Queenco Leisure International Ltd.
(the “Group” or “QLI”),

Financial Results for the 12 months ended 31 December 2011

Queenco Leisure International Ltd, the emerging markets casino developer and operator, is pleased to report its financial results for the 12 months ended 31 December 2011.

Financial Highlights for the year ended 31 December 2011

- Gross revenues were €107.1 million (2010: €124.4 million)
- Net Revenues were €75.3 million (2010: €85.9 million)
- EBITDA was negative €2.8 million (2010: €4.6 million)
- Loss before tax was €23.2 million (2010: PBT €26.1 million)
- Loss from Discontinued operations €6.1 million (2010: € 5.1 million)
- Cash and cash equivalents were €14.1 million as of 31 December 2011

Operating and Business Highlights

- The prolonged economic crisis in Greece continues to impact our major asset in Loutraki
- Greek Government’s decision to lower minimum wage, and the renegotiation of employees’ collective benefit agreements, allows the Group to significantly reduce cost burdens on the business
- Casino Palace results remain consistent with the losses of 2010
    - Diluted holding in our Romanian asset to 40.8% in order to reduce the losses we have incurred and to divert investment towards South East Asian growth opportunities
- Opened Queenco Casino in Sihanoukville, Cambodia in line with the Group’s strategy to diverse revenue mix into South East Asia:
    - Held through a JV with a local partner
- Delisting and Tender Offer by Y.Z. Queenco Ltd. remains a possibility for all issued and outstanding securities (including GDRs) of QLI, in consideration for newly issued shares in Y.Z. Queenco Ltd listed on TASE

Haim Assayag, Executive Chairman of QLI, commented on the results:

"While economic conditions remain very challenging for our two casinos in Greece, we are witnessing progress under the terms of the country’s bailout conditions, which will hopefully allow Greece to turn a corner. The reduction in the minimum wage and renegotiation of employees’ collective benefit agreements will allow us to significantly reduce the cost bases at Loutraki and Rodos, while at the same time retain adequate staffing levels which can maintain the same high standard of service for our customers.

“As we proposed during the third quarter of 2011, the Group has successfully diluted its holding in Casino Palace, Romania in order to reduce the losses we have incurred, but principally to shift the management’s attention and investments from Europe towards South East Asia. We have begun to implement this strategy with the opening of Queenco Casino and Hotel in Sihanoukville, Cambodia, which is already showing some promising signs.

“We continue to examine the possibility of a Tender Offer from the parent company to shareholders which would transfer shares held in QLI to Y.Z. Queenco, a more liquid stock. We believe this will benefit the Group overall, by reducing the expense and complexity of operating two listed companies, and our shareholders”.

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Chief Executive's Review

Introduction

In last year's Full Year results we updated the market on our plans to diversify our revenue mix away from Europe, by investing in South East Asia. During the festive season of the fourth quarter, we were therefore pleased to open our newest asset, Queenco Casino and Hotel in Sihanoukville, Cambodia. The business is held through a Joint Venture with a local partner, and the onsite 60 room hotel was established next door to the casino. The casino has begun trading well and we look forward to updating you on its progress in the future. At the same time, we also updated you during the first quarter of 2012 of our decision to reduce QLI's stake in Casino Palace, Romania. The Group has subsequently issued shares totaling 51% of the operation's share capital to an unaffiliated third party, leaving QLI with a 40.8% stake in Casino Palace. The Group will not invest any additional funds into the casino, and QLI's loans to the Romanian company will be returned once the operation recovers.

At our major asset in Loutraki, and at our island resort, Casino Rodos, the prolonged economic crisis in Greece continues to impact the business. Traditionally, Casino Loutraki has attracted over 1m visitors per annum, but for the first time since the financial crisis started, the visitor numbers fell below that threshold by 13.5% to 908k. This setback however, does not deter the Group from pursuing the correct strategy we have had in place since the start of the downturn; to maintain visitor numbers (the core of our business) at a constant level across all our operations, which can provide us with the platform to grow revenues in the long term, once the Greek and other operational markets return to positive growth. We can still be pleased with the relative success of marketing initiatives at our operations, and believe therefore that the Company remains well placed to manage these ongoing challenges with our experienced management teams in place.

Indeed, the Greek Government's decision to lower the National minimum wage, along with the successful renegotiation of employees' collective benefit agreements at Loutraki and Rodos, gives us optimism that the country has begun to turn a corner. The terms which the Greek Government announced as part of the country's bailout package, sends a positive signal to international markets, but also allows businesses like ours to significantly reduce the cost burdens at Loutraki and Rodos, while at the same time retain adequate staffing levels which can maintain the same high standard of service for our customers.

The Group has been trying to identify the best way to generate value for shareholders in the long term, and believes that the solution put forward in a possible Tender Offer for Y.Z. Queenco to buy out QLI is one that will benefit the Group overall, by reducing the expense and complexity of operating two listed companies, but also benefit minority holders by transferring their shares into a more liquid stock. QLI is in the process of consulting shareholders and further announcements relating to the Tender Offer will be made in the future.

Summary of financial performance

Results for the twelve months ended 31 December 2011

Gross revenues were €107.1 million (2010: €124.4 million), a decrease of 13.9% whilst net revenues decreased by 12.3% to €75.3 million (2010: €85.9 million). The decline in both gross and net revenues was as a result of the ongoing economic crisis in Greece where QLI receives 90.1% of its gross revenue from Loutraki and Rodos. The fall in win per visit, together with the reduced number of visitors, resulted in a Group negative EBITDA of €2.8 million (2010: €4.6 million). The Group remains committed to reducing costs, and expects that going forward in 2012, expenses incurred from salaries and remuneration will fall now that the Greek Government has reduced the National minimum wage and the collective benefits agreements at Loutraki and Rodos have been renegotiated. The Group incurred expenses related to the increases in VAT in both Greece and Romania. The Company remains committed to investing in superior customer service to maintain constant customer levels. The Company made a net loss for the year of €23.2 million (2010: Net Loss €26.1 million), which principally reflects the economic situation in Greece. Having reduced the exposure to Romania and increased our revenue mix in Sihanoukville, going forward, we anticipate these actions will mitigate future losses.

Cash and cash equivalents currently stands at €14.1 million which gives us long term financial stability in the future to weather the impact of the Greek economy and tax restraints imposed on our businesses, while at the same time invest for the future. Basic earnings per share was (5.8¢) (2010: (6.8¢)) and earnings per GDR (each GDR representing 10 ordinary shares) were (58¢) (2010: (68¢)). No dividend is payable in respect of 2011.

Operational Review

Results by casino for the twelve months ended 31 December 2011

Casino	Gross Gaming Revenue (EUR m)		Net Revenue (EURm)		EBITDA (EURm)		Visits (000's)		Gross Win per Visit (EUR)		QLI's Economic Interest
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	
Loutraki	135.9	164.9	96.8	114.7	(0.6)	12.8	909	1,051	150	157	38.5%
Rodos	24.2	27.5	17.9	19.8	1.7	1.4	153	163	159	169	91.6%
Palace	11.9	11.7	10.7	10.4	(3.0)	(2.1)	82	103	146	114	83.3%
Belgrade	9.4	10.8	8.1	9.6	(0.3)	(0.3)	241	270	39	40	34.6%

*Loutraki and Casino Beograd are consolidated in QLI's financial statements as 50% while the results of Rodos, Palace and Sasazu are fully consolidated.

** On January 2012 QLI was diluted in Casino Palace to 40.8%

Club Hotel Casino Loutraki ("CHL")

Results for the twelve months ended 31 December 2011

Gross gaming revenues for the twelve months ended 31 December 2011 were €135.9 million (2010: €164.9 million), while net revenues were €96.8 million (2010: €114.7 million). Casino Loutraki generated negative EBITDA of €0.6 million (2010: €12.8 million), which was caused by the fall in win per visit numbers as customers spent less in the midst of the Greek debt crisis. Loutraki net losses of €12.8 million, which together with the €6.3 million losses CHL incurred from its share in Casino Beograd, meant that it suffered net losses of €19.1 million (2010: loss €17.4 million).

Loutraki has continued to attract a high number of customers, since economic conditions in Greece began to deteriorate. Traditionally, Loutraki has established itself as one of the largest casinos in Greece with over 1 million visitors, but in the last year, there has been a drop of 13.5% to 909k (2010: 1.1 million). In recent years, Loutraki has successfully focused marketing efforts on maintaining customer levels which our local management believes will positions us well for returning the casino to profitability when the Greek economy returns to growth. We do not intend to deviate from this strategy, remaining committed to the quality of our service offering and we will look outside of the country to casino tourists from nearby Turkey and Cyprus to grow our customer profile abroad as well.

We are pleased in the meantime with the Greek Government's decision to lower the National minimum wage, along with the successful renegotiation of employees' collective benefit agreements, which allows businesses like ours to significantly reduce cost burdens at Loutraki, while at the same time retaining adequate staffing levels which can maintain service levels for our customers. The Government's decision to accept the bailout package also gives us optimism that the country has begun to turn a corner.

Casino Beograd

Casino Loutraki holds a 90% stake in Casino Beograd.

Results for the twelve months ended 31 December 2011

Gross gaming revenues were €9.4 million (2010: €10.8 million), while net revenues were €8.1 million (2010: €9.6 million). Casino Beograd generated negative EBITDA of €0.3 million (2010: negative €0.3 million) caused by the slowdown in Serbia which has impacted consumer spending and consequently win per visit reduced from €40 in 2010 to €39 in 2011. Casino Beograd has been focused on reducing expenses in order to maintain tight cost controls, and consequently for the year ended 31 December 2011, they reported a negative EBITDA of €0.3 million (2010: negative €0.3 million).

Casino Rodos

Results for the twelve months ended 31 December 2011

Like Loutraki, revenues at Casino Rodos, the only casino located on the holiday island of Rhodes, also continued to be impacted by the Greek debt crisis. Gross gaming revenues were €24.2 million (2010: €27.5 million) and net revenues were €17.9 million (2010: €19.8 million) due to the decrease in win per visit caused by guests' lower spending budgets, and less visitors. We have managed to reduce expenses at the casino by 11.8%, which has had the effect of improving EBITDA by 21.5% to €1.7 million (2010: €1.4 million). Casino Rodos in recent years has had to incur additional costs in expenses generated from the operation of its private jet. As we announced in March 2012, we have entered into an agreement with an unaffiliated third party to sell the jet for US$2.2 million which we anticipate will be completed later this month.

Greek visitors from the mainland still come along with tourists from other countries, but the casino is attracting less than before, with 153k coming through our doors during the year, compared with 163K in 2010. Win per visit as a consequence fell from €169 to €159, with customers remaining cautious about the economic uncertainty. Casino Rodos will continue to take costs out of the business where and when it can. The Greek Government's decision to lower the National minimum wage gives us the opportunity to do that, as does the successful renegotiation of employees' collective benefit agreements.

Casino Palace

Results for the twelve months ended 31 December 2011

Gross gaming revenues were €11.9 million (2010: €11.7 million), while net revenues were €10.7 million (2010: €10.4 million). This resulted in a negative EBITDA of €3.0 million (2010: negative €2.1 million). The recent economic downturn in Romania has impacted gaming in Bucharest heavily and as a consequence five casinos in the last year have been placed in administration, a situation which has been exacerbated by a new tax introduced by the Government on customers entering casinos. Casino Palace is not exempt from these conditions and as a result made a net loss during the year of €4.5 million (2010: €5.1 million).

With this in mind and in line with our strategy to diversify the Group's revenue mix away from Europe and towards Asia, the Group's management have disposed of the operating segments in Romania to an unaffiliated third party who will invest an aggregate amount of €700,000 in Queen Investments and was issued 51% of the issued share capital in the Company, which has thereby diluted QLI's holding to 40.8%.

Going forward, the Company will disclose the Casino Palace operation in the financial statement as a discontinued operation.

This week, Queen Investment Inc. S.R.L., an affiliate of the Company which operates Casino Palace was notified by the Romanian Gambling Commission that its license to operate the casino has been cancelled and the casino has been shut down due to a debt to the Romanian tax authorities. The Company, together with its Romanian legal counsel, has appealed the decision of the Gambling Commission, which we do not believe will have a material impact on the Group's results going forward in 2012.

SaSaZu

During the year, SaSaZu increased gross revenues by 16.5% to €4.7 million (2010: €4.0 million) as the marketing efforts at the nightclub continue to bring in new customers, and in particular large scale events in the City including sports events, concerts, and corporate entertaining. Such is the success of the SaSaZu brand management have exported it to Casino Rodos in Greece, and are considering the possibility of integrating the brand further into existing QLI operations, as well as potentially launching the concept in new markets through joint ventures. As the operation has continued to grow in Prague, earnings have improved, with EBITDA now at negative €0.1 million for the year ended 31 December 2011 (2010: negative €0.8 million).

Queenco Casino and Hotel

During the festive season of the fourth quarter, we were pleased to open our newest asset in the QLI portfolio, Queenco Casino and Hotel in Sihanoukville, Cambodia, which forms part of our plan to diversify the Group's revenue mix away from Europe, by investing in South East Asia. Queenco Casino is held through a Joint Venture with a local partner, and the onsite hotel was established next to the casino. It houses 60 rooms, the "Bago" restaurant which was established by the SaSaZu team, who have successfully rolled out the model we have established in Prague, and a casino with over 100 table games and slot machines. Slots in the casino have begun trading well, and live gaming at Bacharach tables commenced a few weeks ago in order to attract the growing middle classes located near to the Cambodian border. We look forward to updating you on the casino's progress in the future.

Projects

QLI believes that the future growth engines of the Group lie with investment opportunities in South East Asia which will give us the ability to diversify our revenue mix. We will continue to grow Queenco Casino and Hotel, while seeking other opportunities in the region. We still remain encouraged by the steps being taken by governments and authorities in the countries where we operate, to legalise and regulate licensed online gaming in countries such as Cambodia where there is significant demand for it. Such a move would enable QLI to explore the possibility of introducing remote gaming as well as allow us to market and sell our high profile brands online.

Tender Offer

The Group believes that a Tender Offer for Y.Z. Queenco to buy out QLI is most beneficial for the Group and can maximise long term shareholder value. The deal will reduce the complexity of operating two listed entities and benefit minority holders by transferring their shares into a more liquid stock listed on the TASE. QLI is in the process of consulting shareholders and further announcements relating to the Tender Offer will be made in the future.

Outlook

The Greek economy has deteriorated, and the opportunities in Eastern Europe having reduced, and as a result, QLI has put in place a strategy to diversify its revenue streams to focus future development in the South East Asia region, and in particular Cambodia. The outlook in Europe will remain difficult so long as the Greek debt crisis continues but with our first operation now open in South East Asia the Group has put in place foundations for future growth. In addition, the Group remains encouraged by the potential legalisation and regulation of online gaming in the markets where it operates and we believe it is well positioned to take advantage of such an opportunity as and when it comes to fruition.

