1 April 2011

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

Financial Results for the 12 months ended 31 December 2010

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 2010.

Financial Highlights for the year ended 31 December 2010

- Gross revenues were €136.4 million (2009: €163.2 million)
- Net Revenues were €96.3 million (2009: €115 million)
- EBITDA was negative €0.4 million (2009: €21.2 million)
- Loss before tax was €19.7 million (2009: PBT €3.0 million)
- Cash and cash equivalents were €16.3 million as of 31 December 2010

Operating and Business Highlights

- The economic crisis in Greece and the slowdown in the Romanian economy have continued to impact our principal operations in 2010
- Loutraki again attracted over 1 million visitors in 2010, while visits to Rodos remained constant, and Beograd continued to grow
- Continued to carefully balance investment in marketing with reductions in operating costs; reduced the number of employees by 150 in 2010 and the process will continue in 2011
- Group strategy will seek to diverse its revenue mix in 2011 by capitalising on the new opportunities in South East Asia:
    - Signed MoU with Paradise Investment Co. Ltd. to form a JV at the Holiday Palace Hotel in Sihanoukville, Cambodia
    - Signed MoU with Langham Hospitality Ltd. to open an Eaton Luxe Hotel on the site
- QLI is encouraged by plans to legalise and regulate online gaming in its current projects

Itay Koppel, Chief Executive Officer of QLI, commented on the results:

"Similar to the previous year, 2010 was a challenging one for the Group as Loutraki, our principal operation in Greece, continued to be affected by the ongoing economic crisis in the country. Likewise, Casino Rodos, and Casino Palace in Bucharest were impacted by the tough economic climate.

"The Group has this year been focused on maintaining cash at the Group level, while reducing costs, in particular headcount, at each of our casinos and head office. We have stuck rigidly to the strategy outlined at the start of the global downturn; maintaining visitor numbers at a constant level, despite falls in revenue, as we believe the loyalty of over 1m visitors to Loutraki, and the customers at our other operations, will position us well in the long term, once the Greek and Romanian markets return to positive growth.

"In the meantime, QLI is taking steps to diversify its revenue mix by exploring growth opportunities in South East Asia. We are pressing ahead with plans to develop the Holiday Palace Hotel in Sihanoukville, Cambodia, by opening an Eaton Luxe Hotel in partnership with Langham Hotels, and we are excited by the potential that legalised online gaming can offer in our current projects should the Governments press ahead with plans to regulate it".

Copies of the analyst / investor presentation accompanying these results are available to download on Queenco Leisure International Limited's investor relations website: www.queenco.com

For further information please visit www.queenco.com or contact:

Queenco Leisure International Ltd.
Itay Koppel, CEO T: +972 (0)3 756 6555
Dovrat Dagan, CFO

ING
Daniel Friedman T: +44 (0)20 7767 6896

Cardew Group
Tim Robertson T: + 44 (0)20 7930 0777
David Roach
Alexandra Stoneham

Chief Executive's Review

Introduction

2010 has been a year of mitigating the impact of the Greek debt crisis on our business, and this is reflected in our financial and operational performance for the three and twelve months ended 31 December 2010. Our customers continue to be deterred by the economic uncertainty and are therefore spending less at three of our main casinos; Loutraki, Rodos and Palace. EBITDA for the year was negative €0.4 million (2009: positive €21.2 million), while EBITDA for the three months ended 31 December 2010 was negative €0.2 million (2009: positive €3.1 million). We have therefore simultaneously put in place a cost reductions programme at each of our casinos and head office which has reduced the total headcount for the Group, and it is likely that further restructuring will take place in 2011 to effectively manage our cost base.

At the start of the global downturn, QLI put in place a strategy to maintain visitor numbers (the core of our business) at a constant level because we firmly believe that the loyalty of over 1m visitors to Loutraki, and the customers at our other operations, provides us with the platform to grow revenues in the long term, once the Greek and Romanian markets return to positive growth. Yet we drew your attention to the uncertainty deriving from financial position and results of operations of the Project in Loutraki**.** We have been pleased with the repeat customer visits throughout the year, which have been as a consequence of successful marketing initiatives at our operations, and believe therefore that the Company remains well placed to manage these ongoing challenges with an experienced management team.

During the last set of full year results we outlined our strategic decision to focus more on developing partnerships in order to pursue future projects. This forms an important part of diversifying our revenue mix in the coming years and capitalising on the opportunities that exist in South East Asia. In 2010 we signed a MoU with Paradise Investment Co. Ltd. to establish a joint venture at the Holiday Palace Hotel in Sihanoukville, Cambodia, and we were pleased to announce in January this year, that we signed a further MoU with Langham Hospitality Ltd. to operate an Eaton Luxe Hotel on the site of the Holiday Palace Hotel.

We are also encouraged by the initial steps which are being taken by the local authorities in our operation countries, to potentially legalise and regulate licensed online gaming. Such a move would enable QLI to explore the possibility of introducing remote gaming at our casinos, but also allow us to market and sell our high profile brands through an IT platform.

Summary of financial performance

Results for the twelve months ended 31 December 2010

Gross revenues were €136.4 million (2009: €163.2 million), a decrease of 16.4% whilst net revenues decreased by 16.3% to €96.3 million (2009: €115 million). The decline in both gross and net revenues was as a result of the ongoing economic crisis in Greece where QLI receives 84% of its Gross revenue from Loutraki and Rodos. The fall in win per visit meant that EBITDA reduced by €21.6 million to negative EBITDA €0.4 million (2009: positive €21.2 million). The Group has focused this year on reducing costs, in particular headcount, at each of our casinos and head office, and this process has generated a one off expense of €1.5 million. Additionally, the Group incurred expenses related to the increases in VAT in both Greece and in Romania of €1million. The Company remains committed to investing in superior customer service to maintain constant customer levels, and as a result, marketing costs have increased across our established casinos. The Company made a net loss for the year of €26.1 million (2009: Net Loss €6.8 million), which partly reflects the economic situation in Greece, but also the windfall tax which was imposed on businesses by the Greek government in 2009, and has continued again in 2010. An announcement on tax reforms has still yet to be announced by the Greek Government and as a consequence the impact of the current regime is likely to heavily affect our margins going forward.

Cash and cash equivalents currently stands at €16.3 million which gives us long term financial future to weather the impact of the Greek and Romanian economy and tax restraints imposed on our businesses, while at the same time invest for the future. Basic earnings per share was (6.8¢) (2009: (2.3¢)) and earnings per GDR (each GDR representing 10 ordinary shares) were (68¢) (2009: 23¢). No dividend is payable in respect of 2010.

Earlier this month we announced that Powerbrook Spain Ltd., the parent company of CHL, received a letter from the chairman of CHL outlining a request to all shareholders to consider a capital injection of up to €15 million to CHL. The above is raising a material uncertainty as to the ability of CHL to continue its operations as a going concern without obtaining an extension from Bank Piraeus for the payment of the above mentioned loan and/or finding alternative finance resources until such time CHL's operations will support its finance needs. As to the best of the Company's knowledge, CHL's management has plans for negotiating with Bank Piraeus for an extension of the loan and for a cost reduction plan. CHL's EBITDA for 2010 was approximately € 12.8 million and the 2011 budgeted EBITDA is approximately €17 million. The information with respect to CHL, which contributes a significant portion to the Group's consolidated financial information, is included in the consolidated financial statements under the going concern assumption. QLI has clarified that it is not obligated to invest and have requested more information on the matter. The Board will update shareholders on any developments.

Results for the three months ended 31 December 2010

Gross revenues were €33.0 million (2009: €40.1 million), whilst net revenues were €23.7 million (2009: €28.5 million). The decline in gross and net revenues in the period is primarily as a result of the 19% decline in gaming revenues at Loutraki and the 20.8% decline at Casino Rodos which was caused by the further decline in win per visit during the period.

EBITDA was negative at €0.2 million (2009: positive €3.1 million) which was mainly due to the lower net revenues, net loss for the period was €8.8 million (2009: net loss €7.7 million).

Basic earnings per share for the three months period ended 31December 2010 were (1.8¢) (2009: (1.9¢)) and earnings per GDR were (18 ¢) (2009: 19¢).

Operational Review

Results by casino for the twelve months ended 31 December 2010

Casino	Gross Gaming Revenue (EUR m)		Net Revenue (EURm)		EBITDA (EURm)		Visits (000's)		Gross Win per Visit (EUR)		QLI's Economic Interest
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	
Loutraki	164.9	203.3	114.7	139.9	12.8	40.0	1,051	1,131	157	180	38.5%
Rodos	27.5	31.9	19.8	22.7	1.4	5.7	163	165	169	194	91.6%
Palace	11.8	17.4	10.4	16.2	(2.1)	2.5	103	111	114	156	83.3%
Belgrade	10.8	11.0	9.6	9.9	(0.3)	(2.5)	306	272	35	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.

