets	8,280	171,336	179,616
Liabilities	10,249	145,609	155,858

For the year ended 31 December 2008

Revenue	-	-	-
Loss for the period	1,212	5,657	6,869

¹ Consolidated financial information for Suncani Vrtovi d.o.o., Dubrovacki Vrtovi Sunca d.o.o. and Dvorac Soderini d.o.o.

The activities of the jointly controlled entities are summarised in note 24 (h). Assets primarily comprise the hotels and related facilities currently under construction at a resort complex ("Sun Gardens") which is located to the north of Dubrovnik. Liabilities at 31 December 2008 include five loan facilities.

Erste Bank der oesterreichischen Sparkassen AG ("Erste") has provided a senior loan facility (the "facility") of €108,054,000 for the construction and redevelopment of Sun Gardens. The borrower under the facility is Dubrovacki Vrtovi Sunca d.o.o ("DVS"). The facility is secured primarily by a mortgage and floating charge over buildings and other moveable property of DVS. Interest is charged at 3 month EURIBOR plus a margin starting at 175 basis points but which may reduce to 130 basis points depending on the debt service coverage ratio, which is tested annually. Tranche A of the facility, which amounts to €83,054,000 is repayable in instalments by September 2025, these instalments include a 37.3% balloon payment at the end of the term. Tranche B of the facility, which amounts to €25,000,000 is repayable on 30 September 2009.

The facility requires that an interest rate hedge arrangement is put in place by end March 2009 to cover Tranche A. On 27 November 2008 a nil premium hedging arrangement was put in place covering €62,290,500 of Tranche A, capping 3 month EURIBOR at 5.75% with a floor at 2.145%.

Erste have provided an additional loan facility of €7,600,000 to Suncani Vrtovi d.o.o ("SV") in connection with the Sun Gardens project. The facility, which is fully drawn, is secured over land owned by Vrtovi Sunvc Orasac d.o.o, bears interest at 3 month EURIBOR plus 250 bps and is due for repayment on 30 September 2009.

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13. Investment in jointly controlled entities (continued)

Hidrocommerce d.o.o (“Hidrocommerce”) has provided three loan facilities to DVS in connection with the Sun Gardens project. The terms of these facilities, which are unsecured and fully drawn, are summarised below:

Amount	Interest	Repayment
€123,000	7%	17 November 2009
€1,405,000	7%	21 December 2009
€11,000,000 ¹	3 month EURIBOR plus 300 bps	31 October 2025

¹ Subordinated to the Erste facility of €108,054,000

Hidrocommerce, which is owned and controlled by individuals who also own the 50% balance of ordinary share capital of the jointly controlled entities is also the lead contractor for the Sun Gardens redevelopment and construction works.

14. Investment in associates

	Vile Forum d.o.o.	Croatiansun Limited	Nova Dubrovnik d.o.o. ¹	Marina Preko d.o.o.	Total
	€'000	€'000	€'000	€'000	€'000
At 1 January 2008	-	-	172	-	172
Impairment provision	-	-	(172)	-	(172)
At 31 December 2008	-	-	-	-	-

¹ Classed as an associate from initial acquisition (30 March 2007) until the Group gained control (25 February 2008), thereafter treated as a subsidiary.

	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 (25 January 2007) until the Group gained control (20 December 2007), thereafter treated as a subsidiary

Associates are the subject of an annual impairment review. A review performed for the year ended 31 December 2008 concluded there was a requirement to recognise an impairment provision against the carrying value of each of the associates, as disclosed in the above table. During 2008 the Group disposed of its investment in Vile Forum d.o.o. and has placed Croatian Sun Limited and Nova Dubrovnik d.o.o. into liquidation. All remaining known liabilities relating to these investments have been provided for.

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15. Goodwill

	31 December 2008 €'000	31 December 2007 €'000
Cost		
Opening balance	185	-
Acquired during the period (note 25)	488	185
Impairment	(488)	-
Carrying amount	185	185

16. Work in progress

Work in progress of €4,878,000 is being recognised by the Group in connection with certain planning and consulting services for the Pasman Rivijera development project. 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 €4,878,000.

17. Trade and other receivables

	31 December 2008 €'000	31 December 2007 €'000
Amounts falling due within one year:		
Trade receivables	901	2,630
Other receivables	749	1,531
Impairment provision	(484)	(773)
Other receivables net of impairment	265	758
Receivable from related parties (note 26)	642	224
VAT	2,036	553
Prepayments and accrued income	644	478
	4,488	4,643

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

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18. Cash and cash equivalents

Cash and cash equivalents held by the Group at 31 December 2008 and 31 December 2007 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 26). Cash is placed on short term money market deposits.