Haim Assayag
Executive Chairman, Queenco Leisure International Limited
4 April 2012

Consolidated Statements of Comprehensive Income (Loss)
(In thousands of €)

	Notes	Year ended 31 December		
		2011	(*)2010	(*)2009
Revenues	4	75,322	85,903	98,815
Operating costs				
Cost of revenues	5	(58,890)	(59,837)	(57,843)
Selling and marketing expenses	6	(15,937)	(17,852)	(15,493)
General and administrative expenses	7	(15,331)	(19,479)	(18,304)
Other operating expenses	8	(2,851)	(390)	(5,245)
Share of results of associated company	16	-	-	(658)
Operating profit (loss)		**(17,687)**	**(11,655)**	**1,272**
Investment income	9	343	378	631
Finance costs	10	(2,096)	(1,678)	(1,256)
Foreign exchange gain (loss)		1,252	(2,266)	810
Profit (Loss) before tax		**(18,188)**	**(15,221)**	**1,457**
Tax	11	1,024	(5,779)	(8,453)
Loss from continued operations		(17,164)	(21,000)	(6,996)
Discontinued operations	12	(6,054)	(5,143)	192
Loss for the year		**(23,218)**	**(26,143)**	**(6,804)**
Other comprehensive income (loss)				
Exchange differences arising on translation of foreign operations		(1,001)	3,344	(2,431)
Total comprehensive loss for the year		**(24,219)**	**(22,799)**	**(9,235)**
Profit (loss) for the year attributable to:				
Equity holders of the parent		(20,403)	(23,855)	(8,293)
Minority interests		(2,815)	(2,288)	1,489
		(23,218)	**(26,143)**	**(6,804)**
Total comprehensive income (loss) for the year attributable to:				
Equity holders of the parent		(20,956)	(21,738)	(10,209)
Minority interests		(3,263)	(1,061)	974
		(24,219)	**(22,799)**	**(9,235)**
Loss per share for the period attributable to:				
Loss per share from continued operations		(4.3)	(5.5)	(2.3)
Loss per share from discontinued operations		(1.5)	(1.3)	-
	13	(5.8)	(6.8)	(2.3)

(*) Restated - See Note 12

QUEENCO LEISURE INTERNATIONAL LTD

Consolidated Statements of Financial Position
(In thousands of €)

	Notes	As at 31 December	
		2011	**2010**
Non-current assets			
Intangible assets	14	8,579	9,624
Property, plant and equipment	15	107,988	117,345
Investment property	35	-	2,168
Deferred tax assets	17	3,280	3,061
Other long term receivables	18	7,369	7,264
Total non-current assets		**127,216**	**139,462**
Current assets			
Inventories	19	649	997
Investments	20	77	2,103
Trade and other receivables	21	3,906	6,149
Cash and cash equivalents	22	14,052	16,309
		18,684	**25,558**
Assets related to discontinued operations held for sale	12	**2,511**	-
Non - current assets held for sale	23	**3,078**	**3,000**
Total current assets		**24,273**	**28,558**
Total assets		**151,489**	**168,020**
Current liabilities			
Accounts payable		(4,232)	(5,498)
Current tax liabilities		(2,599)	(5,616)
Other current liabilities	24	(18,412)	(16,378)
Bank overdraft and loans	25	(19,509)	(18,032)
		(44,752)	**(45,524)**
Liabilities related to discontinued operations held for sale	12	**(2,626)**	-
Total current liabilities		**(47,378)**	**(45,524)**
Net current liabilities		**(23,105)**	**(16,966)**
Total assets less current liabilities		**104,111**	**122,496**
Non-current liabilities			
Long-term bank loans	25	(6,725)	(7,839)
Other long-term liabilities	26	(9,185)	(2,177)
Deferred tax liabilities	17	(1,679)	(2,046)
Provision for retirement benefits	27	(6,469)	(6,091)
Total non-current liabilities		**(24,058)**	**(18,153)**
Net assets		**80,053**	**104,343**

QUEENCO LEISURE INTERNATIONAL LTD

Consolidated Statements of Financial Position (Cont.)
(In thousands of €)

	Notes	As at 31 December 2011	2010
Shareholders' equity			
Share capital	28	62,530	62,512
Share premium		131,196	130,998
Translation reserve		2,478	3,031
Reserve for the waiver of options by a controlling shareholder		2,739	-
Other reserves	1,2.4	(14,080)	(14,080)
Accumulated deficit	29	(125,037)	(101,973)
Equity attributable to equity holders of the parent		**59,826**	**80,488**
Minority interest		**20,227**	**23,855**
Total Equity		**80,053**	**104,343**

The financial statements were approved by the board of directors and authorised for issue on 3 April, 2012. They were signed on its behalf by:

Haim Asayag	**Tal Taragan**	**Dovrat Dagan**
Executive Chairman of the Board	Chief Executive Officer	Chief Financial Officer

QUEENCO LEISURE INTERNATIONAL LTD

Consolidated Statements of Changes in Equity

(In thousands of €)

	Share Capital	Share Premium	Translation reserve	Reserve for the waiver of options by a controlling shareholder	Other reserves	Accumulated deficit	Parent	Minority Interest	Total Equity
Balance as at 1 January 2009	**62,512**	**130,998**	**2,830**	**-**	**(7,950)**	**(71,495)**	**116,895**	**30,408**	**147,303**
Translation differences	-	-	(1,916)	-	-	-	(1,916)	(515)	(2,431)
Expense resulting from grant of share options	-	-	-	-	-	810	810	-	810
Reverse of expense resulting from options granted to former employees	-	-	-	-	-	(180)	(180)	-	(180)
Fair value of Put/Call options (Note 1)	-	-	-	-	(6,130)	-	(6,130)	(1,729)	(7,859)
Profit share due to the Municipality of Loutraki (Note 30)	-	-	-	-	-	-	-	(1,623)	(1,623)
Dividend	-	-	-	-	-	-	-	(2,586)	(2,586)
Net loss for the year	-	-	-	-	-	(8,293)	(8,293)	1,489	(6,804)
Balance as at 31 December 2009	**62,512**	**130,998**	**914**	**-**	**(14,080)**	**(79,158)**	**101,186**	**25,444**	**126,630**
Translation differences	-	-	2,117	-	-	-	2,117	1,227	3,344
Expense resulting from grant of share options	-	-	-	-	-	1,040	1,040	-	1,040
Profit share due to the Municipality of Loutraki (Note 30)	-	-	-	-	-	-	-	(359)	(359)
Dividend	-	-	-	-	-	-	-	(169)	(169)
Net loss for the year	-	-	-	-	-	(23,855)	(23,855)	(2,288)	(26,143)
Balance as at 31 December 2010	**62,512**	**130,998**	**3,031**	**-**	**(14,080)**	**(101,973)**	**80,488**	**23,855**	**104,343**
Realization of share options	18	198	-	-	-	(216)	-	-	-
Translation differences	-	-	(553)	-	-	-	(553)	(448)	(1,001)
Expense resulting from grant of share options	-	-	-	-	-	294	294	-	294
Waiver of options by a controlling shareholder	-	-	-	2,739	-	(2,739)	-	-	-
Profit share due to the Municipality of Loutraki (Note 30)	-	-	-	-	-	-	-	(365)	(365)
Net loss for the year	-	-	-	-	-	(20,403)	(20,403)	(2,815)	(23,218)
Balance as at 31 December 2011	**62,530**	**131,196**	**2,478**	**2,739**	**(14,080)**	**(125,037)**	**59,826**	**20,227**	**80,053**

QUEENCO LEISURE INTERNATIONAL LTD

Consolidated Cash Flow Statements

(In thousands of €)

	Notes	Year ended 31 December		
		2011	**2010**	**2009**
Net cash - operating activities	31	**(2,142)**	**(14,718)**	**10,812**
Investing activities				
Interest received		350	372	767
Purchases of property, plant and equipment		(3,871)	(6,199)	(12,067)
Proceeds on sale of property, plant and equipment		107	1,508	79
Purchases of other intangibles		(7)	(26)	(214)
Investment in an associate		-	-	(1,200)
Realisation of trading investments		1,887	2,564	3,783
Instalments for the acquisition of a subsidiary		(904)	(2,964)	(2,964)
Repayment of other long-term receivables		1,165	1,125	1,125
Investment in a subsidiary, net of cash acquired		-	-	(18,669)
Decrease (increase) in deposits		(843)	715	-
Net cash - investing activities		**(2,116)**	**(2,905)**	**(29,360)**
Financing activities				
Dividends paid to minority shareholders		-	(169)	(2,586)
Repayments of borrowings		(500)	(1,000)	(1,900)
Receipt of long term loan from Queenco		3,656	-	-
Repayments of other long term liabilities		-	-	(397)
Share of profits paid to Municipality of Loutraki		(365)	(1,591)	(3,562)
Increase (decrease) in bank overdrafts		977	2,489	(15)
Net cash - financing activities		**3,768**	**(271)**	**(8,460)**
Net decrease in cash and cash equivalents		(490)	(17,894)	(27,008)
Effect of foreign exchange rate changes		(1,181)	3,143	1,053
Cash and cash equivalents at beginning of the year		16,309	31,060	57,015
Cash and cash equivalents at end of the year		**14,638**	**16,309**	**31,060**
Cash and cash equivalents attributable to discontinued operations		(586)	-	-
Cash and cash equivalents at end of the year		**14,052**	**16,309**	**31,060**
Tax cash flow		(2,824)	(7,232)	(10,402)
Interest paid		(1,260)	(834)	(877)

NOTE 1 - GENERAL INFORMATION

Queenco Leisure International Ltd (formerly Resido Tourism, Development and Vacationing (2002) Ltd) (the “Company” or "QLI") was incorporated in Israel on 9 September 2002 by Milomor Ltd. ("Milomor") and (Y.Z) Queenco Ltd. ("Queenco" or "YZ") (Israeli public companies whose shares are listed for trading in the Tel-Aviv stock exchange), who held, equally, the entire issued and paid up capital of the Company. The Company commenced its operating activities at the end of 2002. The Company's address is 11 Menachem Begin road, Ramat Gan, Israel.

In November 2004, all Milomor's holdings in the Company’s shares were transferred to Shachar HaMilenium (1991) Ltd.,(as of then) an Israeli public company whose shares were also listed for trading on the Tel-Aviv Stock Exchange ("Shachar HaMilenium") in exchange for Shachar HaMilenium's shares. As a result, Shachar HaMilenium, became a subsidiary of Milomor and held 50% of the Company’s shares. In March 2007, Queenco acquired all of Milomor's holdings in Shachar HaMilenium.

The Company's ultimate controlling shareholder is Mr. Yigal Zilkha.

The Company’s main activity is investment, through Israeli and foreign companies, (together, “the Group”), in tourist projects, including casinos and hotels, currently mainly in Greece, Romania, Serbia, the Czech Republic and Cambodia. The activities in Greece are in the city of Loutraki and Rhodes Island. The activities in Romania are in the city of Bucharest. The activities in the Czech Republic are in the city of Prague. The activities in Serbia are in the city of Belgrade. The activities in the Cambodia are in the city of Sihanounkville. The Company provides advisory services to part of the projects.

Up until the end of 2002, Milomor and Queenco held their share of the tourist operations in Loutraki, through a private Israeli company, equally owned by them. Such activities in Greece were transferred to the Company's subsidiary by its shareholders, at the beginning of 2003, for a total consideration, from all investors, of € 405 million. The assets and liabilities transferred were recorded at their book value at the date of the transfer. The difference between the book value and the agreed consideration, totalling € 305 million, was charged directly to equity, resulting in an increase in the accumulated deficit.

On 3 July 2007, the Company completed an Initial Public Offering of Global Depositary Receipts representing the Company's shares on the London Stock Exchange. Approximately € 53 million net of transaction costs was raised.

On November 8, 2011 the board of directors of Queenco approved the intention to commence a process for a full tender offer for all the issued and outstanding securities (including GDRs) of the Company in exchange for newly issued shares of Queenco, based on an exchange ratio that has been approved by its board of directors.

Consummation of the foregoing tender offer is subject to various conditions, not yet fulfilled, including the following:

(a) Compliance with Israeli law with respect to the minimum number of Company securities that must be tendered.

(b) Approval of the tender offer by the shareholders of YZ, including the special majority among the non-interested shareholders.

(c) Obtaining the approval of the Israeli Securities Authority for amending a registration statement of YZ in order to enable the issuance of the YZ shares in exchange for the Company securities.

(d) Approval of the Israeli tax authorities.

(e) The filing by YZ of certain reports required under the Israeli Securities Law.

(in thousands of Euro unless otherwise stated)

NOTE 1 - GENERAL INFORMATION (Cont.)

Project in Loutraki

The Company indirectly holds, effectively, as at 31 December 2011, 34.1% interest in Club Hotel Loutraki S.A. ("CHL"), a company incorporated in Greece. This holding is mainly through the holding of 50% of the shares of an Israeli company ("Vasanta"). Vasanta meets the definition of a jointly controlled entity under IAS 31.

On 30 September 2007, the Company purchased 6% of the equity of an Israeli Company ("Dasharta"), a subsidiary of Vasanta, and as a result, purchased a corresponding 6% economic interest in Agastia (see below), from a minority interest.

On 23 June 2008, the Company granted an option to Club Hotel Group (the holder of the other 50% interest in Vasanta) for the purchase of half of the economic interests that QLI had acquired from the minority interest on 30 September 2007. This option was exercised on 20 August 2008. In August 2011 the Company received the final payment from Club Hotel Eilat Ltd. and the shares were transferred to Club Hotel Eilat (See also Note 21).

78% of the equity of CHL is held by Powerbrook Spain S.L, a company controlled indirectly by Vasanta and the parent company of CHL ("PBS"). Following the exercise in 2008 of a call option granted to Agastia, a holding company controlled by Vasanta, Agastia has monitory rights to 98.75% of the profits of PBS, until accumulated free cash flow (as defined in the shareholders' agreement) reaches an additional € 267 million. Once the accumulated free cash flow has reached this level, the third party shareholder (Casino Austria Greece) will have rights to 12.5% of profits, and the related share in PBS's equity. The cash consideration for the exercise of the call option was € 15 million. (see also Note 33 as to disagreements with the co-shareholder in Vasanta).

See below under "Project in Belgrade" regarding an irrevocable offer received by Vasanta with respect to PBS shares.

Through a Ministerial decision dated 14 February 1995, a consortium ("koinopraxia") comprising of CHL and ATEKL S.A. (a company wholly owned by the Municipality of Loutraki) were awarded a licence to operate a casino in the Loutraki area, near Athens. Through an agreement (the "Agreement") between the two parties, it was agreed that the management and control of the casino operations shall rest with CHL and the profit sharing arrangement would be (not less than $ 1 million per annum to be paid to the Municipality of Loutraki) as follows:

	CHL	**ATEKL S.A.**
First 7½ years	88%	12%
Thereafter to 15th year	86%	14%
Thereafter to 38th year	84%	16%
Thereafter to 50th year	50%	50%

After the 50th year the casino licence reverts wholly to ATEKL S.A. Any reference to the Municipality in this report should be strictly interpreted as reference to ATEKL S.A., which is effectively its participating arm in this business arrangement. The casino commenced operations on 14 September 1995.

In accordance with the gaming licence agreement, CHL was obliged to construct a hotel. The construction of the hotel was completed and the hotel commenced operations on 24 July 2002. The ownership of the hotel will transfer to ATEKL S.A. on 15 February 2033 in accordance with an agreement dated 24 May 2002.

During September 2007 the exclusivity period for the Loutraki casino license ended. As at the date of these financial statements, the Greek gaming committee has neither awarded any new licenses nor indicated that it intends to issue additional licenses.

CHL incurred a net loss of €27 million during the year ended December 31, 2011, and as of that date, CHL's current liabilities exceeded its current assets by €49 million (of which € 37 million are unsecured credit to Bank Piraeus, which can be called up at any time by the bank).

On March 10, 2011, QLI Management ("QLIM") received a letter from the Chairman of the Board of Directors of CHL (the "Letter"), addressed to CHL's shareholders, including PBS. The Letter stated that due to the turbulent Greek economy and changes in Greek regulation and the political environment, CHL requests that the Board of Directors of PBS consider a capital injection of up to €15 million into CHL.