** The results of Casino Beograd were incorporated in Loutraki under the equity method of accounting until March 31, 2009.

Results by casino for the three months ended 31 December 2010

Casino	Gross Gaming Revenue (EUR m)		Net Revenue (EURm)		EBITDA (EURm)		Visits (000's)		Gross Win per Visit (EUR)		QLI's Economic Interest
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	
Loutraki	38.8	47.8	26.9	32.8	2.5	8.4	257	282	151	170	38.5%
Rodos	6.0	7.6	4.3	5.4	(0.3)	0.9	39	43	153	178	91.6%
Palace	3.3	4.3	3.1	3.9	(0.5)	(0.7)	29	30	116	143	83.3%
Belgrade	2.9	3.2	2.6	2.7	(0.2)	(0.5)	89	70	32	45	34.7%

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

Club Hotel Casino Loutraki ("CHL")

Results for the twelve months ended 31 December 2010

Gross gaming revenues for the twelve months ended 31 December 2010 were €164.9 million (2009: €203.3 million), while net revenues were €114.7 million (2009: €139.9 million). Over the course of the year Casino Loutraki

generated EBITDA of €12.8 million, a decrease of 67.9% (2009: €40 million), which was caused by the fall in win per visit numbers as customers spent less in the midst of the current uncertain economic climate. The net loss was also exacerbated by the Greek government's decision to impose a VAT increase of 4% during the year and impose another one off windfall tax on all businesses, similar to that imposed in 2009 which unexpectedly increased CHL's expenses. As a result, Loutraki has again had to incur an expense of €3.6 million, which together with the €6.8 million losses CHL incurred from its share in Casino Beograd, and the €2.9 million impairment loss recognised on goodwill after performing the impairment test for the Serbian operation, meant that CHL suffered net losses of €1.7 million (2009: loss € 12.8 million).
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In spite of the Greek debt crisis, Loutraki still continues to attract a high number of customers. Again, over 1 million visitors passed through the casino's doors in 2010 (2009: 1.1 million). Loutraki has successfully focused marketing efforts on maintaining customer levels which in our local management's experience positions us well for returning the casino to profitability when the Greek economy returns to growth. Management has also taken steps to reduce the cost base by reducing staff levels and salaries. However, this resulted in incurring a one off expense of €2.0 million, relating to the reduction in headcount.

Results for the three months ended 31 December 2010

Gross gaming revenues for the three months ended 31 December 2010 were €38.8 million (2009: €47.8 million), while net revenues were €26.9 million (2009: €32.8 million). Casino Loutraki generated EBITDA of €2.5 million (2009: €8.4 million), principally caused by the fall in spend per visitor and in the number of visits as the Greek debt crisis continued to impact our customers

Despite the impact of the general economy on gaming revenues, the introduction of Texas Hold'em at Loutraki has so far been a success, and the local management believes that this is an important additional source of revenue going forward, as witnessed in the last quarter of 2010.

During 2008, certain disagreements between the Club Hotel group, and the Company, arose. Such disagreements resulted in, inter alia, the frequent and lengthy convening of shareholders meetings and board meetings of the Holding Companies, 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 at CHL).

Powerbrook Spain Ltd.

in February 2011 of the year, QLI (Management Services) Ltd., who represent the Group on the Board of Powerbrook Spain Ltd., the parent company of CHL, received a letter from Casino Austria International Holdings GmbH ('CAIH') that says that the Put Option Agreements they had with Vasanta Holdings Ltd. will not be pursued and are not legally binding. CAIH further notified Vasanta that it is interested in continuing its business relationship with Powerbrook Spain as well as with its shareholders, and therefore it will try to structure a transaction different than the one contemplated in the POA and expects to be able to present it within a short period.

Casino Beograd

The number of visits in Casino Beograd increased by 12.5% over the year at what is still a relatively new addition to the Group's portfolio. The casino has begun to benefit from the exclusivity arrangement that Casino Beograd has with the municipality of Belgrade. Gross revenues remained relatively flat at €11.8 million (2009: €12.3 million) compared with the previous year. Serbia has also been affected by the slowdown in consumer spending which caused the win per visit to reduce by 12.6% to €35. As a consequence, for the year ended 31 December 2010, Casino Beograd reported negative EBITDA of €0.3 million (2009: negative €2.5 million), but a significant improvement. In the context of the trading environment this was a credible performance, as Casino Beograd only opened in February 2008.

Casino Rodos

Results for the twelve months ended 31 December 2010

Revenues at Casino Rodos, the only casino located on the holiday island of Rhodes, were also impacted by the Greek debt crisis and the impact of the windfall tax introduced on a one off basis by the Government last year, which has continued again into 2010. Gross gaming revenues were €27.5 million (2009: €31.9 million) and net revenues were €19.8 million (2009: €22.7 million) mainly due to the decrease in win per visit caused by guests' lower spending budgets while EBITDA was €1.4 million (2009: €5.7 million). Casino Rodos made a net loss during the period of €3.6 million (2009: Net profit €1 million). The net loss for 2010 was affected by the tax provision of €1.6 million for previous years and by the VAT increase in Greece of 3%, during the year which increased Rodos' expenses, while the Greek government's decision to impose a one off windfall tax, similar to the previous year, on all businesses meant that Rodos had to incur a cost of €0.3 million. Casino Rodos also had to incur an additional €0.5 million cost in expenses generated from the operation of its private jet.

Despite the slowdown in the Greek tourist market and customer spend, Greek visitors from the mainland still came to the casino, which attracted 163K visitors, compared with 165K last year. Win per visit did however fall during the year, as customers remained cautious about the economic uncertainty. We were pleased however with the early success of Texas Hold'em which we also introduced this year. As with Loutraki, the local management believes that this is an important additional source of revenue going forward.

Results for the three months ended 31 December 2010

Gross gaming revenues for the three months ended 31 December 2010 were €6.0 million (2009: €7.6 million), while net revenues were €4.3 million (2009: €5.4 million), reflecting the national debt crisis over the quarter. EBITDA which was impacted by the decrease in revenues was negative at €0.3million (2009: positive €0.9 million). Net loss for the period was €3 million (2009: loss 0.7 million). The net loss was affected by tax provision of 1.6 million for previous years taxation.

Casino Palace

Results for the twelve months ended 31 December 2010

Gross gaming revenues were €11.8 million (2009: €17.4 million), while net revenues were €10.4 million (2009: €16.2 million). This fall resulted in a negative EBITDA of €2.1 million (2009: positive €2.5 million). The management at Casino Palace continues to have a cautious approach to costs which for the year was €12.5 million. Casino Palace made a net loss during the year of €5.1 million (2009: Net profit €0.4 million). The net loss for 2010 was affected by the VAT increase in Romania of 5% during the year which, along with the cancellation of employee contracts, increased Palace's expenses by €0.2 million.

During the year Casino Palace also sold its asset in Manu Street, Bucharest for €1.2 million; a net capital loss of €0.1 million. Casino Palace also incurred expenses related to the investment in Casino Constanta, Romania, through which QLI held an 83.3% stake. Following management's decision not to pursue the project, owing to the lack of developed gaming regulations in the country, Casino Palace incurred a one off expense of €0.9 million relating to the write off of investment at its project in Constanta and €0.4 million as a result of the impairment loss based on the revaluation of the land in Constanta.

Results for the three months ended 31 December 2010

Gross gaming revenues for the three months ended 31 December 2010 were €3.3 million (2009: €4.3 million), while net revenues were €3.1 million (2009: €3.9 million), reflecting the decrease in win per visit to €116 and decrease in number of visits by 4.1% to 29K. EBITDA which was impacted by the decrease in net revenues was negative at €0.5 million (2009: negative €0.7 million).

Net loss for the period was €2.1 million (2009: net loss €1.2 million), which resulted from the €0.9 million loss incurred from writing off the investment in the Constanta project and €0.4 million impairment loss which derived from the revaluation of the land there.

SaSaZu

During the year, SaSaZu increased gross revenues by 57.6% to €4.0 million (2009: €2.6 million) as the marketing efforts at the nightclub continue to bring in new customers. Such is the success of the SaSaZu brand, management are considering the possibility of exporting the brand and integrating them into existing QLI operations, such as Casino Rodos, where SaSaZu opened a venue for the summer, 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, which now stand at negative EBITDA €0.8 million for the year ended 31 December 2010 (2009: negative €2.0 million).

Projects

As previously reported, the Company has decided not to enter into new developments in European countries. The Board took the strategic decision to exit the Bulgarian market as it could not be satisfied that the economic and regulatory conditions for investing in the country met with its own criteria. As a consequence, we have decided to sell the historic buildings which includes the ex-theatre in Sofia and ex-cinema in Varna, Bulgaria, and Casino Palace has decided due to the current market conditions in Romania to withdraw from the project in Constanta and to sell a property in the heart of Bucharest. As we stated above, there were a number of one off expenses relating to the withdrawal from the Constanta project, including writing off the initial investment of€0.9 million, and impairment charges relating to the reevaluation of the land of €0.4 million.