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

19. Trade and other payables – current

	31 December 2008 €'000	31 December 2007 €'000
Amounts falling due within one year:		
Trade payables	1,758	2,325
Amounts due to related parties (notes 3 and 26)	976	987
Other payables and accruals	3,182	3,693
	<u>5,916</u>	<u>7,005</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.

20. Finance lease liabilities

	Principal € '000	Interest € '000	Minimum lease payments € '000
Less than one year	64	20	84
Between one and five years	291	29	320
At 31 December 2008	<u>355</u>	<u>49</u>	<u>404</u>
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>

Finance lease obligations comprise leases for motor vehicles.

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21. Loans and borrowings

	31 December 2008 €'000	31 December 2007 €'000
Current:		
Bank borrowings	-	1,024
	<u>-</u>	<u>1,024</u>

On 29 June 2008, the Group signed a one year €13 million loan facility agreement, the purpose of which was to fund the working capital and general corporate purposes of the Group. The facility was unsecured and bore interest at Euribor plus 8%, payable on a quarterly basis in arrears. The facility was drawn down in full on 30 June 2008 with a deduction for arrangement fees of €390,000 and was repaid in full and terminated during November 2008. The early repayment of the facility was subject to a 3% discount (€390,000). The lenders were Metage Funds Limited and Metage Special Emerging Markets Fund Limited, both of whom are shareholders of the Company.

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.

22. Provisions

	31 December 2008 €'000	31 December 2007 €'000
Opening balance	50	297
Made during the period	245	-
Utilised during the period	(20)	(247)
Carrying amount	<u>275</u>	<u>50</u>

At 31 December 2008 a provision of €245,000 (2007: €nil) has been made in respect of liabilities that may arise during the course of liquidating Nova Dubrovnik d.o.o (see note 14).

At 31 December 2008 a provision of €30,000 (2007: €50,000) had been made 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.

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23. 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**

Issued shares at 31 December 2008 and 31 December 2007

150,052,287

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

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24. Acquisitions

The Group has made a number of acquisitions in the year, for a total consideration of €28.4 million. Significant acquisitions completed during the year include the following:

- (a) On 12 January 2008, the Group acquired an additional 34% of the ordinary share capital of Marina Preko d.o.o. bringing its aggregate holding to 100%.
- (b) On 8 February 2008, the Group acquired additional shares in Croatiansun Limited, increasing its holding from 30% to 47%.
- (c) On 20 February 2008, the Group acquired 100% of the ordinary share capital of Zmorac Nekremine d.o.o., which owns development land on the island of Ugljan near Zadar, Croatia. The Group intends to use this land for waterfront residential development.
- (d) On 25 February 2008, the Group acquired an additional 45% of the issued ordinary shares in Nova Dubrovnik d.o.o. ("Nova"), taking the Group's total holding to 85% (note 25). On 16 May 2008, the Group incorporated a new wholly owned subsidiary, Aquas d.o.o. ("Aquas") and the Group subsequently transferred the operating assets of Nova to Aquas. The Group disposed of its entire interest in Aquas on 14 November 2008. Nova is in liquidation.
- (e) On 5 March 2008, the Group acquired 100% of the issued ordinary share capital of Septimus d.o.o., which owns land in the Dubrovnik area which the Group intends to use for residential development.
- (f) On 20 May 2008, the Group acquired 100% of the ordinary share capital of Harpun d.o.o., which owns development land on the island of Ugljan near Zadar, Croatia. The Group intends to use this land for future development.
- (g) On 12 June 2008, the Group incorporated a new wholly owned subsidiary, Adria Spas Limited.
- (h) 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"). Together with SV and VSO, the Group intends to develop and operate a resort complex ("Sun Gardens") which is currently under construction and which is located to the north of Dubrovnik. Sun Gardens, which is to be developed in two phases, includes two hotels, to be managed by Rezidor under the Radisson and Regent brands and residential units for sale. The first phase, which comprises a 201 key Radisson hotel, 207 residential apartments and extensive resort facilities and amenities, opened in July 2009.
- (i) Further shares in Nauta Lamjana d.d. were acquired from minority shareholders for an aggregate consideration of €8,000 increasing the Company's total ownership from 86.21% to 87.15%.