NOTE 1 - GENERAL INFORMATION (Cont.)

Project in Loutraki (Cont.)

CHL's management does not expect that existing cash reserves together with cash generated from the operations will be sufficient to repay the total credit facility if it is called up.

As to the best of the Company's knowledge, CHL's management believes that the ongoing negotiations with Piraeus Bank regarding this credit facility will have a positive outcome in terms of a prolonged schedule of repayment. Furthermore, CHL's management continues its efforts towards severe cost cutting in 2012. In addition, CHL has unsecured assets which can be used to secure future debt financing, if needed.

Accordingly, the financial information of CHL, has been prepared assuming that the CHL will continue as a going concern and does not include any adjustments relating to the recoverability and classification of recorded asset amounts, the amounts and classification of liabilities, or any other adjustments that might result should CHL be unable to continue as a going concern.

The information with respect to CHL contributes a significant portion to the Group's consolidated financial information. However, the Group has other activities.

In addition, the Company is not obligated to provide a capital injection to CHL, or to cover its liabilities and to the best of the Company's knowledge, PBS's current cash position is approximately € 8.7 million.

On June 15, 2011 the Company was notified by the Chairman of PBS that one of the representatives of CAGG in PBS`s board of directors ("BOD") resigned, with immediate effect. After the resignation, PBS`S BOD consists of eight members, and a quorum is constituted upon the participation of 5 members. The same director also notified CHL of his resignation from CHL`s BOD.

As of the date of this report, there is a disagreement as to the participation of Vasanta's representative in the BOD of PBS.

On March 28, 2012 the Company was notified that the Chairman of PBS's BOD had ceased to be the representative of B.A.T (Management) 2004 Ltd. (of the Club Hotel Group) in PBS's BOD.

Project in Rhodes

The Company holds, through Israeli and foreign companies under its control, 91.6% of the issued and paid up share capital of the Greek company known as Rhodes Casino S.A. (the "Rhodes Casino"), which has a license from the Greek Government, for an unlimited period, commencing 10 June 1996, for operating a casino and hotel in the city of Rhodes.

The Rhodes Casino operates a casino on the island of Rhodes under the casino operation license ("the License") granted by the Hellenic State through a company controlled by it and in which the Rhodes Casino is entitled to 80% of the profits. The Hellenic State has guaranteed through Law 2206/1994 that no other casino operation license shall be granted apart from those mentioned in the respective law, for a period of twelve years. The period of twelve years for the Company commenced on 2 April 1999 when the Hellenic State verified the completion of the casino construction, and approved the final issuance of the license and the effective commencement of operations.
As at the date of these accounts, the Greek gaming committee has neither awarded any new licenses nor indicated that it intends to issue additional licenses.

The casino operates in a building that has a rental agreement from the Municipality of Rhodes up to the year 2026. According to the License, the Rhodes Casino had to renovate the existing building into a luxurious hotel. The hotel renovation was completed and operations commenced on 1 May 2002.

NOTE 1 - GENERAL INFORMATION (Cont.)

Project in Rhodes (Cont.)

In September 2007 Rhodes Casino signed an MOU with a local Greek company and Emporiki Bank in regards to the building of a marina and a residential project on Rhodes Island. This agreement is designed to fulfil the investment obligation within the terms of the casino license. Under this MOU, Emporiki Bank resolved to provide finance of € 59 million through non-recourse loans. During December 2007 the Gaming Committee met to decide on the proposal outlined in the MOU. Due to opposition from Rhodes Municipality, the Gaming Committee did not opine on whether the MOU fulfilled the aforementioned obligation. As such, according to the opinion of the legal advisors of the Group, it is expected that an extension will be granted to allow Rhodes Casino and Emporiki Bank more time to identify suitable projects in order to satisfy the obligation. As per the opinion of the legal advisors of the Rhodes Casino, the chances of the revocation of the license as a result of the above are remote.

Projects in Romania

The Company holds, as at 31 December 2011, through Israeli and foreign corporations under its control, 83.3% of the issued and paid up share capital of a Romanian company known as Queen Investments Inc. S.R.L. (the "Palace Casino"), which has a license from the Romanian Government, for operating a casino and hotel in the city of Bucharest. This licence needs to be renewed annually.

The Palace Casino provides gaming services and the major source of the Palace Casino's revenues is from gaming operations. A subsidiary of the Palace Casino is its provider of food and beverages for casino players and also holds a separate restaurant within the same building where the casino is located.

In 2006, a building was acquired for a total of € 1.9 million near the casino in Bucharest. An impairment charge of € 0.6 million was recorded in the Statement of Comprehensive Loss for the year ended 31 December 2009. The building was sold in August 2010 for € 1.2 million, resulting in a capital loss of € 128 thousand.

In October 2007 Queen Investments Inc. S. R. L. ("Queen Investments") attained concession rights over a historic building in Constansa for a period of 49 years. The Company, through Queen Investments, intended to renovate and operate the building as "Casino Constansa". Queen Investments entered, among other, into a contractual obligation to invest € 10 million in the project. Queen Investments failed to comply with the terms of the concessions rights and negotiated with the Constansa Municipality for the termination of such rights.

Following the discussions held and understandings reached, in March 2011, Queen Investments received a letter from the Constansa Municipality according to which Queen Investments was to pay its outstanding debt of € 190 thousand and no other obligation will be left between the parties regarding the contractual arrangements mentioned above. As of 31 December 2011 the € 190 thousand were paid to the Municipality of Constansa.

In 2008, land was acquired for a total of € 1.6 million, near the planned casino in Constansa. The land was initially designated for the construction of a boutique hotel. Following reconsideration, management has decided to change it plans and to offer the land for sale. As a result, and based on evaluations performed by an independent appraiser, an impairment charge of € 0.5, 0.4 and 0.5 million was recorded in the Statements of Comprehensive Loss for each of the years ended 31 December 2011, 2010 and 2009, respectively. As at 31 December 2010 and 2009, the land was presented as investment property. In February 2012 the land was sold for a price of € 0.2 million.

On 5 January, 2011 Palace Casino was notified by the National Gaming Committee in Romania of the closing of the gaming tables area in Casino Palace for a period of 30 days, as a punitive fine for the decrease in the number of gaming tables at Palace Casino (from 24 to 18 tables), as of August 2010.

On January 11, 2011 the Romanian Court suspended the punitive fine for the closing of the gaming tables area in Palace Casino until the prosecution hearing set for September 2011. On November 25, 2011 the Romanian Court maintained the first degree court decision ruled in favour of Casino Palace which is irrevocable.

On August 2011, due to ongoing losses, the Group's management decided to dispose of the operating segment in Romania.

NOTE 1 - GENERAL INFORMATION (Cont.)

Projects in Romania (Cont.)

On November 11, 2011 the Company entered into a letter of intent ("LOI") with an unaffiliated third party for the investment in Queen Investments.

In January, 2012 Tempotest (the parent company of Queen Investments) signed a contract. The material terms of the agreement are as follows:

(a) The investor will invest in Queen Investments an aggregate amount of € 700,000, of which € 300,000 were invested prior to the signing of the agreement and the remaining €400,000 is to be invested by April 30, 2012.

(b) As consideration for the foregoing investment, the investor was issued shares that represent, immediately after the issuance thereof, 51% of the issued and outstanding share capital of Queen Investments.

(c) The investor received the right to appoint 2 of 3 directors of Queen Investments. In addition, the investor has the right to appoint the chairman of the BOD of Queen Investments.

On 1 March 2012 the shares were issued to the investor and the Group no longer has control over the operations of Queen Investments. As the Group still retains significant influence, the investment in Queen Investments will be reported under the equity method of accounting.

For financial information regarding the discontinued operations, see note 12.

On 4 April, 2012 Queen Investments was notified by the Romanian Gambling Commission that its license to operate the casino has been cancelled and the casino has been shut down due to a debt to the Romanian tax authorities. The Company, together with its Romanian legal counsel, has appealed the foregoing decision of the Gambling Commission. The Company currently estimates that the foregoing will not have a material effect on the Company's results of operations.

Project in Belgrade

1. In December 2005, Grand Casino d.o.o Belgrade (hereinafter: "the Serbian Company") won a tender for the acquisition of a license for the exclusive operation of a casino for a period of 10 years in Belgrade, the capital of Serbia. In its bid, the Serbian Company undertook to pay the amount of € 18 million in return for the license and also to transfer a total of at least € 18 million in turnover taxes to the state of Serbia during the ten years of casino operations.

2. During September 2008, certain provisions under Serbian law regulating the conditions for applications for permits for the organization of special games of chance in gambling facilities were declared unconstitutional by the Constitutional Court of Serbia. CHL was informed by its legal advisors in Serbia that this decision may have a significant effect on the license to operate the casino in Belgrade and may lead to the revocation of the license. If such risk is materialized, Casino Belgrade will be entitled to

(in thousands of Euro unless otherwise stated)

remedies under the terms of the license and under applicable law. See below regarding new Serbian gaming law issued on 22 November, 2011.

3. On 31 December 2008, CHL entered into an agreement with Casino Austria AG ("CAAG") for the purchase from CAAG of 51% of the shares of a Serbian Company (the "Purchased Shares"), for a purchase price of € 42 million (CHL held, prior to the closing of the transaction, 39% of the shares of the Serbian Company). At the beginning of March 2009, all conditions for the closing were met and the Serbian Company's financial information is consolidated starting 31 March 2009. Until that date, the Group's proportional share (39%) of the Serbian Company was included in the financial statements under the Equity Method.

   Casino Austria International Holding GmbH ("CAIH"), an affiliate of CAAG, additionally granted CHL an option to acquire 50% or 75% of CAIH's interest in Grand Casino Brussels, by paying CAIH 50% or 87.5%, respectively, of CAIH's actual investment in the Brussels casino as defined. This option was not exercised and expired on 20 June 2009.

NOTE 1 - GENERAL INFORMATION (Cont.)

Project in Belgrade (Cont.)

(a) The share purchase transaction of the Serbian Company has been accounted for by the purchase method of accounting. As a result, an impairment charge of € 8,717 thousand was recorded by CHL representing the loss from deemed disposal of CHL's 39% holdings in the Serbian Company prior to the transaction. The Groups 50% share in such charges is included in other operating expenses in the statement of comprehensive loss for the year ended 31 December 2009.

Assets acquired and liabilities assumed at 31 March 2009:

Net assets acquired	
Property, plant and equipment	15,594
Intangible assets	4,377
Inventories	65
Trade and other receivables	6
Trade and other payable	(1,613)
	18,429
Fair value of Put/Call options (Note 1)	7,859
Cancellation of intercompany balance	(7,619)
Total consideration	18,669
Satisfied by:	
Cash	21,000
	21,000
Net cash outflow arising on acquisition:	
Consideration	21,000
Cash and cash equivalents acquired	(2,331)
	18,669

The additional acquisition of the 51% of the shares of the Serbian Company contributed a loss of € 2,299 thousand to the Group's results of operations for the period between the date of acquisition and 31 December 2009.

If the acquisition had been completed on the first day of the 2009 financial year, Group revenues for the year ended 31 December 2009 would have been € 116,268 thousand and Group loss would have been € 7,164 thousand.

In September 2006, CHL acquired a company which owns the asset in which the casino is located for a consideration of € 15 million. The Serbian Company is leasing the asset for a period of 10 years. This asset was designated as investment property until control was acquired over the operations of the Serbian Company and as a fixed asset since then.

During 2009 the Serbian government published a public tender for an additional casino licence in the Belgrade area. Upon the publication of the tender, Grand Casino d.o.o notified the Serbian authorities that such tender should be suspended due to the exclusivity clause in Grand Casino d.o.o.`s license.

Nevertheless the Serbian government issued an additional license to another licensee in the area of Belgrade. As a result, CHL (as a controlling shareholder in Grand Casino d.o.o) forwarded the issue to an international arbitrator in order to clarify the subject of exclusivity between the parties. On 22 November, 2011 the National Assembly of Serbia adopted an amendment of the Serbian Gaming Law regarding the extension of the license granted to Casino Beograd. The new law states that the casino has the right to consecutively renew its casino licence for a fee of € 0.5 million upon every annual expiration, and the law also secured that no other Casino will open in Belgrade up until 31 December 2020.

NOTE 1 - GENERAL INFORMATION (Cont.)

Project in Belgrade (Cont.)

(b) In its meeting on 28 April 2009, Vasanta's BOD resolved to accept the irrevocable offer that it received from CAIH, (the “Offer”) to enter into an agreement pursuant to which CAIH will have an option (the “Call Option”) to purchase from PBS and Vasanta will have an option (the “Put Option”) to cause PBS to issue and sell to CAIH, ordinary shares of PBS constituting 11.74% of the fully diluted share capital of PBS. The call option expired on 31 August 2009. On 3 September 2009, Vasanta received a letter from CAIH extending the exercise period of the Put Option until 31 March 2010.

On 30 March 2010, Vasanta notified CAIH of the exercise of the Put Option pursuant to which CAIH will purchase from PBS the following securities:

(i) Ordinary shares of PBS constituting 11.74% of the fully diluted share capital of PBS;

(ii) Special shares of PBS providing for (A) the right to receive certain amounts out of (1) funds actually received by PBS and attributable to the operating income of Casino Belgrade, in which CHL holds a 90% stake, and/or (2) the sale of shares of Casino Belgrade that may be distributed by PBS in the future and (B) the right, for so long as CHL controls Casino Belgrade and PBS controls CHL, that PBS will use its best efforts to cause the appointment of a non-voting observer on behalf of CAIH to the Board of Directors of Casino Belgrade; and

(iii) A special share providing for certain veto rights with respect to the operations of PBS for so long as CAIH holds at least 10% of the fully diluted share capital of PBS.

The aggregate exercise price of the Put Option payable to PBS is € 49.5 million. In addition, Vasanta's board of directors resolved that, upon exercise of the Put option, PBS will be responsible for the payment of € 5.25 million to Casino Austria Greece GmbH (“CAGG”), resulting from certain outstanding amounts related to transactions during 2002 between CAGG and Agastia Holdings Ltd., a 50% indirect subsidiary of the Company.

On 3 March 2011, Vasanta informed the Company that it had been notified by CAIH that the Put Option Agreement ("POA") dated December 31, 2008 between Vasanta and CAIH, including CAIH’s obligation to subscribe to the shares underlying the Put Option and to pay the consideration therefore, is not legally binding towards CAIH and therefore CAIH will not comply with such obligations.

CAIH further notified Vasanta that it is interested in continuing its business relationship with PBS as well as with its shareholders, and therefore it will try to structure a transaction different than the one contemplated in the POA.

Both Vasanta and PBS have advised CAIH (separately) that CAIH's position as to its obligation under the POA is rejected by them and that their position is that the POA is valid.

On July 4, 2011 Vasanta informed the Company that it has been re-notified by CAIH that the POA between Vasanta and CAIH, including CAIH's obligation to subscribe for certain shares underlying the put option and to pay the consideration therefore, is not legally binding on CAIH for various reasons (none of which were detailed in CAIH's notification).

CAIH further notified Vasanta that notwithstanding the above, it is interested in reconciling the differences between the parties amicably and therefore it is offering the following:

a. CAIH shall offer to pay a nonrecurring instalment in the amount of Euro 20 million.
b. CAIH will sell and transfer its shares in CAGG to Vasanta at a price to be negotiated by the parties.

NOTE 1 - GENERAL INFORMATION (Cont.)