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. At the start of this process, we have signed a memorandum of understanding with Paradise Investment Co. Ltd. to establish a joint venture at the Holiday Palace Hotel in Sihanoukville, Cambodia. In addition to this, we also signed a memorandum of understanding with Langham Hospitality Ltd. to operate an Eaton Luxe Hotel on the site of the Holiday Palace Hotel.

We are also encouraged by the initial steps which are being taken by the local authorities in the countries where we operate, to legalise and regulate licensed online gaming. 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.

Outlook

The outlook in the Greek economy remains uncertain. Over the past year we have attempted to reduce our cost base in line with a downturn in our trading performance, but what we had not anticipated was the extent of the impact from the macro-economic crisis, or such a significant change in the Greek Government's fiscal policy. The increase in VAT from 19% to 23% has affected our expenses and our bottom line, while the unexpected decision to impose a windfall tax on businesses for a second year running has impacted heavily on our ability to improve profitability.

QLI has put in place a strategy to diversify its revenue streams by focusing the Group's future development in the South East Asia region, and in particular Cambodia. The Group is encouraged by the potential legalisation and regulation of online gaming in Greece and believes it is well positioned to take advantage of such an opportunity as and when it comes to fruition. We remain committed to the strategic decision we took last year to explore joint venture possibilities with suitable firms who can help deliver these objectives, and look forward to updating the market on the MoUs we have already announced.

Itay Koppel
Chief Executive Officer, Queenco Leisure International Limited
31 March 2011

Financial Review for the twelve months ended 31 December, 2010

Revenues

Revenues, as presented in QLI's consolidated financial statement, consist of Total Gross revenues minus the tax on gross gaming revenues, applicable municipality and other gross taxes. QLI's total consolidated Gross revenues consist of gross gaming revenues, comprised of slot machine and gaming table wins, food and beverage sales, entrance fees, hotel accommodation and outlet charges, rentals and sundry revenues.

Net revenues amounted to €96.3 million for the year 2010 compared to €115 million in 2009, a decrease of €18.7 million or 16.3% and gross gaming revenues amounted to €127.1million for the year 2010 compared to €155 million in 2009, a decrease of €27.9 million or 18%. For the twelve months ended December 31, 2010, approximately 64.9%, 21.6%, 9.3% and 4.2% of QLI's gaming revenues were derived from Casino Loutraki, Casino Rodos, Casino Palace and Casino Belgrade, respectively. Net gaming revenues and gross gaming revenues decreased primarily as a result of the continuing of economic crises in Greece and Romania that reduced the average win per visit across the Group operations. Of the total gross revenues amounting to €136.4 million for the twelve months ended December 31, 2010, €9.3 million was derived from other revenues, compared to €8.1 million in the same period in 2009. The increase of €1.2 million is mainly attributable to the SaSaZu operation.

Operating Costs

Cost of Revenues

Cost of revenues consists primarily of costs related to gaming, such as security, food and beverage, staff costs (primarily salaries) and also costs related to facility maintenance, rent, utility costs, amortization and depreciation, Greek tourist organization duties and other costs consisting of travel, communication and consumable expenses.

Cost of revenues amounted to €66.4 million for the twelve months ended December 31, 2010 same as in the comparative period in 2009. During the period there was increase of 1 million in staff cost that was offset mainly by decrease in food and beverage cost and other operating cost.

Selling and marketing expenses

Selling and marketing expenses primarily consist of expenses related to advertising and marketing, as well as costs of marketing staff (primarily salaries), costs of food and beverage, complimentary hotel accommodation or reduced rates for casino patrons, transportation costs for casino patrons and costs related to entertainment.

Selling and marketing expenses amounted to €21 million for the twelve months ended December 31, 2010 an increase of €3.7 million compared to the same period in 2009. The increase in selling and marketing expenses is primarily attributable to the increase in Casino Loutraki, Casino Rhodes and Casino Palace expenses in order to attract visitors and promotion that was made in order to introduce the new Texas Hold'em game.

General and administrative expenses

General and administrative expenses consist primarily of the Company’s head offices and each location's local management and administrative staff costs (primarily salaries) and expenses resulting from grant of share options, expenses related to the other professional services, such as accounting, legal and consulting expenses, as well as audit fees, gratuities and donations, stamp duty, bank charges and other costs.

General and administrative expenses amounted to €22.7 million for the twelve months ended December 31, 2010 an increase of €0.6 million compared to same period in 2009. The increase in general and administrative expenses is primarily attributable to consulting expenses for due diligence made for CHL with regards to Casino Austria International deal that was set off by decrease in staff cost as a result of reducing the number of employees.

EBITDA

QLI's negative EBITDA amounted to €0.4 million for the twelve months ended December 31, 2010 compared to €21.2 million for the same period in 2009. The decrease in the EBITDA of €21.5 million is primarily attributable to the decrease of €18.7 million in net revenues.

Share of results of associates

Share of results of associates, consists of an interest in Grand Casino D.o.o, a company incorporated in Belgrade, whose principal activity is casino gaming. The results of Grand Casino D.o.o were incorporated in CHL's financial statements until March 31st, 2009 under the equity method of accounting, and as of April 1st, 2009 are consolidated 100% in CHL's financial statements and 50% in QLI financial statements.

Investment income

Investment income is mainly attributed to interest accrued on bank deposits.

Investment income amounted to €0.4 million for the twelve months ended December 31, 2010 compared to €0.8 million for the same period in 2009, a decrease of €0.4 million. The decrease in investment income is primarily attributable to the reduction in cash position of the company in its bank deposits and decrease in the interest rate.

Finance costs

Finance costs consist primarily of interest on loans.

Finance costs amounted to €1.7 million for the twelve months ended December 31, 2010 compared to €1.3 million for the same period in 2009, an increase of €0.4 million. The increase is primarily attributable to the noncash finance loss on revaluation of derivative instruments as a result of the MOU signed with consortium Greek banks for restructuring Casino Rhodes bank loans.

Foreign exchange gain (loss)

Foreign exchange gain (loss) relates to gains or losses realized as a result of the fluctuations in the value of the Euro against the Romanian Lei, Serbian Dinar, Czech Koruna, USD and the NIS. QLI's reporting currency is Euro whilst the operation currency is the NIS. Changes in the Euro against the RON, SRD, US Dollar and NIS exchange rate have affected the foreign exchange gain (loss).

Foreign exchange loss amounted to €2.8 million for the twelve months ended December 31, , 2010 compared to foreign exchange gains of €1.2 million for the same period in 2009. The foreign exchange loss is mainly attributable to the weakness of the Euro and the USD against the NIS.

Tax

Taxes amounted to €6.5 million for the twelve months ended December 31, 2010 compared to €9.8 million for the same period in 2009, a decrease of €3.3 million, or 34%.
The decrease in taxes is primarily attributable to the decrease of €4.6 million in current tax as of the decline in profit before tax, and decrease of €0.7 million in deferred tax income (2009: income of €0.9 million) that was offset by increase of 0.5 million in respect of prior years tax..

Profit / (Losses)

Losses amounted to €26.1 million for the twelve months ended December 31, 2010 compared to €6.8 million for the same period in 2009 an increase of €19.3 million.

The losses are primarily attributable to the decrease of €21.5 million in the EBITDA as mentioned above increase in net finance cost of 4.9 million, and income of €1.1 million in depreciation and amortization that was offset by decrease of €4.6 million in income tax.

Cash and Funding Sources

QLI's principal sources of liquidity are cash provided by operations and loans under tree loans facilities from banks provided to Club Hotel Loutraki and Rhodes Casino S.A. As at December 31, 2010, QLI's consolidated cash and cash equivalents were €16.3 million.

Cash Flow Statement Data

The table below summarizes the consolidated cash flow for the twelve months ended December 31, 2010 and 2009:

(000' Euro)	**For the twelve months ending 31 December,(audited)**		
	2010	**2009**	**2008**
Cash flow from (used in) operating activities	(14,718)	10,812	27,797
Cash flow used in investing activities	(2,905)	(29,360)	27987
Cash flow used in financing activities	(271)	(8,460)	(21,165)
Net decrease in cash and cash equivalents	**(17,894)**	**(27,008)**	**(21,365)**
Foreign exchange rate	3,143	1,053	2,369
Cash and cash equivalents *beginning of the period*	31,060	57,015	76,011
Cash and cash equivalents *end of the period*	**16,309**	**31,060**	**57,015**

Operating Activities

QLI's consolidated net cash flow used in operating activities amounted to (€14.7) million for the twelve months ended 31 December 2010. The cash outflows used for operating activities is primarily attributable to the loss before tax of €19.7 million and adjustments of €5 million primarily attributable to €12.5 million depreciation and amortization, €1.7 million finance costs as well as a €2.8 loss attributable to foreign exchange losses offset by a decrease of €8.2 million in payables and €8.1 million in income tax and interest paid.