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25. Business combinations

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% (note 24 (d)). Details of the purchase consideration paid, the fair value of net assets acquired and goodwill arising were as follows:

	31 December 2008 € '000
Purchase consideration:	
- Cash paid	250
- Direct costs relating to the acquisition	327
Total purchase consideration	577
Fair value of net assets acquired:	
Property, plant and equipment	350
Cash	30
Net current liabilities	(275)
	105
Minority interest	(16)
Fair value of net assets acquired	89
Goodwill on acquisition	488
Impairment of goodwill	(488)
Carrying amount	-

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. 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	1,526
Fair value of net assets acquired:	
Property, plant and equipment	1,403
Net current liabilities	(62)
Total fair value of net assets acquired	1,341
Goodwill	185

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26. 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 (note 3). 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 Cepļesi 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 €130,000 (2007: €140,000) were accrued for accounting services provided by Jupiter Adria AG to the Group.

Loans to associates

At 31 December 2008 loans totaling €650,000 (2007: €600,000) plus accrued interest of €103,000 (2007: €54,000) was due to the Group from Keppler Saunders d.o.o. ("KS") a wholly owned subsidiary of Croatiansun Limited ("CS"), which is 47% owned by the Group. The loans were unsecured and due either on demand or on dates ranging between 27 July 2007 and 24 April 2008, with interest charged at either EURIBOR plus 250bps or 8%. At 31 December 2008, an impairment provision has been recognized against the full amount of loans and interest due, as a result of KS being unable to fulfill its obligations under the loan facilities. The amount of the provision in aggregate is €753,000, of which €99,000 has been provided for in 2008 (2007: €104,000).

At 31 December 2008 loans totaling €225,000 (2007: €nil) plus accrued interest of €14,000 (2007: €nil) were due to the Group from CS. The loans were unsecured and due on 8 February 2011, with interest charged at 8%. At 31 December 2008, an impairment provision has been recognized against the full amount of loans and interest due, as a result of CS being unable to fulfill its obligations under the loan facilities. The amount of the provision in aggregate is €239,000, all of which has been provided for in 2008 (2007: €nil). An amount of €4,000 owed to the Group by CS was impaired during 2007.

At 31 December 2008 loans totaling €310,000 (2007: €165,000) plus accrued interest of €1,000 (2007: €nil) were due to the Group from Vile Forum d.o.o. ("VF"). The loans were unsecured and due on dates ranging between 19 November 2009 and 14 October 2010, with interest charged at 4.5%. At 31 December 2008, an impairment provision has been recognized against the full amount of loans and interest due, as a result of VF being unable to fulfill its obligations under the loan facilities. The amount of the provision in aggregate is €311,000, of which €146,000 has been provided for in 2008 (2007: €165,000).

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26. Related party transactions (continued)

At 31 December 2008 amounts totaling €425,000 (2007: €224,000) from Jupiter Adria AG, €108,500 (2007: €nil) from each of Suncani Vrtovi d.o.o and Vrtovi Sunvc Orasac d.o.o respectively, all related parties, were due to the group. These amounts are unsecured, interest free and have no fixed repayment date.

At 31 December 2007 a loan of €500,000 was due to the Group from Nova Dubrovnik d.o.o ("Nova"), which was 40% owned by the Group. The loan was unsecured and due on 19 June 2013, with interest charged at 3.5%. An impairment provision was recognized against the full amount of this loan in 2007 due to Nova being unable to fulfill its obligations under the terms of the loan.

27. Taxation and deferred tax

	31 December 2008 €'000	31 December 2007 €'000
Loss before tax	(22,820)	(12,572)
Tax expenses / (benefits) calculated at domestic rates applicable to the respective countries	(1,476)	(789)
Expenses not deductible for tax purposes	264	140
Tax losses not recognised	1,216	672
Income tax expense	4	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 28%. The aggregated tax losses of the Group's subsidiaries are summarised below.

Tax losses arising in the year	Expiry date:	2008 total €'000	2007 total €'000
2003	31 December 2008	-	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	672
2008	31 December 2013 – 15	1,216	-
Total		3,308	2,101

	31 December 2008	31 December 2007
Deferred tax asset not recognised		
Opening balance	2,101	1,716
Tax loss for the current period	1,216	672
Tax loss expired	(9)	(287)
Closing balance	3,308	2,101

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27. Taxation and deferred tax (continued)

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

a) Bermuda

At the date of this report, there is no Bermuda income tax, corporation tax, profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Company or its shareholders other than shareholders ordinarily resident in Bermuda. The Company is not subject to stamp duty on the issuance or transfer of its Ordinary Shares. The Company is liable to pay in Bermuda a registration fee based upon its assessable share capital at a rate currently not exceeding US\$ 29,000 (2007:US\$ 28.000) per annum.