Project in Belgrade (Cont.)

c. Upon completion of the above mentioned payment and transfer of shares, a full release of any potential claim between any direct and indirect party as it relates to the POA shall apply.

On August 4, 2011 and on March 14, 2012, Vasanta informed the Company that it has been notified by CAIH that CAIH is interested in amicably reconciling the differences between the parties in connection with the POA. In its letter, CAIH offered to pay Vasanta a non-recurring amount of Euro 24 million against the annulment and termination of any asserted claims, rights and duties under the POA which could possibly exist between PBS, Vasanta and CAIH.

Vasanta began legal proceedings to enforce the execution of the POA.

Project in Prague

In March 2009, the Company opened an entertainment centre in the city of Prague, in the Czech Republic. The entertainment centre includes a restaurant and a club. Total investment by the Company in the project was € 11.7 million. The financial statements of the company in the Czech Republic are fully consolidated in the Group's consolidated financial statements.

Real estate in Bulgaria

The Company holds, through a wholly owned Israeli subsidiary, 70% interest in a private company registered in Bulgaria. The financial statements of the company in Bulgaria are fully consolidated in the Group's consolidated financial statements.

The company in Bulgaria has the right to be registered as the owner of certain real estate properties in Bulgaria. These assets were initially designated for future use as a tourist project, and accordingly were presented until 31 December 2008 as part of the Group's fixed assets.

Following reconsideration, management decided to change it plans and to offer the assets for sale. As at 31 December 2011 the assets are presented as Non - current assets held for sale (2010, the assets were presented as investment property under the cost method of accounting) in an amount of € 1.5 million (2010: € 1.6 million).

The fair value of the assets as of 31 December 2011, based on an evaluation performed by an independent appraiser, is approximately € 3.5 million.

Project in Cambodia

On September 16, 2010 the Company signed a Memorandum of Understandings ("MOU") with a third party ("the partner"), for the formation of a joint venture company ("Ekreach") to carry out hotel, casino, restaurant and karaoke operations as well as other associated businesses at the Holiday Palace Hotel in Sihanoukville, Cambodia ("the Property ").

In November 2011, the Company signed a joint venture and shareholders agreement ("the Agreement")

According to the Agreement:

1. Ekreach shall be held 70% by Wheatfiled (s) pte.Ltd. (Wheatfiled), a Singaporean company held 100% by the Company, and 30% by the partner.

2. A long term lease agreement relating to the Property, for an initial term of 25 years (with an option granted to QLI to extend the term of the lease by 25 years) was entered into between the partner and Ekreach, starting at 1 April 2011.

3. A monthly rental fee of $30,000 is to be paid quarterly by Ekreach to the partner.

4. QLI may enter into a casino and\or hotel management agreement with Ekreach.

NOTE 1 - GENERAL INFORMATION (Cont.)

Project in Cambodia (Cont.)

5. QLI will renovate the existing Property and develop a new wing for the hotel.

At the end of January 2011, the Company signed an MOU with Langham Hospitality Limited, a Hong Kong based developer and hotel operator which operates hotels worldwide, for the renovation, construction and operation of an Eaton Luxe Hotel, (one of the brand names of Langham Hotels).

As of the date of this report the Company has no intention to execute the MOU into an agreement.

On June 10, 2011 the Company signed an MOU with Beijing Construction Engineering International Co. Ltd., ("BCEG") a 100% Chinese state-owned company engaged in construction projects in China and across the world for the provision by BCEG of construction services and financing of approximately $25 million for QLI's project in Sihanoukville, Cambodia.

As of the date of this report the Company has no intention to execute the MOU into an agreement.

On December 30, 2011 the first phase of the joint venture, "Queenco Hotel and Casino"' including the opening of a hotel with approximately 60 rooms and a casino with slot machines and gaming tables in Sihanoukville, Cambodia, commenced.

In March 2012 Ekreach opened a restaurant, in the casino.

Land in Cambodia

In February 2007, a foreign interest of the Group, indirectly jointly controlled by it, contracted to acquire land in Cambodia for a total consideration of € 9.7 million. The current designation of the land is for agricultural use. As at the date of these accounts, no decision has yet been made as to how to progress with the development of the land.

In January 2008 a foreign interest of the Group, controlled by it, contracted to acquire additional land in Cambodia for a total consideration of approximately € 7.5 million ("the Additional Land").
The Group expects that the designation of the Additional Land can be changed for tourism purposes. With this regard, the Group has contacted a local Cambodian entity to help the Group in the obtainment of the needed permits for the tourism project, in return for 10% of the projects rights. The Group is evaluating the economical

(in thousands of Euro unless otherwise stated)

feasibility of the project. As at the date of these accounts, no decision has yet been made as to how to progress with the project.

Group's management is of the opinion that the investment in each of the two assets (which are presented as the Group's fixed assets), is lower than their fair value.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Financial statements under International Financial Reporting Standards ("IFRS")

The Company prepares its financial statements under IFRS as adopted by the EU.
At the date of authorisation of these financial statements, the main following IFRSs which have not been applied in these financial statements were in issue but not yet effective:

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Amendments to IFRS 7	Disclosures – Transfers of Financial Assets (1)
IFRS 9	Financial Instruments (5)
IFRS 10	Consolidated Financial Statements (2)
IFRS 11	Joint Arrangements (2)
IFRS 12	Disclosure of Interests in Other Entities (2)
IFRS 13	Fair Value Measurement (2)
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income (3)
Amendments to IAS 12	Deferred Tax – Recovery of Underlying Assets (4)
IAS 19 (as revised in 2011)	Employee Benefits (2)
IAS 27 (as revised in 2011)	Separate Financial Statements (2)
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures (2)

(1) Effective for annual periods beginning on or after 1 July 2011.
(2) Effective for annual periods beginning on or after 1 January 2013.
(3) Effective for annual periods beginning on or after 1 July 2012.
(4) Effective for annual periods beginning on or after 1 January 2012.
(5) Effective for annual periods beginning on or after 1 January 2015.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

The principal accounting policies adopted are set out below:
The consolidated financial statements have been prepared in accordance with IFRS. IFRS comprise standards and interpretations approved by the International Accounting Standard Board ("IASB") and Standing Interpretations Committee and IFRIC interpretations by the IASB that remain in effect.

The consolidated financial statements are presented in Euro as the majority of the operations of the Group are denominated in Euros. Thus, the Euro is the Group's presentation currency.

2.2 Use of Estimates

The preparation of the accompanying consolidated financial statements in accordance with IFRS requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the stated amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2.3 Basis of consolidation

(i) Subsidiaries
Subsidiaries are those entities controlled, directly or indirectly, by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates
Associates are those entities in which the Company has a direct or an indirect significant influence, but not control, over the financial and operating policies. Associates are included in the consolidated financial statements under the equity method of accounting under which the investment is initially stated at cost and increased or decreased by the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

(iii) Jointly controlled entities
Jointly controlled entities are those entities over whose activities the Group has joint control under contractual arrangement. The financial statements include the Group's proportionate share of the

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2.3 Basis of consolidation (Cont.)

jointly controlled entities' assets, liabilities, revenue and expenses with items of a similar nature on a line-by-line basis, from the date that joint control commences until the date that joint control ceases.

(iv) Transactions eliminated on consolidation
Intra-Group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with jointly controlled entities are eliminated to the extent of the Company's interest in the entity. Unrealised gains arising from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.4 Business Combinations

Adoption of new and revised standards

The Group has elected to adopt the following from 1 April 2008, in advance of their effective dates (effective for accounting periods beginning on or after 1 July 2009):

- IFRS 3 (Revised) Business Combinations; and
- IAS 27 (Revised) Consolidated and Separate Financial Statements

The main principals of the revised pronouncements are:

- A greater emphasis on the use of fair value, potentially increasing the judgement and subjectivity around business combination accounting, and requiring greater input by valuation experts;

- Focussing on changes in control as a significant economic event – introducing requirements to remeasure interests to fair value at the time when control is achieved or lost; and

- Focussing on what is given to the vendor as consideration, rather than what is spent to achieve the acquisition. Transaction costs, changes in the value of contingent consideration, settlement of pre-existing contracts, share-based payments and similar items will generally be accounted for separately from business combinations and will generally affect profit or loss.

The adoption of IAS 27 (Revised) has changed the Group's policy with respect to transactions with non controlling interests (minority interests) resulting in the recognition directly in equity of the impact of all transactions between controlling and non-controlling shareholders not involving a loss of control. The acquisition of a minority interest in PBS which falls within the scope of IAS 27 (Revised), resulted in a recognition directly in equity of excess cost of € 7,950 thousand. In the past, the Group has accounted for the purchase of minority interests using purchase accounting. Consequently the fair value of purchased assets was recognised in the financial statements and goodwill or negative goodwill recognised as appropriate. However IAS 27 (Revised) requires accounting for increases or decreases in a parent's ownership interest that does not result in a loss of control, as equity transactions of the consolidated entity. This change in accounting policy has been applied prospectively, in accordance with the transitional provisions of IAS 27 (Revised).

In addition, the Group applied the revised standards on the acquisition of 13.1% controlling interest in Casino Belgrade by using the Discounted Cash Flow model (DCF) and discount rate of, resulting in a charge of € 4,358 thousand for the loss on deemed disposal with respect to CHL's 39% holdings in the Serbian Company prior to the transaction (see also Note 1).

2.5 Foreign currency

(i) Foreign currency transactions
The New Israeli Shekel ("NIS") is the Company's functional currency. The Euro is the Group's presentation currency, due to the majority of the Group's activities being denominated in Euro.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2.5 Foreign currency (Cont.)

Transactions in foreign currencies, currencies other than those of each of the functional currencies of Group entities, are translated to the functional currency of the relevant entity within the Group at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional

currency of each of the Group's entities at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency of each of the Group's entities at foreign exchange rates ruling at the dates that the fair values were determined. Non-monetary items, which are measured in terms of historical cost in a foreign currency, are translated using the exchange rate at the date of the transaction.

(ii) Financial statements of entities whose functional currency is other than the Euro
The Group's operating entities use the currency of the country in which they are domiciled as their functional currency, as this best reflects the economic substance of the underlying events and circumstances relating to that entity. Each entity within the Group translates its foreign currency transactions and balances into its functional currency as described in 2.5(i).

2.6 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group is consolidating its business segments into one reporting segment based on the respective provisions of IAS 14 (up to and including 2008) and IFRS 8 (since 2009).

Geographical information:

(in thousands of Euro unless otherwise stated)

Revenues reported in the financial statements derived from the Company's country of domicile (Israel) and foreign countries based on the location of the customers, are as follows:

	Year ended December 31,		
	2011	**2010**	**2009**
Israel	170	196	120
Greece	66,021	76,821	92,410
Serbia	4,414	4,820	3,685
Other foreign countries	4,717	4,066	2,600
	75,322	85,903	98,815

The carrying amounts of non-current assets (fixed assets, investment property and intangible assets) in the Company's country of domicile (Israel) and in foreign countries based on the location of the assets are as follows:

	Year ended December 31,	
	2011	**2010**
Israel	1,056	1,335
Greece	79,519	83,449
Romania	-	3,231
Serbia	16,505	19,445
Cambodia	14,215	13,377
Other foreign countries	5,272	8,300
	116,567	129,137

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2.7 Revenue recognition

Gaming revenue is the net win from gaming activities, which is the difference between gaming wins and losses, and is stated net of direct tax on gross gaming revenue as required by IAS 18.

Other revenues are measured at the fair value of the consideration received or receivable and represent amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and special tax on entrance tickets.

Interest income is accrued on a time basis on the principal outstanding.

2.8 Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is charged on a straight-line basis at the following annual rates, which are estimated to write the assets off over their estimated useful life.

Classification	**Rate**
Building and building installations	3% - 20%
Casino gaming electric and electronic equipment	15% - 25%
Casino gaming tables and accessories	10% - 30%
Vehicles	15%
Computers	30%
Furniture and equipment	10% - 30%

2.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets, are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

2.10 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable or receivable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

2.11 Provisions for retirement benefits

The Group has not established any separate retirement benefit plan for its retiring employees as their pension liability is primarily covered by state or other sponsored funds. Employees are required to contribute a certain percentage of their salaries to those funds with the employer also contributing a defined portion. Such contributions are expensed as incurred for as required by IAS19. Upon retirement, the funds are liable for paying retirement benefits.

Israeli law and labour agreements determine the obligations of the Group to make severance payments to dismissed employees of its Israeli companies and to employees leaving employment under certain other

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2.11 Provisions for retirement benefits (Cont.)

circumstances. The obligation for severance pay benefits, as determined by Israeli law, is based upon length of employment and the employee's most recent salary. The liability is substantially covered through insurance policies.

The Group has no obligations upon retirement of personnel of the Palace Casino in Romania.

Upon retirement, personnel of the CHL and Rhodes Casino, are entitled to a retirement payment which is equal to 40% of the amount that would be payable in case of involuntary termination calculated according to the provision of Greek Labour Law, which takes into account the employees compensation on retirement and the length of service with the Greek companies. For this unfunded defined benefit

retirement benefit plan the cost of providing the benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date.

Actuarial gains and losses which exceed 10% of the present value of the Group's pension obligations are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past-service cost.

2.12 Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. A deferred tax asset is only recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profits will be available against which unused tax losses can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

2.13 Investments

Investments held by the Group are classified as either held-for-trading or available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

The fair value of investments available-for-sale is their quoted bid price at the balance sheet date. If a fair value cannot be determined reliably, investments available-for-sale are stated at cost.

Available-for-sale investments are recognised / de-recognised by the Group on the date of transfer of the investments.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less selling costs.

2.15 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

2.16 Intangible Assets

Intangible assets other than goodwill are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

In Loutraki, the gaming license has been amortised over a period of 12 years ended in 2007 and the donation (see Note 14) has been amortised over the remaining period of exclusivity of the gaming licence, which was 5 years (at the year the donation was made) ended in 2007. In Rhodes Casino, the gaming license is amortised over a period of 12 years ending in 2011. In Belgrade, the gaming license is amortised over a period of 10 years ending in 2015.

2.17 Impairment

The carrying amounts of the Group's noncurrent assets, other than deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible fixed assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amounts of the cash generating units (CGU's) are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units.

An impairment loss is reversed, except in respect to goodwill, if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.18 Fair Value

The Group’s financial assets and liabilities consist mainly of cash and banks, receivables and payables. Fair value represents the amount at which an asset could be exchanged or liability settled on arms length basis. Where in the opinion of management, the fair values of financial assets and liabilities differ materially from their book values; such fair values are disclosed in the notes to the financial statements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2.18 Fair Value (Cont.)

(i) Foreign currency risk management
The Group generates revenues and pays expenses mainly in Euro and Romanian Lei (until toward the end of 2007, also in US dollars). Wherever possible, contracts are drawn in Euro. In all other contracts the currency risk is assessed, and where considered necessary, hedging into Euro is undertaken or local currencies depending upon the currency of the contract expenditure.

(ii) Interest rate risk management
The Group is exposed to interest rate risk as funds borrowed carry floating interest rates. This risk is mitigated by the surplus funds within the Group that are invested to earn interest income, and by arrangements with financial institutions for borrowing facilities to be available at market rates in the case of short-term cash shortages. Surplus funds are placed with "A" grade financial institutions and in money market securities.

(iii) Credit risk management
The Group grants no credits in its casinos except for insignificant amounts for the use of the restaurants or other casino’s facilities. Accordingly, the Group does not have a significant concentration of credit risk.