Investing Activities

For the twelve months ended December 31, 2010 QLI's consolidated net cash outflow used for investing activities amounted to €2.9 million. The net cash outflow in the twelve months ended December 31, 2010 is primarily attributable to €6.2 million cash outflow for purchase of property plant and equipment, and €3.0 million net cash used for acquisition of subsidiary that was offset by €1.5 million cash inflow from the sale of property, €2.6 cash in from realization of a trading investment and €1.1 million cash in from repayment of other long-term receivables.

Financing Activities

QLI's consolidated net cash outflow used for financing activities amounted to €0.3 million for the twelve months ended December 31, 2010. The net cash outflow used for financing activities is primarily attributable to €1.6 million profit share paid to the Municipality of Loutraki and €1 million repayment of Casino Rhodes bank loan that was set off by €2.5 million cash in from increasing bank overdraft by CHL.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements. Words such as “anticipate”, “believe”, “plan”, “expect”, “intend”, “estimate”, “project”, “will”, “should”, “could”, “may”, “predict” and similar expressions are typically used to identify forward-looking statements. You are cautioned that actual results could differ materially from those anticipated in forward-looking statements. These estimates and assumptions by management reflect the Company’s best judgment based on currently known market conditions and other factors. Although the Company believes such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond the Company’s control. In addition, management’s assumptions about future events may prove to be inaccurate. The Company cautions all readers that the forward-looking statements *contained in this document are not guarantees of future performance, and the Company cannot assure any reader that such statements will be realized or the forward-looking events and circumstances will occur.*

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, many of which are beyond the Company's control, and therefore the predictions, forecasts, projections and other forward-looking statements set forth herein may not be achieved. You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

When relying on forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Company operates. Such forward-looking statements speak only as of the date on which they are made. Accordingly, the Company does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. The Company does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. These cautionary statements qualify all forward-looking statements attributable to the Company or persons acting on the Company's behalf.

A copy of this document is available to the public, free of charge, at the Company's official website:

www.queenco.com

QUEENCO LEISURE INTERNATIONAL LTD

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

	Notes	Year ended 31 December		
		2010	**2009**	**2008**
Revenues	4	96,296	115,020	137,390
Operating costs				
Cost of revenues	5	(66,417)	(66,458)	(58,614)
Selling and marketing expenses	6	(21,018)	(17,335)	(16,101)
General and administrative expenses	7	(22,670)	(22,057)	(23,329)
Other operating expenses	8	(1,717)	(6,272)	(366)
Share of results of associated company	16	-	(658)	(2,203)
Operating profit (loss)		**(15,526)**	**2,240**	**36,777**
Investment income	9	397	843	3,000
Finance costs	10	(1,703)	(1,258)	(2,992)
Foreign exchange gain (loss)		(2,827)	1,158	(384)
Profit (Loss) before tax		**(19,659)**	**2,983**	**36,401**
Tax	11	(6,484)	(9,787)	(13,382)
Profit (Loss) for the year		**(26,143)**	**(6,804)**	**23,019**
Other comprehensive income				
Exchange differences arising on translation of foreign operations		3,344	(2,431)	53
Total comprehensive income (loss) for the year		**(22,799)**	**(9,235)**	**23,072**
Profit (loss) for the year attributable to:				
Equity holders of the parent		(23,855)	(8,293)	13, 367
Minority interests		(2,288)	1,489	9,652
		(26,143)	**(6,804)**	**23,019**
Total comprehensive income (loss) for the year attributable to:				
Equity holders of the parent		(21,738)	(10,209)	14,369
Minority interests		(1,061)	974	8,703
		(22,799)	**(9,235)**	**23,072**
Earnings (loss) per share				
Basic and Diluted (¢)	13	(6.8)	(2.3)	3.8

QUEENCO LEISURE INTERNATIONAL LTD

Consolidated Statements of Financial Position
(In thousands of €)

	Notes	As at 31 December 2010	As at 31 December 2009
Non-current assets			
Intangible assets	14	9,624	11,313
Property, plant and equipment	15	117,345	126,146
Investment property	33	2,168	3,940
Deferred tax asset	17	3,061	2,118
Other long term receivables	18	7,264	8,174
Total non-current assets		**139,462**	**151,691**
Current assets			
Inventories	19	997	1,053
Investments	20	2,103	4,841
Trade and other receivables	21	6,149	6,758
Cash and cash equivalents	22	16,309	31,060
		25,558	**43,712**
Non - current assets held for sale	23	**3,000**	**-**
Total current assets		**28,558**	**43,712**
Total assets		**168,020**	**195,403**
Current liabilities			
Accounts payable		(5,498)	(6,695)
Current tax liabilities		(5,616)	(5,089)
Other current liabilities	24	(16,378)	(21,988)
Bank overdraft and loans	25	(18,032)	(17,093)
Total current liabilities		**(45,524)**	**(50,865)**
Net current assets (liabilities)		**(16,966)**	**(7,153)**
Total assets less current liabilities		**122,496**	**144,538**
Non-current liabilities			
Long-term bank loans	25	(7,839)	(6,634)
Other long-term liabilities	26	(2,177)	(4,113)
Deferred tax	17	(2,046)	(1,313)
Provision for retirement benefits	27	(6,091)	(5,848)
Total non-current liabilities		**(18,153)**	**(17,908)**
Net assets		**104,343**	**126,630**

QUEENCO LEISURE INTERNATIONAL LTD

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

	Notes	As at 31 December 2010	2009
Shareholders' equity			
Share capital	28	62,512	62,512
Share premium		130,998	130,998
Translation reserve		3,031	914
Other reserves	1,2.4	(14,080)	(14,080)
Accumulated deficit	29	(101,973)	(79,158)
Equity attributable to equity holders of the parent		**80,488**	**101,186**
Minority interest		**23,855**	**25,444**
Total Equity		**104,343**	**126,630**

The financial statements were approved by the board of directors and authorised for issue on 31 March, 2011. They were signed on its behalf by:

Yigal Zilkha	Etay Koppel	Dovrat Dagan
Executive Chairman of the Board	Chief Executive Officer	Chief Financial Officer

31 March, 2011

QUEENCO LEISURE INTERNATIONAL LTD

Consolidated Statements of Changes in Equity

(In thousands of €)

	Notes	Share Capital	Share Premium	Translation reserve	Other reserves	Accumulated deficit	Parent	Minority Interest	Total Equity
Balance as at 1 January 2008		**62,512**	**130,998**	**1,828**	**-**	**(80,009)**	**115,329**	**31,041**	**146,370**
Translation differences		-	-	1,002	-	-	1,002	(949)	53
Expense resulting from grant of share options		-	-	-	-	2,224	2,224	-	2,224
Reverse of expense resulting from options granted to former employees		-	-	-	-	(1,070)	(1,070)	-	(1,070)
Loss on cashflow hedge		-	-	(86)	-	-	(86)	-	(86)
Release of cashflow hedge to fixed asset		-	-	86	-	-	86	-	86
Exercise of option for purchase of minority interest (Note 2.4)		-	-	-	(7,950)	-	(7,950)	-	(7,950)
Profit share due to the Municipality of Loutraki	12	-	-	-	-	-	-	(4,205)	(4,205)
Dividend (*)		-	-	-	-	(6,007)	(6,007)	(5,131)	(11,138)
Net income for the year		-	-	-	-	13,367	13,367	9,652	23,019
Balance as at 31 December 2008		**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	12	-	-	-	-	-	-	(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**

(*) Representing 1.7 ¢ per share.

QUEENCO LEISURE INTERNATIONAL LTD

Consolidated statements of changes in equity (Cont.)