The Company has received from the Minister of Finance of Bermuda under the Exempted Undertaking Tax Protection Act 1966 an assurance that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital assets, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not until 28 March 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 2008 (2007: €nil), due to the uncertainty that future taxable income will be available to utilise and benefit from the tax losses. The future availability of these tax losses is subject to review by the local tax authorities.

28. Contingent liabilities

(a) At 31 December 2008 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 Cepljesi 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) In connection with the acquisition of Hosting International d.o.o. ("Hosting"), the Group has issued a guarantee to Sinseg AG ("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.

(d) In connection with the acquisitions of Suncani Vrtovi d.o.o. and Vrtovi Sunca Orasac d.o.o. (see note 24 (h)), the Group has issued a guarantee to Erste Bank der oesterreichischen Sparkassen AG ("Erste") for an amount of up to €5,000,000. This is payable in the event that project development costs exceed a specified amount. The guarantee was called by Erste and all related liabilities were settled in full by the Group during July 2009.

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29. Commitments

During the year ended 31 December 2008, 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. As noted in both the Chairman's statement and the Manager's report, in view of the current economic environment the Group has significantly slowed down on its investment projects and as a result the majority of these contracts have either been put on hold or terminated.

30. Post balance sheet events

On 30 July 2009 the Group signed a three year €12 million loan facility agreement, the purpose of which is to fund further investment by the Group in Suncani Vrtovi d.o.o. (see note 24 (h)). The facility, which is repayable in July 2012, is secured by a mortgage against certain land owned by the Group connected with the Motovun and Sipan projects and a pledge over a €1 million cash deposit account. The pledge over the cash deposit account expires in July 2010. The facility bears interest at Euribor plus 6.40%. €10 million of the facility was drawn down on 17 August 2009 and the remaining €2 million will be utilised for debt service and certain other fees related to the facility.

31. 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 2008

	HRK €'000	Euros €'000	CHF €'000	USD €'000	GBP €'000
Trade and other receivables	3,582	866	-	-	40
Cash	1,214	15,329	46	66	84
Trade and other payables and provisions	4,335	1,791	-	-	65
Loans and borrowings	-	-	-	-	-
Finance lease liabilities	355	-	-	-	-
Net exposure	106	14,404	46	66	59

At 31 December 2007

	HRK €'000	Euros €'000	CHF €'000	USD €'000	GBP €'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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31. Financial risk (continued)

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 2008 (2007: €nil).

(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:

	31 December 2008 €'000	31 December 2007 €'000
Trade and other receivables (note 17)	4,488	4,643
Cash and cash equivalents	16,739	73,172
	<u>21,227</u>	<u>77,815</u>

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. An amount of €425,000 (2007: €224,000) is due from Jupiter Adria AG, a related party, which is disclosed in more detail in note 26.

At 31 December 2008, cash and cash equivalents of €14,360,000 (2007: €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. At 31 December 2008, 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 20).

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

32. 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.

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33. 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 2008

	Croatia	Other*	Total
Geographic segments	€'000	€'000	€'000
Revenue	1,839	-	1,839
Operating loss	(4,637)	(10,238)	(14,875)
Assets	125,824	16,431	142,255
- non current	116,055	-	116,055
- current (excluding cash)	8,555	906	9,461
- cash	1,214	15,525	16,739
Liabilities	4,690	1,856	6,546
Other information			
- depreciation and amortisation	960	-	960

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

For the year ended 31 December 2007

	Croatia	Other*	Total
Geographic segments	€'000	€'000	€'000
Revenue	7,844	-	7,844
Operating loss	(2,523)	(9,534)	(12,057)
Assets	94,837	71,530	166,367
- 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.

34. 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 12 October 2009 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 2008, together with the Auditors' Report thereon.
3. To determine the number of Directors

It is proposed to set the number of Directors at eight.

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 2009, at a fee to be approved by the Directors.

BY ORDER OF THE BOARD

TRACY PACKWOOD
COMPANY SECRETARY

Dated: 19 August 2009

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 12 October 2009 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 12 October 2009 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 2008, together with the Auditors' Report thereon,
be received and adopted.

THAT the number of Directors be set at eight, 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 2009 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 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.