2.19 Investment property

(in thousands of Euro unless otherwise stated)

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its historical depreciated cost at the balance sheet date. Depreciation is charged on a straight-line basis at the annual rates of 0%-4%, which are estimated to write the assets off over their estimated useful life.

2.20 Share based payment

The group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in profit or loss for the year.

Fair value was measured by use of a binomial model for options granted in 2010, 2009 and in 2008 . The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

NOTE 3 - CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements and estimations in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements:

Judgments with respect to provisions and contingent liabilities including those with respect to tax, legal proceedings and actuarial assumptions in respect of the calculation of retirement provisions. See Note 33 for further details of these provisions.

There are key management assumptions, regarding the valuation of the share options granted, including expected volatility, and the risk free rate (see Note 36 for further details).

In addition, management applies judgements in its examination of the existence of indications for impairments and for the impairment charges recorded.

NOTE 4 - REVENUES

	Year ended 31 December		
	2011	**2010**	**2009**
Gross gaming revenues	**96,885**	**115,345**	**137,669**
Food and beverage revenues	6,181	5,785	4,197
Entrance tickets (net)	971	1,090	1,447
Hotel revenues	1,723	1,128	1,340
Rental revenues	421	143	144
Sundry revenues	923	890	835
Total other revenues	**10,219**	**9,036**	**7,963**
Total Revenues	**107,104**	**124,381**	**145,632**
Tax on gross gaming revenues	(29,882)	(36,198)	(44,046)
Municipality tax	(1,900)	(2,280)	(2,771)
Revenues per income statement	**75,322**	**85,903**	**98,815**

NOTE 5 - COST OF REVENUES

(in thousands of Euro unless otherwise stated)

	Year ended 31 December		
	2011	2010	2009
Staff costs	34,366	36,787	35,458
Food and beverage	2,064	2,039	1,548
Maintenance	741	865	834
Rent	818	980	1,030
Utilities	1,665	1,757	1,547
Amortisation	1,074	1,428	1,286
Depreciation	10,516	10,191	9,790
Greek Tourist Organisation – duties	954	954	954
Other	6,692	4,836	5,396
Total	**58,890**	**59,837**	**57,843**

NOTE 6 - SELLING AND MARKETING EXPENSES

	Year ended 31 December		
	2011	2010	2009
Advertising and marketing expenses	14,218	16,664	14,335
Junketeers	1,267	663	489
Staff costs	452	525	669
Total	**15,937**	**17,852**	**15,493**

NOTE 7 - GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December		
	2011	2010	2009
Staff costs	7,467	8,815	9,550
Audit fees	577	680	553
Other professional services	3,558	6,338	3,948
Gratuities, donations	618	693	966
Bank charges	119	86	84
Other costs	2,992	2,867	3,201
Total	**15,331**	**19,479**	**18,304**

NOTE 8 - OTHER OPERATING EXPENSES

	Year ended 31 December		
	2011	2010	2009
Loss from deemed disposal on obtaining control in an associate (Note 1)	-	-	4,358
Impairment of fixed assets	1,400	-	645
Other costs	1,451	390	242
Total	**2,851**	**390**	**5,245**

NOTE 9 - INVESTMENT INCOME

	Year ended 31 December		
	2011	2010	2009
Gain on marketable securities	-	20	74

(in thousands of Euro unless otherwise stated)

Interest on bank deposits and loans granted	343	358	557
Total	**343**	**378**	**631**

NOTE 10 - FINANCE COSTS

	Year ended 31 December		
	2011	**2010**	**2009**
Interest on borrowings	2,095	1,678	1,256
Interest on finance leases	1	-	-
Total	**2,096**	**1,678**	**1,256**

NOTE 11 - TAX

	Year ended 31 December		
	2011	**2010**	**2009**
Current tax	(162)	(1,795)	(6,243)
In respect of prior years	454	(4,060)	(3,270)
Deferred tax (Note 17)	732	76	1,060
	1,024	**(5,779)**	**(8,453)**

In Israel, normal income taxation for the year ended 31 December 2011 is calculated at 24% (2010: 25%, 2009: 26%) of the estimated assessable profit for the year. On 25 July 2005 an amendment to the Israeli tax law was approved by the Israeli parliament. This amendment stated that the corporate tax rate would be reduced in subsequent tax years as follows: in 2009 26% and thereafter 25%. On July 23, 2009 an additional amendment was approved according to which rates imposed on Israeli companies will be further reduced, in a phased manner, from the 25% in 2010 to 18% in 2016.

On September 26, 2011 the Social-Economic Reform Committee headed by Professor Manuel Trajtenberg published a report with its recommendations. Consequently, on December 6, 2011, the Law for Change in the Tax Burden (Legislative Amendments), based on the recommendations in the Tax Section of that report, was published, after being approved in a third reading in the Israeli Knesset.

The main changes of the new law regarding corporate income taxes are as follows:

1. Cancellation of the planned gradual reduction of income taxes and corporate income taxes commencing in 2012.
2. Increase of the corporate income tax rate to 25% in 2012.
3. Increase of the capital gains tax rate and betterment tax rate to 25%.

As the Company didn't recognize any deferred tax assets or liabilities regarding its activities in Israel, the change had no effect on the Groups' results of operations.

NOTE 11 - TAX (Cont.)

Based on an agreement reached with the Israeli tax authorities in 2002, the Company paid the tax authorities an amount of approximately € 3 million as taxes with respect to the transfer of the holding in the casino in Loutraki to it. This payment covers Vasanta’s tax liability with respect to the Company’s taxable income resulting from the operations in Loutraki up to an amount of € 405 million.

The Company has at 31 December 2011 a net operating loss carried forward in an amount of approximately € 21 million for which no tax asset was recorded.

For Greece based projects, normal income taxation for the year ended 31 December 2011 was calculated at 20% (2010: 24%, 2009: 25%) of the estimated assessable profit for the year.

According to a new tax law adopted by the Greek Parliament in April 2010, taxation of profits and dividends of Greek companies has radically changed. The regular tax rate of 24% applied on retained profits decreased to 20% in the year 2011 and on. Upon distribution of dividends, the tax will increase to a total of 40% on profits from the year 2010. However, the tax rate for the activities of the joint venture with the Municipality of Loutraki will increase to 25% on profits from the year 2010 with no additional taxation applied upon dividend distributions.

(in thousands of Euro unless otherwise stated)

According to a tax law issued at the end of 2009 in Greece, a special one-off tax was applied on the 2008 taxable income of companies in Greece. The tax was applicable to CHL and the Rhodes Casino and was calculated on a scaled basis on the taxable income of 2008. As a result, the Company's 2009 consolidated statement of comprehensive loss includes a tax charge € 3.4 million with respect to such tax.

In May 2010, following the economical crisis in Greece, the Greek Parliament approved an additional, similar one-off tax. The tax is calculated on the basis of the 2009 profits resulting in an additional tax charge to the Group of € 2.1 million included in the Group's consolidated statements of comprehensive loss for the year ended 31 December 2010.

For Romanian based projects, the Group pays tax depending on the activity undertaken. The Casino is subject to tax at the rate of the higher of 16% of gross profit or 5% of income from gambling. The income from gambling is represented by the income obtained at table games and slot machines. During 2009 the company was subject to tax calculated as 16% of gross profit, while in 2010 and 2011, the Casino was subject to tax at the rate of 5% of its income.

See also Note 33 with respect to tax contingencies in Greece and Romania.

The charge for the year can be reconciled to the profit per the income statement as follows:

	Year ended 31 December		
	2011	**2010**	**2009**
Profit before tax:	**(18,188)**	**(15,221)**	**1,457**
Tax at the Israeli corporation tax rate of 24% (2010: 25%; 2009: 26%)	(4,365)	(3,805)	379
Tax effect of share of results of associated company	-	-	171
Tax effect of expenses that are not deductible in determining taxable profit	1,931	2,335	1,924
Losses for which no deferred tax asset was recognized	1,299	3,453	2,975
Effect of lower tax rate on interest income	(3)	(1)	(43)
Tax effect of change in future tax rates		(262)	(279)
Tax effect of utilisation of tax losses not previously recognised	-	-	(22)
Effect of different tax rates of subsidiaries operating in other jurisdictions	568	(1)	78
Effect of tax for prior years (*)	(454)	4,060	3,270
Tax expense for the year	**(1,024)**	**5,779**	**8,453**

NOTE 11 - TAX (Cont.)

(*) The effect of tax for prior year includes in 2010 and 2009 the amounts of € 2.1 million and € 3.4 million for the one- time special tax contribution applied twice in Greece as mentioned above.

Taxation for other jurisdictions, which was immaterial for all periods presented, is calculated at the rates prevailing in the respective jurisdictions, as described above.

NOTE 12 - DISCONTINUED OPERATION

For additional information regarding the disposal of the operating segments in Romania see note 1.

(1) The results of the discontinued operation for the relevant years were as follows:

(in thousands of Euro unless otherwise stated)

	Year ended December 31,		
	2011	**2010**	**2009**
Revenues	10,718	10,393	16,205
Operating costs	(14,097)	(12,937)	(14,210)
Finance costs, net	216	(567)	558
Other expenses	(*)(2,141)	(1,327)	(1,027)
Loss before tax	(5,304)	(4,438)	1,526
Income tax	(750)	(705)	(1,334)
Loss for the period	(6,054)	(5,143)	192

(*) Including impairment in the amount of 1,662 thousand euro related to the discontinued operation.

(2) The cashflows of the discontinued operation for the relevant years were as follows:

	Year ended December 31,		
	2011	**2010**	**2009**
Net cash used in operating activities	(2,827)	(2,708)	908
Net cash from (used in) investing activities	(57)	1,351	(2,760)
Net cash used in financing activities	-	-	-

(3) Translation differences from discontinued operation:

	Year ended December 31,		
	2011	**2010**	**2009**
Change during the period	176	(739)	(193)

NOTE 12 - DISCONTINUED OPERATION (Cont.)

(4) The balance of the discontinued operation as at 31 December, 2011 is as follow:

	December 31, 2011
Non-current assets	
Intangible assets	66

(in thousands of Euro unless otherwise stated)

Property, plant and equipment (net of impairment in the amount of 1,662)	573
Investment property	201
Other long term receivables	188
Total non-current assets	1,028
Current assets	
Inventories	184
Trade and other receivables	713
Cash and cash equivalents	586
Total current assets	1,483
Total assets	2,511
Current liabilities	
Accounts payable	(803)
Current tax liabilities	(265)
Other current liabilities	(1,406)
Total current liabilities	(2,474)
Non-current liabilities	
Deferred tax	(121)
Provision for retirement benefits	(31)
Total non-current liabilities	(152)
Total liabilities	(2,626)

NOTE 13 - LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following data:

Earnings

	Year ended 31 December,		
	2011	**2010**	**2009**
Loss for the purposes of basic and diluted loss per share being net loss attributable to equity holders of the parent	(20,403)	(23,855)	(8,293)
Number of shares used for EPS calculation	353,453,754	353,365,670	353,365,670
Number of shares used for diluted EPS calculation	353,453,754	353,365,670	353,365,670

NOTE 14 - INTANGIBLE ASSETS

	Gaming Licences	Goodwill	Other intangibles	Total

(in thousands of Euro unless otherwise stated)

Cost

Balance as at 1 January 2010	**23,473**	**2,273**	**633**	**26,379**
Additions	22	-	4	26
Disposals	(104)	-	(38)	(142)
Exchange differences	(316)	-	-	(316)
Balance as at 31 December 2010	**23,075**	**2,273**	**599**	**25,947**
Additions	-	-	7	7
Reclassification to assets related to discontinued operations held for sale	(44)	-	(71)	(115)
Exchange differences	(24)	-	-	(24)
Balance as at 31 December 2011	**23,007**	**2,273**	**535**	**25,815**

Accumulated amortisation

Balance as at 01 January 2010	**14,816**	**-**	**250**	**15,066**
Amortization for the year	1,363	-	125	1,488
Disposals	(104)	-	(38)	(142)
Exchange differences	(89)	-	-	(89)
Balance as at 31 December 2010	**15,986**	**-**	**337**	**16,323**
Amortization for the year	898	-	86	984
Reclassification to assets related to discontinued operations held for sale	(42)	-	(7)	(49)
Exchange differences	(22)	-	-	(22)
Balance as at 31 December 2011	**16,820**	**-**	**416**	**17,236**

Net book value as at 31 December 2011	**6,187**	**2,273**	**119**	**8,579**
Net book value as at 31 December 2010	**7,089**	**2,273**	**262**	**9,624**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Euro unless otherwise stated)

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT

	Land, Building & Installations	Casino Gaming Electric & Electronic Equipment	Furniture And Equipment	Vehicles	Assets Under Construction	Total
Cost						
Balance as at 1 January 2010	**138,918**	**26,483**	**30,784**	**4,643**	**2,700**	**203,528**
Additions	1,680	1,667	1,038	99	1,715	6,199
Disposals	(2,528)	(1,359)	(851)	(161)	-	(4,899)
Reclassification to current assets held for sale	-	-	-	(3,645)	-	(3,645)
Transfers	1,528	1,172	-	-	(2,700)	-
Exchange differences	575	(149)	(141)	35	-	320
Balance as at 31 December 2010	**140,173**	**27,814**	**30,830**	**971**	**1,715**	**201,503**
Additions	1,256	729	1,060	86	740	3,871
Disposals	-	(99)	(9)	(189)	-	(297)
Reclassification to assets related to discontinued operations	(4,465)	(3,093)	(415)	(57)	-	(8,030)
Transfers	1,329	(66)	280	(15)	(1,940)	(412)
Exchange differences	470	(22)	(64)	(13)	-	371
Balance as at 31 December 2011	**138,763**	**25,263**	**31,682**	**783**	**515**	**197,006**
Accumulated Depreciation						
Balance as at 1 January 2010						
Additions	5,077	3,091	2,667	95	-	10,930
Disposals	(1,244)	(1,262)	(831)	(29)	-	(3,366)
Reclassification to current assets held for sale	-	-	-	(645)	-	(645)
Transfers	65	-	-	-	(65)	-
Exchange differences	(86)	(50)	(13)	6	-	(143)
Balance as at 31 December 2010	**37,294**	**21,626**	**24,541**	**697**	**-**	**84,158**
Additions	6,211	2,398	2,415	64	-	11,088
Disposals	-	(64)	-	(124)	-	(188)
Reclassification to assets related to discontinued operations	(4,616)	(2,558)	(257)	(26)	-	(7,457)
Impairment related to discontinued operations	1,662	-	-	-	-	1,662
Transfers	(1)	(66)	(327)	(1)	-	(395)
Exchange differences	260	(38)	(67)	(5)	-	150
Balance as at 31 December 2011	**40,810**	**21,298**	**26,305**	**605**	**-**	**89,018**
Net book value as at 31 December 2011	**97,953**	**3,965**	**5,377**	**178**	**515**	**107,988**
Net book value as at 31 December 2010	**102,879**	**6,188**	**6,289**	**274**	**1,715**	**117,345**

The land includes 2,864 square metres situated in Livathaki, Loutraki of which 940 square metres was given to the municipality of Loutraki to widen the road, secure the building permit and to secure access to the property.

(in thousands of Euro unless otherwise stated)

NOTE 16 - ASSOCIATED COMPANY

In 2005, CHL acquired 39% interest in Grand Casino d.o.o, a company incorporated in Belgrade, whose principal activity is casino gaming. Grand Casino d.o.o was awarded a casino gaming licence in Belgrade in December 2005. Gaming operations commenced on 30 June 2007. In accordance with the acquisition agreement CHL's share of losses in the associate was 43.33% while the share of profits was 39%.