(In thousands of €)

	Notes	Share Capital	Share Premium	Translation reserve	Other reserves	Accumulated deficit	Parent	Minority Interest	Total Equity
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		-	-	-	-	-	-	(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**

QUEENCO LEISURE INTERNATIONAL LTD

Consolidated Cash Flow Statements

(In thousands of €)

	Notes	Year ended 31 December		
		2010	**2009**	**2008**
Net cash from operating activities	30	**(14,718)**	**10,812**	**27,797**
Investing activities				
Interest received		372	767	2,635
Purchases of property, plant and equipment		(6,199)	(12,067)	(24,013)
Proceeds on sale of property, plant and equipment		1,508	79	341
Purchase of other intangibles		(26)	(214)	(73)
Advanced on fixed assets		-	-	(2,509)
Investment in an associate		-	(1,200)	(1,376)
Increase in other long-term receivables		-	-	(168)
Realisation of (Purchases) of trading investments		2,564	3,783	(735)
Instalments for the acquisition of a subsidiary		(2,964)	(2,964)	(2,964)
Repayment of other long-term receivables		1,125	1,125	-
Investment in a subsidiary net of cash acquired		-	(18,669)	-
Decrease in deposits		715	-	-
Purchase of additional interest in joint venture entity		-	-	-
Sale of interest in joint venture entity		-	-	865
Net cash used in investing activities		**(2,905)**	**(29,360)**	**(27,997)**
Financing activities				
Dividends paid to minority shareholders		(169)	(2,586)	(5,131)
Dividends		-	-	(6,007)
Purchase of additional interest in joint venture entity		-	-	(7,950)
Repayments of borrowings		(1,000)	(1,900)	(12,420)
Repayments of other long term liabilities		-	(397)	(1,245)
Issue of shares, net of expenses		-	-	-
Share of profits paid to Municipality of Loutraki		(1,591)	(3,562)	(4,371)
Increase (decrease) in bank overdrafts		2,489	(15)	15,959
Net cash used in financing activities		**(271)**	**(8,460)**	**(21,165)**
Net increase (decrease) in cash and cash equivalents		(17,894)	(27,008)	(21,365)
Effect of foreign exchange rate changes		3,143	1,053	2,369
Cash and cash equivalents at beginning of the year		31,060	57,015	76,011
Cash and cash equivalents at end of the year		**16,309**	**31,060**	**57,015**
Tax cash flow		(7,232)	(10,402)	(18,323)
Interest paid		(834)	(877)	(1,212)

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") (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 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.

Project in Loutraki

The Company indirectly holds, effectively, as at 31 December 2010, 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 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. As of the date of these accounts, the 6% of the issued share capital of Dasharta are registered, formally, under the name of Yodan Trust Company Ltd. Checks provided to the Company by the Club Hotel Group for the exercise of the option in an aggregate amount of € 5.1 million have been already cashed. Upon the payment of the last check of €1.1 million provided by the Club Hotel Group, expected on August 2011, Club Hotel Group's rights in the 3% of Dasharta's shares (out of the 6%) will be vested.(See also Notes 18 and 21).

(in thousands of Euro unless otherwise stated)

NOTE 1 - GENERAL INFORMATION (Cont.)

Project in Loutraki (Cont.)

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, an 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 shareholders' agreement) reaches additional € 267 million (as at 31 December 2010). Once accumulated free cash flow has reached this level, the third party shareholder (Casino Austria Greece) has rights to 12.5% of additional profits, and related share in PBS's equity. The cash consideration for the exercise of the call option was € 15 million. Pursuant to the exercise of the call option described above, and the decrease in the holdings of Casino Austria Greece, the Company is of the opinion, based on the shareholders agreement, that Casino Austria Greece is entitled to appoint only one board member (rather than the two currently serving in PBS's board of directors (see also Note 31 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 accounts, 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 €17 million during the year ended December 31, 2010, and as of that date, CHL's current liabilities exceeded its current assets by €48 million (of which €35 million are to Bank Piraeus).

On 10 March 2011, QLI Management Services Ltd, a wholly owned subsidiary of the Company ("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. To the Company's knowledge, as of the date of these accounts, the matters described in the Letter have not yet been discussed by CHL's Board of Directors. Until CHL`s Board of Directors discuss the Letter and update the Company on such discussions, the Company is unable to consider the foregoing request. The Company is not obligated to provide a capital injection to CHL, and that to its knowledge, PBS's current cash position is approximately €10 million. A request was forwarded by the Company to CHL`s Chairman of the Board of Directors to convene a meeting of the CHL Board of Directors immediately.

NOTE 1 - GENERAL INFORMATION (Cont.)

Project in Loutraki (Cont.)

The above is raising a material uncertainty as to the ability of CHL to continue its operations as a going concern without obtaining an extension from Bank Piraeus for the payment of the above mentioned loan and/or finding alternative finance resources until such time CHL's operations will support its finance needs. As to the best of the Company's knowledge, CHL's management has plans for negotiating with Bank Piraeus for an extension of the loan and for a cost reduction plan . CHL's EBITDA for 2010 was approximately € 12.8 million and the 2011 budgeted EBITDA is approximately €17 million. The information with respect to CHL, which contributes a significant portion to the Group's consolidated financial information, is included in the consolidated financial statements under the going concern assumption.

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.

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.

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 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, 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 annually renewed.

The Palace Casino provides gaming services. The major source of the Palace Casino's revenues is derived from gaming operations. A subsidiary of the Palace Casino is its provider of food and beverage for casino players and also holds a separate restaurant within the same building where also 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. As at 31 December 2009, the building was presented as investment property. The building was sold in August 2010 for € 1.2 million, resulting in a capital loss of € 128 thousand.

NOTE 1 - GENERAL INFORMATION (Cont.)

Projects in Romania (Cont.)

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 has entered into contractual

obligations of approximately € 0.1 million per annum in this respect. There was a further obligation to invest € 10 million in the project. Queen Investments has failed to comply with the terms of the concessions rights and negotiated with the Constansa Municipality for the termination of such rights. In March 2011, Queen investments received a letter from the Constansa Municipality in which the municipality confirmed that the unilateral cancelation of the agreement stating that cancellation under the current circumstances shall not have any effect over the outstanding obligations between the parties. In addition, according to the letter, the annual payments due until the cancellation date (€ 190 thousand) need to be paid by the Company. As of 31 December 2010 a provision of such amount was recorded by Queen Investments.

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

In 2008, land was acquired for a total of € 1.6 million, near the planed 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 € 0.4 million was recorded in the Statements of Comprehensive Loss for each of the years ended 31 December 2010 and 2009. As at 31 December 2010 and 2009, the land is presented as investment property.

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 Casino Palace (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 Casino Palace until the prosecution hearing set for September 2011.

The punitive fine, if imposed by the Romanian Court, it will apply only to the gaming tables and not to the slot machines in Casino Palace which will remain open.

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 a casino in Belgrade and may lead to the revocation of the license. If such risk is materialized, Casino Belgrade would be entitled to remedies under the terms of the license and under applicable law.

   The Company is seeking to obtain an extension of the license for ten additional years (until the end 2025).

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

(in thousands of Euro unless otherwise stated)

NOTE 1 - GENERAL INFORMATION (Cont.)

Project in Belgrade (Cont.)

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, has 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 expired on 20 June 2009.

(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 Serbians 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 leases the asset for a period of 10 years. This asset was designated as an 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.

NOTE 1 - GENERAL INFORMATION (Cont.)

Project in Belgrade (Cont.)

Nevertheless the Serbian government issued an additional license to another licensee in the area of Belgrade. As result, CHL (as shareholders in Grand Casino d.o.o) forwarded the issue to an international arbitrator in order to clarify the subject of exclusivity between the parties. It was agreed that the arbitration will start on 21 April 2011.

(b) PBS issuance of share Vasanta's board of directors resolved, at its meeting on 28 April 2009, 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 March 30 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 share of PBS providing for (A) the right to receive certain amounts out of (1) funds actually received by PBS and attributable to 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 between CAGG and Agastia Holdings Ltd., a 50% indirect subsidiary of the Company, during 2002.

On 3 March 2011, Vasanta informed the Company that it has 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 therefor, 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 and expects to be able to present it within approximately six to eight weeks.

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 and both entities are keeping their rights with this respect.

Project in Prague

In March 2009, the Company opened an entertainment centre in the city of Prague, the Czech Republic. The entertainment centre includes a restaurant and a club. Total investment by the Company in the project was € 11.6 million. The financial statements of the company in the Czech Republic are fully consolidated in the Group’s consolidated financial statements.

NOTE 1 - GENERAL INFORMATION (Cont.)

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. Those 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 has decided to change it plans and to offer the assets for sale. As at 31 December 2010 and 2009, the assets are presented as an investment property under the cost method of accounting in an amount of € 1.6 million.

The fair value of the assets as of 31 December 2010, based on an evaluation performed by an independent appraiser, is approximately € 4.5 million.

Project in Cambodia

On September 16, 2010 QLI has signed a Memorandum of Understandings ("MOU") with Paradise Investment Co. Ltd., a Cambodian company ("PARADISE"), for the formation of a joint venture company ("JV") 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 "). According to the MOU:

1. The JV shall be held 70% by QLI and 30% by PARADISE.

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) shall be entered into between PARADISE and the JV, starting at 1 April 2011.

3. A monthly rental fee of $30,000 shall be paid quarterly by the JV to PARADISE. The first two years of the term of the lease will be rent free, to allow for renovations for which QLI shall be responsible.

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

5. PARADISE will procure all governmental approvals, licenses and permits required for the JV to operate the Property, including the casino license.

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

7. An advanced payment of $180,000 was paid by QLI upon execution of the MOU. An additional amount of $180,000 shall be paid after the execution of a shareholders' agreement and the foregoing lease agreement, the issuance of the casino license and the grant of a registration certificate to the JV.

8. An additional amount of $360,000 shall be paid by QLI upon commencement of the first lease term and takeover of the Property.