See Note 1 regarding the acquisition of an additional 51% in Grand Casino d.o.o, completed in March 2009.

Details of the associated company are as follows:

Profit and loss

	Year ended 31 December		
	2011	**2010**	**2009(*)**
Gross revenue	-	-	2,496
Loss before income tax	-	-	(2,712)
Income tax	-	-	676
Loss for the period	-	**-**	**(2,036)**
Group's share of associates loss	-	**-**	**(658)**

(*) For the three months ended 31 March 2009, until control was acquired.

NOTE 17 - DEFERRED TAX ASSETS

	As at 31 December	
	2011	**2010**
Net deferred tax assets:		
Balance beginning of year	3,061	2,118
Reclassification to discontinued operations held for sale	121	-
Movement for the year	98	943
Balance end of year	3,280	3,061
Net deferred tax assets comprise:		
Accrued liabilities	311	331
Inventory items	91	96
Restructuring asset (*)	980	941
Tax losses carried forward	147	-
Provision for retirement benefit	1,556	1,445
VAT provision	41	134
Owned fixed assets and license fees	154	253
Total deferred tax assets	**3,280**	**3,200**
Deferred tax liabilities		
Owned fixed assets and license fees	-	(137)
Capitalised finance leases	-	(2)
Net deferred tax assets	**3,280**	**3,061**

(in thousands of Euro unless otherwise stated)

NOTE 17 - DEFERRED TAX ASSET (Cont.)

Net deferred tax liabilities:		
Balance beginning of year	(2,046)	(1,313)
Movement for the year	367	(733)
Balance end of year	(1,679)	(2,046)
Deferred tax liabilities		
Owned fixed assets and license fees	(96)	(98)
Temporary differences	(337)	(646)
Fair value adjustment in respect of intangible assets	(1,246)	(1,302)
Net deferred tax liabilities	**(1,679)**	**(2,046)**

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are offset and included net only when their release will be offset against one another either because they arise in the same entity for tax purposes, because of tax laws in the relevant tax jurisdiction or because assets and liabilities in different tax entities arise because of the same event.

(*) Following the transfer of the project in Loutraki to the Group in January 2003, the Company reached an agreement with the Israeli tax authorities that resulted in a one-off payment of NIS 15 million (approximately € 3 million). This resulted in a NIS 7 million (approximately € 1.4 million) deferred tax asset arising from temporary differences regarding the transfer of the project. This asset has been amortised as temporary differences have been realised.

NOTE 18 - OTHER LONG TERM RECEIVABLES

	As at 31 December	
	2 0 1 1	**2 0 1 0**
VAT receivable	2,177	2,912
Loan to Agastia (*)	3,674	3,475
Pledged deposit (**)	843	-
Other	675	877
	7,369	**7,264**

(*) The loan is linked to the dollar and carries interest of LIBOR+2% per annum. See also Note 34.
(**) The deposit is linked to the euro and carries interest of 1% per annum.

NOTE 19 - INVENTORIES

Comprised, for all periods presented, of food and beverage and hotels' consumables and cleaning materials.

NOTE 20 - INVESTMENTS

Comprised of Money Market funds for both 2011 and 2010.

(in thousands of Euro unless otherwise stated)

NOTE 21 - TRADE AND OTHER RECEIVABLES

	As of 31 December	
	2011	2010
Jointly controlling shareholder in Vasanta- current maturity (Note 1)	-	1,086
Accrued interest and prepayments	1,061	1,130
Trade receivables	507	633
Income tax paid in advance	1,491	2,114
Advance to related party	-	71
Other receivables from related parties	86	118
Other	761	997
Total	**3,906**	**6,149**

NOTE 22 - CASH AND CASH EQUIVALENTS

	As at 31 December	
	2011	2010
Cash on hand	4,078	5,361
Cash at banks	9,368	8,738
Time deposits	606	2,210
Total	**14,052**	**16,309**

Of the above amounts - 2011: € 3,382 thousand; 2010: € 1,527 thousand; was placed with Piraeus Bank, a related party of CHL, interest rates vary from 0.02% to 1% per annum as at 31 December 2011.

In addition, approximately € 2,425 thousand represent cash on hand that is restricted for use as per the casinos' licenses.

NOTE 23 - NON-CURRENT ASSETS HELD FOR SALE

At the end of March, 2010, the Group declared its plan to dispose of an airplane which it no longer utilises. In 2011, an impairment charge was recognized in the amount of € 1.4 million (€0.6 million in 2009) to reduce the airplane's carrying amount to its recoverable amount.
On March 2012, the Group signed an agreement for the sale of the airplane for a consideration of $ 2.2 million, to be completed until 30 April 2012.

See note 1 and note 35 regarding real estate in Bulgaria presented as non current assets held for sale.

NOTE 24 - OTHER CURRENT LIABILITIES

	As at 31 December	
	2011	2010
Queenco	349	64
Employee related liabilities	4,547	5,250
Taxes and duties	5,798	4,603
Accruals and provisions	2,893	2,484
Related Parties	150	44
Customer prepayments and chips	576	969
Short-term portion of long-term liabilities	2,948	2,182
Cheques payable	68	112

(in thousands of Euro unless otherwise stated)

Other	1,083	670
Total	**18,412**	**16,378**

NOTE 25 - BANK OVERDRAFT AND LOANS

Short term credit

	As at 31 December	
	2011	**2010**
Consisting of:		
Overdraft and short term credit (*)	18,509	17,532
Bank loans falling due within one year	1,000	500
Total	**19,509**	**18,032**
Bank Loans – in Euro	**7,725**	**8,339**
Less: Total falling due within one year	(1,000)	(500)
Total long-term portion	**6,725**	**7,839**

(*) The short term loan above amounts - 2011: € 18,500 thousand; 2010: € 17,524 thousand; is from Piraeus Bank, a related party of CHL, interest rate: 6.92%-7.16% per annum as at 31 December 2011.

The terms of repayment as of 31 December as amended are as follows:

	2011	**2010**
Within one year	1,000	500
In the second year	1,000	1,000
In the third year	1,000	1,000
In the fourth year	1,500	1,000
In the fifth year and after	3,225	4,839
Total	**7,725**	**8,339**

Bank Loans - in Euro

The loan was granted to the Rhodes Casino.

The loan originally carried effective interest of EURIBOR +2.25% per annum spread + 0.6% contribution Law 128/75 (3.84% as at 31 December 2009) .The loan was to be repaid in 16 instalments (September and December of each year) commencing on 31 December 2005 with the last instalment due on 30 September 2013.

The loan was secured by a pledge of the shares of the Rhodes Casino with a right of the lender to vote in case Rhodes Casino is in default. There is also a guarantee by the company and the parent company.

Pursuant to an MOU signed in 2010, followed by an agreement dated 5 October 2011 , the payment period of the loan, which as at the date of renewal has an amount outstanding of € 8.3 million, has been extended until 2018. The annual interest rate is 3.5% + Euribor (six months) (as of 31 December 2011 5.06%) and the collaterals given by Rhodes Casino for the full payment of the loan were decreased by 50%.

As a result of the termination of the original loan agreement and the obtainment of a new one, the Rhodes Casino recorded a finance expense for the year ended 2010 of € 537 thousand.

A pledge

Pursuant to the Share Pledge Agreement dated 8 August 2003, there is a pledge for the favour of BAWAG, not yet removed, on 69.322.500 shares, i.e. 78% of the share capital of “Club Hotel Loutraki, S.A.”, owned by PBS.

(in thousands of Euro unless otherwise stated)

Interest rate risk

Total interest costs for 2011 were € 1,507 thousand (2010: € 1,490 thousand; 2009: € 1,006 thousand). Interests were EURIBOR + 3.5%-5.6%. If interest rates were 1% higher during 2011, these would have increased to € 1,734 thousand, and if interest rates had been 1% lower these would have decreased to € 1,280 thousand.

NOTE 25 - BANK OVERDRAFT AND LOANS (Cont.)

Liquidity risk

The Group has € 19.5 million falling due within 2012 and an additional € 6.7 million falling due after 2012. The majority of the amount falling due in 2012 (€ 18.5 million) derives from CHL. As to the best knowledge of the Company, CHL intends to manage liquidity by funding the repayment from cash flows from operating activities, and if necessary by obtaining bank credit. On March 10, 2011 the former Chairman of the Board of Directors of CHL addressed CHL's shareholders in a letter which stated that due to the turbulent Greek economy and changes in Greek regulation and the political environment, CHL requests that the Board of Directors of PBS consider a capital injection of up to 15 million Euros into CHL.

PBS's current cash position is approximately € 8.7 million.

NOTE 26 - OTHER LONG TERM LIABITIES

	As at 31 December	
	2011	**2010**
Queenco (*)	3,717	-
Social security	4,449	-
Consideration for the purchase of minority interest (Note 1) (**)	1,415	2,182
Other (payment terms not yet determined)	2,552	2,177
Total	**12,133**	**4,359**
Less: Short-term portion	(2,948)	(2,182)
Other long-term liabilities	**9,185**	**2,177**

(*) In February 2012 the Company received a loan from Queenco (its parent company) . The loan is linked to the CPI and bears interest of 9.5% per annum.

(**) The present value was determined using a rate of 4.68% per annum. As of September 2011, it was agreed to postpone the repayment until December 2012. In addition, starting September 2011, the loan is linked to the CPI and bears interest of 6.5% per annum..

	2011	**2010**
Within one year	2,948	2,182
In the second year	2,211	-
In the third year	2,211	-
In the fourth year	2,211	-
Total	**9,581**	**2,182**

NOTE 27 - PROVISIONS FOR RETIREMENT BENEFITS

Israeli law and labour agreements determine the obligations of the Group to make severance payments to dismissed employees of its Israeli companies and to employees leaving employment under certain other circumstances. The obligation for severance pay benefits, as determined by Israeli law, is based upon length of employment and the employee’s final salary. The liability is substantially covered through purchased insurance policies.

(in thousands of Euro unless otherwise stated)

According to Greek Law, the Group is obliged to indemnify those of its employees and lawyers on retainer who are either dismissed without cause or retire. The amount payable is dependent on the employee's final salary and the years of service. This retirement portion equals 40% of the amount payable on dismissal and represents an unfunded benefit plan.

The Group's liability with respect to employees in Serbia is immaterial.

NOTE 27 - PROVISIONS FOR RETIREMENT BENEFITS (Cont.)

The movement in the net liability in the current period is as follows:

	Year ended 31 December		
	2011	2010	2009
At 1 January	6,091	5,848	5,340
Amounts charged to income	906	1,249	910
Liabilities acquired through business combinations	-	-	57
Reclassification to liabilities related to discontinued operations	(31)	-	-
Benefits paid directly by the Company	(497)	(1,005)	(368)
Exchange differences	-	(1)	(91)
Balance 31 December	**6,469**	**6,091**	**5,848**

Amounts recognised in the income statement are as follows:

	Year ended 31 December		
	2011	2010	2009
Service cost	353	487	471
Interest cost	210	221	182
Extra payments	343	541	257
Total	906	1,249	910

The amount included in the balance sheet is as follows:

	As at 31 December	
	2011	2010
Present value of obligation	3,762	5,514
Unrecognised actuarial gain	2,730	600
Unrecognised past service cost	(23)	(23)
Net liability recognised in balances	**6,469**	**6,091**

The key assumptions used are as follows:

	Year ended 31 December		
	2011	2010	2009
Discount rate	5.6%	5.6%	5.21%
Expected rate of salary increases – depending on salary level	0%	4.5%	1.5%-2.5%
Inflation	2.5%	2.5%	2.5%

The expected rate of salary increases for December 2010 takes into account CHL's commitments to a 10% increase upon completion of 3, 6, 9 and 12 years services for employees earning less than or equal to an average of € 2.5 thousand per month as at 31 December 2010 and Casino Rodos' commitment to a 6.5% increase in 2011 for employees hired in 2005, a 6.5% increase in 2012 for employees hired in 2006 and a 10 euro yearly increase for all other employees.

(in thousands of Euro unless otherwise stated)

Defined Contribution Plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

The Group has not established any separate retirement benefit plan for its retiring employees as their pension liability is primarily covered by state sponsored funds. Employees are required to contribute a certain percentage of their salaries to those funds with the employer also contributing a defined portion. Payments made to state sponsored funds are dealt with as payments to defined contribution plan as the Group's obligations and limited to the contribution paid. Upon retirement, the state funds are liable for paying retirement benefits.

NOTE 28 - SHARE CAPITAL

	As at 31 December	
	2 0 1 1	2 0 1 0
Number of ordinary shares, 1 New Israeli Shekel par value each:		
Authorised	500,000,000	500,000,000
Issued and fully paid as at 01 January	353,365,670	353,365,670
Issued and fully paid as at 31 December	353,453,754	353,365,670

For share option plans see note 36.

NOTE 29 - NON DISTRIBUTABLE RESERVES

In accordance with Greek corporate legislation, which applies to CHL and the Rhodes Casino, an amount of 5% of the annual profits, as legally defined, must be transferred to a statutory reserve in the Greek entities from which no dividend can be distributed. This obligation ceases when the reserve equals one third of the issued share capital. The legal reserve may be distributed only upon the dissolution of the Greek companies or can be utilised to offset accumulated losses. The total non-distributable reserves in CHL and in the Rhodes Casino are approximately € 18 million as at 31 December 2011.

NOTE 30 - SHARE OF PROFITS OF THE MUNICIPALITY OF LOUTRAKI

The share of profits of the Municipality of Loutraki has been computed at the agreed rate as noted in Note 1. There are certain disputes over the basis of computation, particularly in connection with the expenses that should be incurred by each party participating in the joint venture, and the fact that the Municipality has not provided all the property it undertook to provide in the terms of the Agreement. For additional information, refer to Note 33.

NOTE 31 - NOTES TO THE CASH FLOW STATEMENTS

	Year ended 31 December		
	2 0 1 1	2 0 1 0(*)	2 0 0 9(*)
Profit (loss) before tax	**(23,218)**	**(19,659)**	**2,983**
Adjustments for:			
Depreciation of property, plant and equipment	11,237	11,010	10,529
Increase in provisions	520	1,518	880
Loss on sale of property, plant and equipment	19	518	59
Amortisation of intangible assets	984	1,488	1,345
Impairments and disposals	3,541	1,199	1,672
Loss from deemed disposal on obtaining control in an associate (Note 1)	-	-	4,358
Investment income	(350)	(397)	(843)
Finance costs	2,171	1,703	1,258
Foreign exchange loss (gain)	(1,536)	2,827	(1,158)

(in thousands of Euro unless otherwise stated)

Expense relating to grant of share options	294	951	711
Share of results of associates	-	-	658
Operating cash flows before movements in working capital	**(6,338)**	**1,158**	**22,452**
Decrease (increase) in inventories	158	63	(237)
Decrease (increase) in receivables	182	330	(2,360)
Increase (decrease) in payables	7,940	(8,203)	2,236
Cash generated by operations	**1,942**	**(6,652)**	**22,091**
Income taxes paid	(2,824)	(7,232)	(10,402)
Interest paid	(1,260)	(834)	(877)
Net cash from operating activities	**(2,142)**	**(14,718)**	**10,812**

* **Restated – see Note 12**

NOTE 31 - NOTES TO THE CASH FLOW STATEMENTS (Cont.)