Consummation of the transaction is subject to the preparation of definitive agreements, including a shareholders' agreement and a lease agreement, all of which shall be subject to approval by the Board of Directors of the Company; as well as any other approvals required from any third party.

At the end of January 2011, the Company signed an MOU with Langham Hospitality Limited, a Hong Kong based developer and operator company, which operates many hotels worldwide, and is the owner of several hotels brand names such as Langham, Eaton Luxe and Eaton Smart ("Langham"). Under the MOU, QLI will engage Langham in providing management and other services for the renovation, construction and operation of an Eaton Luxe Hotel, (one of the brand names of Langham Hotels), with approximately 215 rooms in the Holiday Palace hotel, in Sihanoukville, Cambodia ("The Hotel").

NOTE 1 - GENERAL INFORMATION (Cont.)

Project in Cambodia (Cont.)

The MOU`s main terms are:

1. QLI shall lease, renovate, and re-design the existing 135 rooms in accordance with Eaton Luxe standards and quality. This first phase, which constitutes the re-design of the existing 135 rooms, is estimated to be completed within 12 months. Within 24 months of the first phase being completed, an additional 80 rooms shall be added to The Hotel.
2. The parties intend to enter into a Technical Advisory Services Agreement for the two phases.
3. The parties intend to enter into a Management Agreement (the "Management Agreement"), upon which Langham shall be appointed as the manager of the Hotel, and shall have full authority for matters relating to the management and operation of The Hotel. The initial term of the Management Agreement will be 20 years and shall be extended for periods of 10 years at a time. The MOU provides a Territorial Exclusivity clause which states that during the initial 20 years period Langham shall not manage or operate another Eaton Luxe hotel in Sihanoukville.
4. The Management fee amounts under the Management Agreement shall provide for: (i) An annual basic management fee, being a percentage of The Hotel`s annual gross revenue, and (ii) an annual incentive fee which shall be a percentage of The Hotel gross operating profits, and, (iii) a global marketing and advertising allocation fee.
5. The Casino within the Hotel will be operated and managed by QLI

   Finalisation of the transaction is subject to the signing of definitive agreements, all of which shall be subject to approval by the Board of Directors of the Company, as well as any other approvals which may be required

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 agriculture 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 (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 tourist project, for 10% of the projects rights, subject to the obtainment of needed permits and meeting certain other conditions by August 2009. As of the date of these accounts the above mentioned agreement has expired. The Group is evaluating the economical 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.

Based on an evaluation performed by an independent appraiser, the cost of investment made 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 Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IAS 24 (Revised) - Related party Disclosures
- Amendments to IAS 32 - Financial Instruments: Presentation
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IFRIC 14 - Prepayments of a Minimum Funding Requirements
- IFRS 9 - Financial Instruments
- Amendments to IFRS 3 (R) - Business Combinations (regarding transitional provisions of the standard, measurement of Non-controlling interests and Share-based payment in an acquired company).
- Amendments to IAS 27 (R) - Consolidated and Separate Financial Statements.
- Amendments to IAS 1 - Presentation of Financial Statements.
- Amendments to IFRS 7 - Financial Instruments: Disclosures. (regarding disclosures – Transfers of Financial Assets and the essence and scope of risks arising from financial Instruments).
- Amendments to IAS 12 - Income Taxes.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont)

2.3 Basis of consolidation (Cont.)

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 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.

The acquisition of subsidiaries until March 2008 was accounted for using the purchase method of accounting, under IFRS 3. According to IFRS 3, the cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for resale in accordance with IFRS 5 Non Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group’s interest in the net fair value of the identifiable

2.4 Business Combinations

assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority’s proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

See below for the early adoption of new and revised standards.

Purchase of minority interest and increase in stake in a consolidated and in a proportionally consolidated entity

Until March 2008, in the event of the increase of a stake in a consolidated and in a proportionally consolidated entity whilst retaining control or joint control, the Group applied purchase accounting to the portion of the assets newly acquired. The proportion of the fair value of assets acquired was assessed and the purchase price was allocated according to the fair value of these assets. Any unallocated consideration

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont)

2.4 Business Combinations (Cont.)

was allocated to goodwill. See below with respect to the early adoption of IFRS 3 (Revised) and of IAS 27 (Revised).

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 principal changes to the Standard 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.

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

(in thousands of Euro unless otherwise stated)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2.5 Foreign currency (Cont.)

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:

Revenues reported in the financial statements derive 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,		
	2010	**2009**	**2008**
Israel	196	120	57
Greece	76,821	92,410	115,185
Romania	10,393	16,205	22,103
Serbia	4,820	3,685	-
Other foreign countries	4,066	2,600	45
	96,296	115,020	137,390

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,	
	2010	**2009**
Israel	1,335	1,338
Greece	83,449	86,523
Romania	3,231	6,241
Serbia	19,445	23,553
Cambodia	13,373	12,368
Other foreign countries	8,300	11,376
	129,137	141,399

(in thousands of Euro unless otherwise stated)

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2.17 Impairment (Cont.)

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.

(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

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

2.21 Restatement

The consolidated cash flow statement for the year ended 31 December 2008 was restated in order to reflect the correction of an error in the presentation of the payment of € 7,950 thousand made following the exercise of an option for the purchase of minority interest as part of cash from operations and not, as appropriate, as part of the cash used in financing activities. As a result, cash from operations and cash used in financing activities increased to Euro 27,797 thousand and Euro 21,165 thousand, respectively (from the Euro 19,847 and Euro 13,215 thousand, respectively previously reported).

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 31 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 34 for further details).

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

(in thousands of Euro unless otherwise stated)

NOTE 4 - REVENUES

	Year ended 31 December		
	2010	2009	2008
Gross gaming revenue	**127,119**	**155,022**	**190,771**
Food and beverage revenue	5,946	4,336	2,354
Entrance tickets (net)	1,090	1,447	1,047
Hotel revenue	1,128	1,340	1,470
Rental revenue	197	155	115
Sundry revenue	906	859	684
Total other revenue	**9,267**	**8,137**	**5,670**
Total Revenue	**136,386**	**163,159**	**196,441**
Tax on gross gaming revenues	(37,810)	(45,368)	(55,506)
Municipality tax	(2,280)	(2,771)	(3,545)
Revenue per income statement	**96,296**	**115,020**	**137,390**

NOTE 5 - COST OF REVENUES

	Year ended 31 December		
	2010	2009	2008
Staff costs	40,480	39,499	37,833
Food and beverage	2,161	2,686	2,083
Maintenance	924	893	456
Rent	1,793	1,861	1,700
Utilities	1,995	1,785	1,543
Amortisation	1,428	1,286	873
Depreciation	10,722	10,434	7,558
Greek Tourist Organisation – duties	954	954	965
Serbian Lottery Duties and fees	332	249	-
Other	5,628	6,811	5,603
Total	**66,417**	**66,458**	**58,614**

NOTE 6 - SELLING AND MARKETING EXPENSES

	Year ended 31 December		
	2010	2009	2008
Advertising and marketing expenses	19,664	16,026	14,739
Junketeers	663	489	470
Staff costs	691	820	892
Total	**21,018**	**17,335**	**16,101**

(in thousands of Euro unless otherwise stated)

NOTE 7 - GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December		
	2010	2009	2008
Staff costs	9,782	11,002	11,084
Audit fees	722	637	642
Other professional services	6,709	4,894	4,140
Gratuities, donations	693	966	1,422
Bank charges	159	200	218
Other costs	4,605	4,358	5,823
Total	**22,670**	**22,057**	**23,329**

NOTE 8 - OTHER OPERATING EXPENSES

	Year ended 31 December		
	2010	2009	2008
Loss from deemed disposal on obtaining control in an associate (Note 1)	-	4,358	-
Impairment of fixed assets	1,199	1,672	-
Other costs	518	242	366
Total	**1,717**	**6,272**	**366**

NOTE 9 - INVESTMENT INCOME

	Year ended 31 December		
	2010	2009	2008
Gain on marketable securities	25	76	-
Interest on bank deposits and loans granted	372	767	3,000
Total	**397**	**843**	**3,000**

NOTE 10 - FINANCE COSTS

	Year ended 31 December		
	2010	2009	2008
Interest on borrowings	1,703	1,258	2,510
Loss on revaluation of derivative instrument	-	-	482
Total	**1,703**	**1,258**	**2,992**

(in thousands of Euro unless otherwise stated)

NOTE 11 - TAX

	Year ended 31 December		
	2010	**2009**	**2008**
Current tax	2,607	7,150	13,180
In respect of prior years	4,087	3,569	99
Deferred tax (Note 17)	(210)	(932)	103
	6,484	**9,787**	**13,382**

In Israel, normal income taxation for the year ended 31 December 2010 is calculated at 25% (2009: 26%, 2008: 27%) 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 states that the corporate tax rate will 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.

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 2010 a net operating loss carried forward in an amount of approximately € 19 million for which no tax asset was recorded.