Investment in a subsidiary, net of cash acquired

	2011	2010	2009
Consideration paid	-	-	(21,000)
Less: cash received	-	-	2,331
Investment in subsidiary	-	-	(18,669)

NOTE 32 - CAPITAL COMMITMENTS

(a) Commitments

In accordance with the terms of the casino licence and the agreement with the Municipality of Loutraki, CHL has undertaken to construct a 700-berth marina within 42 months after being granted the necessary permits and licences. CHL has handed to the relevant authorities its plans which however, are delayed by the archaeological committee. CHL Management estimates the cost of construction of the marina will amount to approximately € 35 million.

Management anticipate that if the archaeological committee's bid to abandon the plans of the marina are successful, CHL will be obligated under an alternate commitment.

See Note 1 with respect to commitments in Romania.

(b) Operating lease commitments

	As at 31 December		
	2011	2010	2009
Within one year	1,381	1,247	1,224
In the second to fifth years inclusive	5,405	4,003	3,542
Total	6,786	5,250	4,766

NOTE 33 - CONTINGENT LIABILITIES

THE COMPANY

The Company encountered certain disagreements with the co-shareholder of 50% in Vasanta ("Club Hotel Investments."). Such disagreements resulted in, inter alia, the frequent and lengthy convening of shareholders meetings and board meetings of the companies directly and indirectly controlled by Vasanta, as well as the non performance of various resolutions adopted at such meetings and disagreements as to the substance and interpretation of various resolutions adopted at such meetings (some of which affect the decision making process in CHL).

The above mentioned disagreements were reflected, inter alia, in various legal proceedings initiated by each of the parties, which may affect the structure of the boards of directors of some of the companies directly and indirectly controlled by Vasanta, the decision making process at such boards of directors, the flow of information to the shareholders of the companies and the distribution of dividends by such companies to their respective shareholders.

The foregoing has resulted in several legal proceedings initiated against the Company as well as several legal proceedings initiated by the Company against B.A.T (Management) 2004 Ltd. (the representative director of Club Hotel Eilat group) and/or Club Hotel Investments Ltd. and/or Club Hotel Eilat Ltd. and its ultimate controlling shareholder, Mr. Moshe Bublil, including the following:

NOTE 33 - CONTINGENT LIABILITIES (Cont.)

a. A dispute related to the amendment of the article of association of CHL upon which all future board resolutions will pass by simple majority, which according to the Company was improperly adopted.

b. A dispute as to the presence of Vasanta`s representative in the board of directors of PBS. The Company claims that this resolution was never duly passed.

In January 2012 the Company turned to the Supreme Court in Israel to consolidate all of the cases taking place between the Company and Club Hotel Group.

In addition, dividends in the amount of € 10 million distributed by CHL to PBS (of which € 8.7 million are still with PBS and in which the Company's share is € 4.3 million), were not further distributed to the Company.

LEGAL PROCEEDINGS SERVED AGAINST THE COMPANY AND OTHERS:

1. In addition to certain disagreements with the co-shareholder of 50% in Vasanta and a motion to approve a derivative claim as mentioned in Note 32 to the 2010 Financial Statement, on May 12, 2010, the Company announced that it has been served with a copy of a motion filed with the Tel Aviv District Court by Club Hotel Eilat Ltd. The remedies requested in the motion include:

   a. A declaratory order that Club Hotel Eilat Ltd is the owner of 3% of the shares of Dasharta Holdings Ltd.

   b. A declaratory order that the Company take all necessary action to complete the registration of the above mentioned 3% shares in the name of Club Hotel Eilat Ltd.

   In August 2011 the Company received the final payment from Club Hotel Eilat Ltd. and the shares were transferred to Club Hotel Eilat.

2. On January 20, 2010 the Company, the Company's wholly-owned subsidiary QLI Management and a third party which is a 8.53% shareholder in Dasharta, a company controlled by Vasanta ("Dasharta") were served with a motion for a restraining order and claim filed with the Tel Aviv District Court by B.A.T., seeking a court order that will cancel the resolutions adopted at the adjourned meeting of Dasharta's shareholders meeting with respect to the need to appoint another director in Dasharta in order to solve deadlock situations, and the manner of such appointment or, alternatively, to approve a derivative claim, along with a copy of the derivative claim, to be filed by Vasanta.

   On February 21, 2010, the court rejected B.A.T.'s request for provisional remedies.

On 6 April, 2011 it was decided by the court that this motion would be discussed along with the claim filed by QLI Management on 18 January, 2011 – see below.

On 26 March 2012, the plaintiffs handed their summations. The Company will submit its reply within 90 days.

According to the Company's legal counsels' opinion, the Company has good legal standings in this case, however these legal proceedings do not include any monetary remedies.

3. On January 31, 2010 the Company, QLI Management and Mr. Zilkha, the controlling shareholder of the Company and the representative of QLI Management in its capacity as a director of Agastia, a company indirectly controlled by Vasanta ("Agastia") were served with a motion to approve a derivative claim, along with a copy of the derivative claim, to be filed by Agastia, filed with the Tel Aviv District Court by B.A.T.

   The remedies requested in the claim include declaratory remedies and a US$ 50.5 million monetary remedy.
   The claim relates to the acquisition of land in Cambodia. B.A.T claims that the Company took advantage of a business opportunity that was intended to be offered to Agastia and that the Company did not reveal to Agastia that it had received an offer to purchase an asset held by it in Cambodia, and therefore is

   seeking a monetary remedy that will reflect the damages that have allegedly been incurred by Agastia.
   The Company rejects the forgoing claims and filed an opposition on March 21, 2010, stating that the claim has no legal ground due to various reasons including: (1) the Company and Mr. Zilkha have operated in the gaming industry many years prior to their joint holding of Agastia; (2) the Company and Mr. Zilkha have operated casinos other than through Agastia; and (3) there are no restrictions on competition between the Company, Mr. Zilkha and Agastia.

   As for B.A.T.'s additional claim, the Company stated that it had received no such purchase offer.
   According to the Company's legal counsels' opinion, due to the strength of the Company's arguments, the likelihood of an unfavourable outcome against the Company is less than 50%.

   On 31 July, 2011 B.A.T submitted a revised motion and claim, in addition to revising the requested monetary remedy to US$ 53.5 million.

   On 1 February, 2012 a pre trial hearing was set for 26 June, 2012.

4. On January 2011 the Company was notified by one of its service providers that the services agreement between the Company and the services provider dated 17 September, 2009 was unlawfully cancelled by the Company. Both parties referred the matter to a mitigation process. The company recorded a provision in order to cover its estimated liability.

LEGAL PROCEEDINGS INITIATED BY THE COMPANY:

1. On January 18, 2010, QLI Management, in its capacity as one of the two directors of Agastia, filed with the Tel-Aviv District Court a motion against B.A.T. and Mr. Bublil, B.A.T's representative on the Board of Directors of Agastia, to order B.A.T., in its capacity as a director of Agastia, to comply with and take all actions necessary to give effect to the resolutions adopted by the board of directors of Agastia in June 2008, mainly with respect to effecting certain amendments to the articles of association of PBS, in which Agastia holds 87.5%. Such amendments relate to:

   (i) the amending of PBS's articles such that the number of directors of PBS shall be reduced from nine to five and that the required majority for the adoption of resolutions by the board of directors of PBS shall be at least by four out of the five directors;

   (ii) immediately following the amendment of the articles, Agastia, Dasharta and Vasanta shall all resign from the board of PBS and

(iii) Amending of PBS's articles in a way that all free and remaining cash flow shall be distributed to PBS's shareholders on an annual basis.

QLI Management claimed that failure by B.A.T to cooperate with QLI Management in effecting the foregoing resolutions may adversely affect Agastia`s ability to meet its obligations towards its direct and indirect shareholders and may result in, among other things, (i) an adverse effect on the Company's ability to prevent the adoption of certain resolutions by the board of directors of PBS and (ii) the Company's inability to cause PBS to distribute free cash flow to its shareholders, including to the Company (through its indirect holdings in PBS).

According to the Company's legal counsels' opinion, the Company has good legal standings in this case, however these legal proceedings do not include any monetary remedies.

2. On July 15 2010, the Company announced that it had filed a lawsuit with the Central District Court of Israel, for declaratory reliefs and permanent injunctions with respect to the alleged violation of certain fiduciary duties by the representative of Vasanta Holdings Ltd. (“Vasanta”), Dasharta Holdings Ltd. and Agastia Holdings Ltd. (companies held directly or indirectly by QLI and Club Hotel Group (the "Joint Companies")) on the board of directors of PBS and with respect to his nomination as the representative of Vasanta on the board of directors of PBS, which the Company claims is null and void.

NOTE 33 - CONTINGENT LIABILITIES (Cont.)

LEGAL PROCEEDINGS INITIATED BY THE COMPANY: (Cont.)

According to the lawsuit, the Company moved for, inter alia, the following remedies:

(a) To declare that the appointment of the representative as the representative of the Joint Companies on the board of directors of PBS is null and void.

(b) To declare that the representative is not entitled to represent, in any way (including by merely being present), the Joint Companies, or any one of them, in meetings of the board of directors of PBS.

(c) To declare that the representative's participation in meetings of the board of directors of PBS is in violation of his fiduciary duties.

3. On September 6, 2011 the Company filed a lawsuit in the Tel Aviv District Court against Agastia holdings Ltd.,a company held indirectly by the Company (50%), Club Hotel Eilat Ltd. (41.47%) and Hapara Ilana Ltd. (8.53%) (“Agastia”). In the claim, amounting to NIS 42 Million (inclusive of linkage differentials and interest), the Company demands that Agastia repay the Company the monies lent to Agastia by the Company in 2007, which were used (together with monies lent to Agastia by other parties) to buy a land parcel of 52 Hectares in the city of Sihanoukville, Cambodia.

4. On September 25, 2011 the Company filed in the Tel Aviv District Court together with, inter alia, Mr. Yigal Zilkha, the controlling shareholder of (Y.Z) Queenco, a lawsuit against Mr. Moshe Bublil, Club Hotel Investments (C.H.) Ltd. and others.

The claim describes a systematic, methodological oppression applied by Mr. Bublil and companies under his control against the plaintiffs, which occurred in the framework of the “Club Hotel Loutraki Greece” joint venture. Such oppression was effected through the breach of agreements, the attempt to financially “suffocate” the joint venture companies, as well as through obtaining in illegitimate ways certain resolutions of the corporate organs of the joint venture.

The lawsuit requests various reliefs intended to terminate the foregoing oppression. Most importantly, the plaintiffs are seeking a valuation of the parties' respective holdings in the joint venture companies, which will be the basis for the termination of the partnership between the ultimate shareholders engaged in the "Club Hotel Loutraki Greece" tourism enterprise.

The Company and (Y.Z) Queenco Ltd. submitted the lawsuit after exhausting the viable options to resolve the continuous conflict without the assistance of the court. Such ongoing conflict led the joint companies to a deadlock, resulting in damages caused to the joint venture.

GENERAL TAX CONTINGENCIES

According to Greek tax legislation and practice, a company's tax position is only finalised after its books and records have been examined by the tax authorities and are found to be adequate and accurate. The methods employed by the tax authorities in their examinations are largely subjective within the regulatory provisions of the tax legislation framework and the tax audit approach is oriented towards form rather than substance. On the basis of the above it is not uncommon to disallow certain expenditure and assess additional tax thereon or question in certain areas the reliability of the accounting books and records as a basis for determining the taxpayer's final taxable income.

NOTE 33 - CONTINGENT LIABILITIES (Cont.)

GENERAL TAX CONTINGENCIES (Cont.)

The taxation system in Romania is at a continuous stage of development and is subject to varying interpretations and to constant changes, which may be retroactive. Although the actual tax due on a transaction may be minimal, penalties can be significant as they may be calculated based on the value of the transaction and are at a minimum 0.10% per day but can be well in excess of this. In Romania, tax periods remain open for tax audits for five years According to Serbian tax law, tax periods remain open for tax audits for five years at the discretion of the tax authorities.

CLUB HOTEL LOUTRAKI

(a) There are certain disputes over the basis of computation of the share of profits of the Loutraki Municipality in CHL, particularly in connection with the deductibility of certain expenses in order to arrive at the profit on which the Municipality is entitled to its share and interest for late payment. No provision has been made for any additional amount that the Company may agree to pay for the period January 1999 to 31 December 2011 as CHL Management believes it will be insignificant.

(b) There is a claim representing 371 employees against CHL who claim that CHL should include tips in their night and weekend/public holiday salary rates. The claim is retroactive from 1 January 1998 and up to 31 December 2003. The hearing was tried on the 23 March 2007, and was rejected. In 2009 , but they made an appeal which is scheduled to be discussed on 29 May 2012..In 2009 515 Employees (included are also 371 employees from the initial case) made the same claim for the period from 1 January 2004 and up to 31 December 2004. Furthermore the same employees made an additional claim with the same content in December 2010 for the period from 1 January 2005 and up to 31 December 2005 Both cases were discussed and rejected on 4 April 2011. A similar claim for the period from 1 January 2006 and up to 31 December 2006 was submitted in December 2011 and will be discussed on 24 September 2012. Since most of these claims were initially rejected, no provision has been made by the CHL. According to the legal advisor of the CHL, a ruling issued by the Supreme Court recently in favour of a similar case claimed by the employees of another Greek casino has changed the case law, but unless he receives and studies this ruling he cannot express an opinion about the chances of the aforementioned cases to be successful..

(c) Several other lawsuits are pending against CHL amounting to € 3,238 thousand mainly relating to claims by former employees. CHL has provided an amount of € 1,100 thousand based on its legal advisor opinion.

(d) The Group has given ATEKL cheques amounting to € 6,000 thousand security for its share of profits.

(e) There are claims by three individuals totaling € 685 thousand for being refused entry to the Casino, one claim for moral damages for an amount of € 20 thousand and one claim for € 685 thousand for unfair losses. No provision has been made, as the Company's lawyer believes that the claims have remote chances of being successful.

(f) There are two claims from two individuals against CHL and its insurance for a total amount of € 167 thousand for suffering injuries and one similar claim amounting € 80 only against the company. No provision has been made, as the Company's lawyer believes that these claims have remote chances of being successful.

(g) There is a claim from the company "Ernesto Schwartzer Project Management Ltd ". the project manager of the construction of the hotel for an amount of € 1,695 thousand. No provision has been made, as the Company's lawyer believes that this claim has remote chances of being successful.

(h) The Joint Venture is subject to a tax audit from 1 January 2009 to 31 December 2011. CHL SA is subject to a tax audit for the year ending 31 December 2011. In March 2011 the tax audit for JV for the year 2009 started and is still in progress. For the unaudited tax years, the Company, using its best estimate, has made a tax provision of €1,500 thousand.

(i) There was a claim from Municipality of Loutraki (DAET) of € 1,773 thousand regarding the computation of its share of profits as the Municipality claims prior year tax audit differences related to years 2000 to 2004 should not be included in their share of profits. On December 30, 2011 the

NOTE 33 - CONTINGENT LIABILITIES (Cont.)

CLUB HOTEL LOUTRAKI (Cont.)

Municipality of Loutraki withdrew from this claim and submitted a new one for the same period but for an amount of €2,288,176 that will be discussed on May 9th, 2012. No provision has been made, as the Company's lawyer believes that this claim has remote chances of being successful.

(j) There are two claims by the former financial director of JV DAET - CHL S.A. via his company "Financial Management Consultants Euro Ltd" for a total amount of € 6,998 thousand. The latter claims that certain financial consulting services provided to CHL S.A. and JV DAET - CHL S.A. during the years 1999 to 2006 were not paid.. No provision has been made, as the Company's lawyer believes that this claim has remote chances of being successful.