For Greece based projects, normal income taxation for the year ended 31 December 2010 was calculated at 24%-25% (2009: 25%, 2008: 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 will gradually decrease to 20% in the year 2014 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.

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 also 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 in December 31 2010.

For Romanian based projects, the Group pays tax depending on the activity undertaken. During the years 2008-2010, the Casino is subject to the greater of 16% of gross profit and 5% of income from gambling. The income from gambling is represented by the income obtained at table games and slot machines. The Restaurant in 2010 is subject to 16% tax rate applied to gross profit (as in 2009 and 2008).

See also Note 31 with respect to tax contingencies in Greece and Romania.

(in thousands of Euro unless otherwise stated)

NOTE 11 - TAX (Cont.)

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

	Year ended 31 December		
	2010	2009	2008
Profit before tax:	**(19,659)**	**2,983**	**36,401**
Tax at the Israeli corporation tax rate of 25% (2009: 26%; 2008: 27%)	(4,915)	776	9,828
Tax effect of share of results of associated company	-	171	595
Tax effect of expenses that are not deductible in determining taxable profit	2,336	2,675	1,442
Losses for which no deferred tax asset was recognized	3,453	2,984	2,683
Effect of lower tax rate on interest income	(1)	(43)	(124)
Tax effect of change in future tax rates	(262)	(279)	215
Tax effect of utilisation of tax losses not previously recognised	-	(22)	(224)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,786	(44)	(1,132)
Effect of tax for prior years (*)	4,087	3,569	99
Tax expense for the year	**6,484**	**9,787**	**13,382**

(*) 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 - 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 terms of the Agreement. For additional information, refer to Note 31.

NOTE 13 - EARNINGS (LOSS) PER SHARE

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

Earnings

	Year ended 31 December		
	2010	2009	2008
Earnings (loss) for the purposes of basic and diluted earnings per share being net profit (loss) attributable to equity holders of the parent	(23,855)	(8,293)	13,367
Number of shares used for EPS calculation	353,365,670	353,365,670	353,365,670
Number of shares used for diluted EPS calculation	353,365,670	353,365,670	353,365,670

(in thousands of Euro unless otherwise stated)

NOTE 14 - INTANGIBLE ASSETS

	Gaming Licences	Goodwill	Other intangibles	Total
Cost				
Balance as at 01 January 2009	**15,706**	**2,273**	**473**	**18,452**
Additions	52	-	162	214
Acquisition through business combination (Note 1)	7,935	-	-	7,935
Exchange differences	(220)	-	(2)	(222)
Balance as at 31 December 2009	**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**
Accumulated amortisation				
Balance as at 01 January 2009	**10,066**	**-**	**153**	**10,219**
Amortization for the year	1,246	-	99	1,345
Acquisition through business combination	3,559	-		3,559
Exchange differences	(55)	-	(2)	(57)
Balance as at 31 December 2009	**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**
Net book value as at 31 December 2010	**7,089**	**2,273**	**262**	**9,624**
Net book value as at 31 December 2009	**8,657**	**2,273**	**383**	**11,313**

In accordance with the agreement with the Municipality of Loutraki, CHL was obliged to construct a convention centre on Municipality owned property as a donation to the Municipality of Loutraki. As the donation served as an integral part in securing the casino licence, the cost of the construction was capitalized and amortised on a straight line basis over the remaining period of the exclusivity of the gaming licence which was the five- year period ending in 2007. This figure has been included within the cost of gaming licences.

(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 2009	**121,779**	**21,819**	**25,051**	**951**	**2,356**	**171,956**
Additions	1,829	3,176	2,469	1,384	3,209	12,067
Disposals	-	-	(8)	(181)	-	(189)
Acquisition through business combination (Note 1)	12,889	2,485	2,784	-	-	18,158
Reclassification from other long term receivables	-	-	-	2,509	-	2,509
Reclassification from Investment property	7,500	-	-	-	-	7,500
Reclassification to Investment property	(3,635)	-	-	-	(1,741)	(5,376)
Transfers	(746)	(778)	734	(7)	(35)	(832)
Exchange differences	(698)	(219)	(246)	(13)	(1,089)	(2,265)
Balance as at 31 December 2009	**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**
Accumulated Depreciation						
Balance as at 1 January 2009	**27,101**	**17,232**	**18,702**	**599**	**-**	**63,634**
Additions	5,268	2,648	2,448	81	84	10,529
Disposals	-	-	(1)	(51)	-	(52)
Acquisition through business combination	1,275	725	564	-	-	2,564
Reclassification from Investment property	506	-	-	-	-	506
Reclassification to Investment property	(1,017)	-	-	-	(419)	(1436)
Impairment	608	-	-	645	419	1,672
Transfers	(64)	(620)	(146)	(2)	-	(832)
Exchange differences	(195)	(138)	1,151	(2)	(19)	797
Balance as at 31 December 2009	**33,482**	**19,847**	**22,718**	**1,270**	**65**	**77,382**

(in thousands of Euro unless otherwise stated)

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT (Cont.)

	Land, Building & Installations	Casino Gaming Electric& Electronic Equipment	Furniture And Equipment	Vehicles	Assets Under Construction	Total
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**
Net book value as at 31 December 2010	**102,879**	**6,188**	**6,289**	**274**	**1,715**	**117,345**
Net book value as at 31 December 2009	**105,436**	**6,636**	**8,066**	**3,373**	**2,635**	**126,146**

The land includes 2,864 square metres situated in Livathaki, Loutraki of which 940 square metres is 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 is 39%.

See Note 1 regarding the acquisition of 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		
	2010	**2009(*)**	**2008**
Gross revenue	-	2,496	15,127
Loss before income tax	-	(2,712)	(9,724)
Income tax	-	676	(779)
Loss for the period	**-**	**(2,036)**	**(10,503)**
Group's share of associates loss	**-**	**(658)**	**(2,203)**

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

NOTE 17 - DEFERRED TAX ASSET

	As at 31 December	
	2010	**2009**
Net deferred tax assets:		
Balance beginning of year	2,118	2,043
Movement for the year	943	75
Balance end of year	3,061	2,118
Net deferred tax assets comprise:		
Accrued liabilities	331	422
Inventory items	96	-
Restructuring asset (*)	941	754
Provision for retirement benefit	1,445	928
VAT provision	134	-
Owned fixed assets and license fees	253	14
Total deferred tax assets	**3,200**	**2,118**
Deferred tax liabilities		
Owned fixed assets and license fees	(137)	-
Capitalised finance leases	(2)	-
Net deferred tax assets	**3,061**	**2,118**

(in thousands of Euro unless otherwise stated)

NOTE 17 - DEFERRED TAX ASSET (Cont.)

Net deferred tax liabilities:		
Balance beginning of year	(1,313)	(1,795)
Acquisition through business combination	-	(375)
Movement for the year	(733)	857
Balance end of year	(2,046)	(1,313)
Net deferred tax liabilities comprise:		
Accrued liabilities	-	6
Provision for retirement benefit	-	224
Provisions	-	34
VAT provision	-	134
Deferred tax assets	**-**	**398**
Deferred tax liabilities		
Owned fixed assets and license fees	(98)	(484)
Temporary differences	(646)	
Fair value adjustment in respect of intangible assets	(1,302)	(1,086)
Debt forgiveness	-	(141)
Net deferred tax liabilities	**(2,046)**	**(1,313)**

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 law in the relevant tax jurisdiction or because assets and liability 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 0	**2 0 0 9**
VAT receivable	2,912	3,188
Loan to Agastia (*)	3,475	3,132
Jointly controlling shareholder in Vasanta (Note 1)	-	1,030
Other	877	824
	7,264	**8,174**

(*) The loan is linked to the dollar and carries interest of LIBOR+2% per annum. The repayment date has not been determined.

NOTE 19 - INVENTORIES

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

(in thousands of Euro unless otherwise stated)

NOTE 20 - INVESTMENTS

	As at 31 December	
	2010	**2009**
Short-term deposit	-	715
Money market funds	2,103	4,126
	2,103	**4,841**

NOTE 21 - TRADE AND OTHER RECEIVABLES

	As of 31 December	
	2010	**2009**
Jointly controlling shareholder in Vasanta- current maturity (Note 1)	1,086	1,086
Accrued interest and prepayments	1,130	2,598
Trade receivables	633	562
Income tax paid in advance	2,114	356
Advance to related party	71	162
Other receivables from related parties	118	211
Other	997	1,783
Total	**6,149**	**6,758**

NOTE 22 - CASH AND CASH EQUIVALENTS

	As at 31 December	
	2010	**2009**
Cash on hand	5,361	7,155
Cash at banks	8,738	18,848
Time deposits	2,210	5,057
Total	**16,309**	**31,060**

Of the above amounts 2010: € 1,527 thousand; 2009: € 4,977 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 2010.

In addition, approximately € 2,467 thousand represents cash on hand that is restricted for use as per the casinos' licenses.