RHODES CASINO

(a) Rhodes Casino was subject to a Tax Audit on its 1999 and 2000 accounting periods.

In the course of the Tax Audit, the Tax Auditors noted various tax penalties that were imposed on Rhodes Casino in 2000, 2001 and 2002 in relation to the 1999 and 2000 accounting periods relating to the Code of Books and Records Code (P.D. 186/1992) as so significant and rendered the Casino Rhodes's accounting books for the audited accounting periods "inadequate and inaccurate" and, hence, referred this issue to the Special Ministry of Finance Committee that is competent to administratively rule on the adequacy and accuracy of taxpayers' accounting books.

The Ministry of Finance Committee issued Decision 20/2005 and concluded that the Casino Rhodes's accounting books for the 1999 and 2000 accounting periods could not be considered as inaccurate, but were inadequate.

On 29 December 2005, the Tax Auditors issued their Tax Audit Report and assessed additional taxes and penalties amounting to € 16 million based on rejection of the Casino Rhodes's books as "inadequate" and determined taxable profits based on a Net Profit Rate on Revenues thereby rejecting any assessable losses

Casino Rhodes disagrees with the assessment and has appealed against these assessments with the Athens Administrative Court of First Instance. Casino Rhodes's legal advisors have concluded that the legal validity and reasoning of the counter arguments available to Rhodes Casino to support its appeal, lead to the conclusion that Rhodes Casino has substantial legal argumentation and good chances to achieve the cancellation of the tax assessments in question by the Greek Administrative Courts in the course of the tax litigation process, hence no provision has been made.

Casino Rhodes remains subject to a tax (income and VAT) audit for the period 2007 through to 31 December 2011. Consequently any additional liability and the repercussions (financial and/or other), if any, are carried out, cannot be determined with reasonable accuracy.

The Tax Authorities issued an order dated October 3, 2006 to commence the tax audit of, a subsidiary of Casino Rhodes, for the years 2001-2005. The tax audit has not been concluded as the opening tax losses (2000) or earnings have not been finalized and hence the tax auditor could not conclude for the years therefore.

(b) One claim by an individual amounting to € 300 thousand for being refused entry to the casino. The court hearing was set for 3 June 2010 but it was postponed. As of the date of the report no new hearing date has been set. No provision has been made, as the Company's lawyer believes that this claim has remote chances of being successful.

(c) Several other lawsuits are pending against Rhodes Casino mainly relating to claims by former employees requesting to hire them back. No provision has been made, as the outcome of the claims cannot be determined.

NOTE 33 - CONTINGENT LIABILITIES (Cont.)

RHODES CASINO (Cont.)

(d) According to the License granted by the Hellenic State, the license holder is committed to:

(i) Pay a special annual duty of € 587 thousand to the Hellenic Tourism Organisation (EOT).

(ii) Pay a gaming tax to the Hellenic State equal to the 30% of revenues from gaming operations.

(iii) To realise investments amounting to f € 58.7 million on the island of Rhodes and to participate in the shareholding of Rodon Development Company, which in turn will propose and manage these investments. The Ministry of Development – Casinos Directorate granted an extension for these investments up to 13 September 2007.

The opinion of the Casino Rhodes's attorney and management is that in this respect Emporiki Bank, the previous major shareholder, has retained the obligation to finance these investments. As such, according to the legal advisors of the Group, it is expected that an extension will be granted to allow Rhodes Casino and Emporiki Bank more time to identify suitable projects in order to satisfy the obligation. As per the opinion of the legal advisors of the Rhodes Casino, the chances of the revocation of the license as a result of the above are remote.

(iv) To create, approximately 336 new job positions. The Gaming Committee with a letter dated 18 July 2006 informed Casino Rhodes that they need to employ 336 employees by the end of 30 September 2006. The number of employees as of 31 December 2011 amounts to 258. The Company appealed against the Gaming Committee decision as the interpretation of this requirement by Rhodes Casino and its legal advisor is that Rhodes Casino needs to create a total of approximately 336 positions comprising full time, part time and seasonal positions at any one point in time. A draft decision was issued in favour of the company, stating that the company is obliged to employee 336 part and full time employees. On December 2010 the court accepted the pleadings and arguments of the Company.

(in thousands of Euro unless otherwise stated)

(e) The Rhodes Casino has leased from the Municipality of Rhodes the building in which the casino and the hotel are located, for a period up to 31 December 2026. Monthly rent is computed as 2% of casino gross revenue, hotel and other sundry revenue. Annual rent cannot be less than € 147 thousand adjusted annually based on inflation (since 1997). The related amounts have been accrued in the accompanying financial statements.

PRAGUE

1. A subcontractor of the subsidiary of the company has submitted a claim in a total amount of € 335 thousand against the Company with respect to the construction of the amusement centre in Prague. Due to arbitration clause in the agreement with the subcontractor an arbitrator has been appointed.
The company a statement of defence filed to the arbitrator and a counter-claim against the sub contractor for damages caused to the company in a total amount of € 533 thousand.

   In February 2012 the parties reached an agreement whereby each party would withdraw the claim without compensation to the other side.

2. It has come to the Company's attention that the company which rents entertainment centre in the city of Prague ("Delta") owes the municipality of Prague certain amounts due to overdue rent payments. Due to this, Delta received a letter from the municipality of Prague notifying it of the termination of the rent agreement between them due to non compliance with the rent agreement signed between the parties. In January 2012, a meeting was held between representatives of the Company and the municipality of Prague, during which it was clarified that the municipality has no intention of closing the entertainment centre and it is examining alternatives in order to sustain the rent agreement between Delta and the subsidiary. Due to the abovementioned and statements made by the municipality in the Czech media, the Company has no concern that it will be forced to discontinue the activities of the entertainment centre.

NOTE 34 - RELATED PARTIES

(a) Transactions and amounts due to/due from related parties are as follows:

	Sale (Purchase) of Services	Amounts due from/ (due to) Related Parties
For the year ended 31 December 2011		
Y.Z. Queenco (*)	-	(4,003)
Y.Z. Queenco (*)	(18)	25
Shachar HaMillenium (*)	-	(63)
Queen (*)	(122)	(150)
Queen (*)	12	-
Mr Yigal Zilkha (**)	4	13
Total	**(124)**	**(4,178)**
For the year ended 31 December 2010		
Y.Z. Queenco (*)	(126)	8
Shachar HaMillenium (*)	-	(64)
Queen (*)	99	54
Queen (*)	(88)	-
Mr Yigal Zilkha (**)	(523)	(44)
Mr Yigal Zilkha (**)	-	9
Total	(249)	(37)

(in thousands of Euro unless otherwise stated)

For the year ended 31 December 2009		
Y.Z. Queenco (*)	(95)	86
Shachar HaMillenium (*)	-	(63)
Queen (*)	(75)	67
Queen (*)	104	-
Mr Yigal Zilkha (**)	-	9
Mr Yigal Zilkha (**)	(703)	(513)
Total	(769)	(414)

(*) Controlling shareholder
(**) Ultimate controlling shareholder

The holding company and ultimate holding company respectively of the Group are Shachar HaMillenium Ltd. and Y.Z. Queenco Ltd. whose shares are listed for trading on the Tel Aviv Stock Exchange.

On March 2011, Y.Z. Queenco has provided the Company with long term loan of NIS 18 million to be repaid over the period from December 2012 to December 2015. The loan carries interest of 9.1% plus CPI increase.

(b) Compensation of key management personnel

The remuneration of directors' and other members of key management during the following years were:

	2011	2010	2009
Short-term compensation of key management	794	847	1,102
Compensation to the Chairman of the board with respect to prior year	-	-	304
Share based compensation of key management	182	785	608
Board of directors fees	105	150	123
Total	1,081	1,782	2,137

The Chief Executive Officer, Chief Finance Officer, Chief Operations Officer and the Chairman of the Board of Directors are considered as key management personnel.

NOTE 34 - RELATED PARTIES (Cont.)

(c) Other related party transactions

1. On July 21, 2011 Mr. Gidon Moran was appointed as member of the BOD of the Company, with immediate effect.

2. On August 1, 2011 Mrs. Liz Kaiser was appointed as the General Counsel of the Company. The former General Counsel. Mrs. Miri Mileikowsky has completed her office, with effect as of July 31, 2011. Mrs. Liz Kaiser consequently completed her office in February 2012.

3. On August 8, 2011 Mr. Haim Asayag was appointed as the Executive Chairman of the BOD of the Company, with immediate effect. Mr. Yigal Zilkha, the former Chairman, remains a member of the BOD.

4. On October 1, 2011 Mr. Itay Koppel, the Company's Chief Executive Officer, and the Company reached an agreement as to Mr. Koppel's retirement from his position as CEO..
 Mr. Koppel will continue to provide consulting services to the Company for a period of three years, subject to customary terms and conditions.

Transactions with banks who are related parties to CHL are described in Note 22.

For share based payments see Note 36.

(in thousands of Euro unless otherwise stated)

NOTE 35 - INVESTMENT PROPERITES

Cost	
Balance as at 01 January 2011	3,445
Non - current assets held for sale	(2,007)
Reclassification to current assets held for sale	(1,456)
Exchange differences	18
Balance as at 31 December 1011	-
Accumulated amortisation	
Balance as at 01 January 2011	1,277
Depreciation	40
Impairment	479
Non - current assets held for sale	(529)
Reclassification to current assets held for sale	(1,255)
Exchange differences	(12)
Balance as at 31 December 2011	-
Net book value as at 31 December 2011	-
Net book value as at 31 December 2010	2,168
Fair value	
At 31 December 2011	-
At 31 December 2010	5,104

The fair value of the Group's investment properties at 31 December 2011 has been arrived at on the basis of a valuation carried out to that date by independent appraisers. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

(in thousands of Euro unless otherwise stated)

NOTE 36 – SHARE BASED PAYMENTS

Equity-settled share option scheme

In April 2007, it was resolved that subject to the completion of the listing of the Company's securities on the London Stock exchange, the Company's ultimate controlling shareholder, will be granted with stock options, exercisable at the listing price, representing 3% of the Company's equity following the completion of the reorganisation mentioned in Note 1 and the listing. Stock options representing a further 2.5% of the Company's equity after the reorganisation and listing were granted to senior management and directors (as of then), exercisable at 80% of the listing price, contingent on the same terms as the aforementioned options ("stock option A"). Toward the end of 2008, certain senior management staff left the Group and as a result, 94% of the options granted to them were not vested at the time they left, and were forfeited.

On 31 October 2010, 4% of stock option A was reprised to an exercisable price of 0.42 Euro per share.

On 28 February 2011, 4% of stock option A was exercised to 88,084 QLI shares under a Cashless Mechanism.

On August 10, 2009, the Board approved a stock option plan covering a number of shares equal to 4% of the Company's issued and outstanding share capital, for the purpose of granting options to senior management and employees ("stock option B"). According to the stock option plan, QLI granted in the years 2009 and 2010 stock options exercisable for 1.6% and 2.2% respectively. Exercise price of the options is 0.42 Euro per share. The options will be vested on 4 equal annual vesting dates from the grant date. Options will be exercisable, subject to the vesting dates, not later than March 2015. The fair value of the option grant dates above amounted is approximately € 0.5 million and € 0.8 million in 2009 and 2010, respectively.

Details of the share options outstanding during the year are as follows.

	2011		2010	
	Number of share options	Weighted average exercise price (in €)	Number of share options	Weighted average exercise price (in €)
Outstanding at beginning of period	2,181,757	9.5	1,824,381	10.73
Realization of share options	(58,571)	4.2	-	-
Granted during the period	-	-	879,205	4.2
Waiver of options by a controlling shareholder	(1,121,760)	14	-	-
Forfeited during the period	(314,210)	4.2	(521,829)	5
Outstanding at the end of the period	687,216	4.2	2,181,757	9.5
Exercisable at the end of the period	348,640	4.2	773,802	13.4

	Outstanding at December 31 2011			Exercisable at December 31 2010	
Exercise Prices (€)	Number of outstanding GDR options	Weighted average Remaining life (in years)	Weighted average Exercise price (€)	Number of exercisable GDR options	Exercise price (€)
-	-	-	14	1,121,760	3
-	-	-	11.2	74,463	3
4.2	124,511	0.58	4.2	106,329	4.25
4.2	111,271	4	4.2	790,188	5
4.2	90,604	4	-	-	-
4.2	22,254	4.41	4.2	89,017	5.33

(in thousands of Euro unless otherwise stated)

687,216	2,181,757

NOTE 36 - SHARE BASED PAYMENTS (Cont.)

The inputs into the Binomial model are as follows:

	2 0 1 0
	€
Weighted average share price	3
Weighted average exercise price	4.2
Expected volatility	40%
Expected life	6
Risk-free rate	2. 5%
Expected dividends	0%

Expected volatility was determined by calculating the historical volatility of QLI's parent company's (Y.Z. Queenco) share price over the previous year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The group recognised total net expenses of € 294 thousand, € 951 thousand and € 711 thousand related to equity-settled share-based payment transactions in 2011, 2010 and 2009, respectively.

NOTE 37 - FINANCIAL RISK MANAGEMENT

Foreign exchange risk

The Group generates revenues and pays expenses mainly in Euro and in Romanian Lei. Wherever possible, contracts are drawn in Euro. In all other contracts the currency risk is assessed, and where considered necessary, hedging into Euro is undertaken or local currencies depending upon the currency of the contract expenditure.

The Group has limited exposure to foreign exchange risk which arises from its short-term deposits in Euro and in NIS in group companies whose functional currency differ from the Euro. Sensitivity to exchange rates is analysed below in terms of the profit or loss that would be recorded due to a movement in exchange in the most significant currencies:

	Profit / (loss)
5% increase in NIS / €	769
5% decrease in NIS / €	(769)
5% increase in NIS / $	795
5% decrease in NIS / $	(795)

Credit risk

The Group grants no credits in its casinos except for insignificant amounts for the use of the restaurants or other casino's facilities. Accordingly, the Group does not have a significant concentration of credit risk. Significantly all current receivables are due within 30 days.

Credit risk associated with non-current receivables, primarily relates to the VAT receivable. The Group has a right to offset this against future VAT payable. There is a certain risk associated with the ability of the Group to claim this amount. The Group cannot at this time quantify this risk however believe it to be immaterial.

Interest rate risk

The Group had a total of net € 2.3 million unlinked and non interest bearing liabilities as at 31 December 2010. This was principally an obligation relating to acquisition of the minority interest in Dasharta net of an asset regarding the exercise of an option to acquire 50% of the shares purchased in Dasharta. On November 2011it was agreed to postpone the repayment of this liability until December 2012. In addition, as of September 2011, the balance is linked to the CPI and bears annual interest rate of 6.5%. In February 2012 the Company received a loan from Queenco (its parent company) which is linked to the CPI and bears interest of 9.5% per annum The non-discounted payments are included in Notes 19 and 26. Due to these loans bearing a fixed interest rate, the Group considers that it has little interest rate exposure.

For interest rate risk on bank loans see Note 26.

NOTE 37 - FINANCIAL RISK MANAGEMENT (Cont.)

Liquidity risk
The Group, except for CHL (see Note 1), does not have liquidity risk as it has cash balances meet all its commitments as and when they fall due.

Fair value disclosures
Carrying amounts for all financial instruments as at 31 December 2011 approximate fair value.

Capital management
The Company views its capital as equity plus bank loans. The Company aims to invest in projects that provide target returns on the capital invested. The Company has not decided on what level of leveraging it considers acceptable, as at the date of these financial statements this is not relevant, however if this becomes relevant the Board of Directors will discuss this issue.