NOTE 23- NON-CURRENT ASSETS HELD FOR SALE

In the end of March, 2010, the Group declared on its plan to dispose an airplane which is no longer utilises in the next 12 months. A search is underway for a buyer. No impairment loss was recognized on reclassification of the airplane as held for sale at 31 December 2010 as its carry amount is less than its fair value less costs to sell (in December 2009 an impairment loss in the amount of approximately €0.6 million was recognised to reduce its carry amount to its recoverable amount.).

(in thousands of Euro unless otherwise stated)

NOTE 24 - OTHER CURRENT LIABILITIES

	As at 31 December	
	2010	**2009**
Parent companies	64	62
Liability to the Municipality of Loutraki	-	1,233
Employee related liabilities	5,250	6,119
Taxes and duties	4,603	5,426
Accruals and provisions	2,484	3,012
Related Parties	44	1,038
Customer prepayments and chips	969	833
Short-term portion of long-term liabilities	2,182	2,875
Cheques payable	112	268
Other	670	1,122
Total	**16,378**	**21,988**

NOTE 25 - BANK OVERDRAFT AND LOANS

Short term credit

	As at 31 December	
	2010	**2009**
Consisting of:		
Overdraft and short term credit (*)	17,532	15,043
Bank loans falling due within one year	500	2,050
Total	**18,032**	**17,093**
Bank Loans – in Euro	**8,339**	**8,684**
Less: Total falling due within one year	(500)	(2,050)
Total long-term portion	**7,839**	**6,634**

(*) The short term loan above amounts 2010: € 17,524 thousand; 2009: € 15,000 thousand; is from Piraeus Bank, a related party of CHL, interest rate: 6.36%-6.6% per annum as at 31 December 2010.

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

	2010	**2009**
Within one year	500	2,050
In the second year	1,000	2,200
In the third year	1,000	2,260
In the fourth year	1,000	2,174
In the fifth year and after	4,839	-
Total	**8,339**	**8,684**

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.

(in thousands of Euro unless otherwise stated)

NOTE 25 - BANK OVERDRAFT AND LOANS (Cont.)

On 29 December 2010 Rhodes Casino signed an MOU with a consortium of banks led by Commercial Bank which extends the payment period of the loan, which was due on 2013 to 2017.

Pursuant to the MOU, 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 2017. The annual interest rate is 3.5% + Euribor (six months) (as of 31 December 2010 4.43%) and the collaterals given by Rhodes Casino for the full payment of the loan was decreased by 50%.

As a result of the termination of the original loan agreement and the obtainment of a new one, the Rhodes Casino has recorded a finance expanse 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.

Interest rate risk

Total interest costs for 2010 were € 1,490 thousand (2009: € 1,006 thousand; 2008: € 1,736 thousand). Interests were EURIBOR + 0.6-2.85%. If interest rates were 1% higher during 2010, these would have increased to € 1,800 thousand, and if interest rates had been 1% lower these would have decreased to € 1,181 thousand.

Liquidity risk

The Group has € 18 million falling due within 2011 and an additional € 7.8 million falling due after 2011. The majority of the amount falling due in 2011 (€ 17.5 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. The 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 10 million Euros.

NOTE 26 - OTHER LONG TERM LIABITIES

	As at 31 December	
	2010	**2009**
Fair value of cash settled stock options	-	81
Consideration for Casino Rhodes	-	693
Consideration for the purchase of minority interest (Note 1)	2,182	4,267
Other (payment terms yet not determined)	2,177	1,947
Total	**4,359**	**6,988**
Less: Short-term portion	(2,182)	(2,875)
Other long-term liabilities	**2,177**	**4,113**

Consideration for Rhodes Casino represents the present value of the outstanding consideration due for the purchase of 36.96% of Rhodes Casino S.A. purchased on 10 September 2004. Consideration for the purchase of minority interest represents the present value of outstanding consideration due for the purchase of 6% in Dasharta, on 30 September 2007.

(in thousands of Euro unless otherwise stated)

NOTE 26 - OTHER LONG TERM LIABITIES (Cont.)

As at 31 December 2010, the present value of the other long-term liabilities is repayable as follows:

30 August 2011	2,182
	2,182
Less: portion falling due within one year	(2,182)
Total	**-**

The present value has been determined using a rate of 4.68% per annum.

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.

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..

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

	Year ended 31 December		
	2010	**2009**	**2008**
At 1 January	5,848	5,340	4,835
Amounts charged to income	1,249	910	981
Liabilities acquired through business combinations	-	57	-
Exercise of an option granted to the other shareholder in a jointly controlled entity	-	-	(306)
Benefits paid directly by the Company	(1,005)	(368)	(170)
Exchange differences	(1)	(91)	-
Balance 31 December	**6,091**	**5,848**	**5,340**

Amounts recognised in the income statement are as follows:

	Year ended 31 December		
	2010	**2009**	**2008**
Service cost	487	471	633
Interest cost	221	182	195
Extra payments	541	257	153
Total	1,249	910	981

(in thousands of Euro unless otherwise stated)

NOTE 27 - PROVISIONS FOR RETIREMENT BENEFITS (Cont.)

The amount included in the balance sheet is as follows:

	As at 31 December	
	2010	2009
Present value of obligation	5,514	4,375
Unrecognised actuarial gain	600	1,497
Unrecognised past service cost	(23)	(24)
Net liability recognised in balances	**6,091**	**5,848**

The key assumptions used are as follows:

	Year ended 31 December		
	2010	2009	2008
Discount rate	5.6%	5.21%	5.7%
Expected rate of salary increases – depending on salary level	4.5%	1.5%-2.5%	4%-4.5%
Inflation	2.5%	2.5%	2.5%

The expected rate of salary increases for December 2010 takes into account the 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.

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	
	2010	2009
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	353,365,670	353,365,670

For share option plans see note 34

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 to 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 2010.

(in thousands of Euro unless otherwise stated)

NOTE 30 - NOTES TO THE CASH FLOW STATEMENTS

	Year ended 31 December		
	2010	**2009**	**2008**
Profit (loss) before tax	**(19,659)**	**2,983**	**36,401**
Adjustments for:			
Depreciation of property, plant and equipment	11,010	10,529	7,672
Increase (decrease) in provisions	1,518	880	503
Loss on sale of property, plant and equipment	518	59	16
Amortisation of intangible assets	1,488	1,345	903
Impairments and disposals	1,199	1,672	-
Loss from deemed disposal on obtaining control in an associate (Note 1)	-	4,358	-
Investment income	(397)	(843)	(3,000)
Finance costs	1,703	1,258	2,992
Foreign exchange loss (gain)	2,827	(1,158)	384
Expense relating to grant of share options	951	711	1,154
Share of results of associates	-	658	2,203
Operating cash flows before movements in working capital	**1,158**	**22,452**	**49,228**
Decrease (increase) in inventories	63	(237)	(19)
Decrease (increase) in receivables	330	(2,360)	668
Increase (decrease) in payables	(8,203)	2,236	(*) (2,545)
	(6,652)	**22,091**	**47,332**
Cash generated by operations			
Income taxes paid	(7,232)	(10,402)	(18,323)
Interest paid	(834)	(877)	(1,212)
Net cash from operating activities	**(14,718)**	**10,812**	**27,797**

* **Restated – see Note 2.21**

Investment in a subsidiary, net of cash aquired

	2010	**2009**	**2008**
Consideration paid	-	(21,000)	-
Less: cash received	-	2,331	-
Investment in subsidiary	-	(18,669)	-

(in thousands of Euro unless otherwise stated)

NOTE 31 -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 bids 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		
	2010	**2009**	**2008**
Within one year	1,247	1,224	1,409
In the second to fifth years inclusive	4,003	3,542	4,784
Total	5,250	4,766	6,193

NOTE 32 - CONTINGENT LIABILITIES

THE COMPANY

1. The Company encountered certain disagreements with the co-shareholder of 50% in Vasanta ("B.A.T"). 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 at CHL).

   The above mentioned disagreements were reflected in, among other ways, 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 said have resulted in several legal proceedings served against the Company as well as proceedings initiated by the Company against B.A.T and (to the best knowledge of the Company), B.A.T's ultimate controlling shareholder, Mr. Moshe Bublil, and other disputes such as :

   (a) A dispute related to the amendment of the article of association of CHL upon which all board resolutions passed by simple majority and 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 believes that this resolution was never duly passed.

   In addition, dividends in the amount of € 10 million distributed by CHL to PBS and in which the Company's share is € 5 million, was not further distributed to the Company.

NOTE 32 - CONTINGENT LIABILITIES (Cont.)

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 31 to the 2009 Financial Statement, on April, 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:

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

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

   On June 20 2010 the Company submitted to the court its response to the motion, asking the court to reject the motion.

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, approving 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.
   In its reply, dated March 10, 2010, the Company stated that both the general and adjourned meetings were duly convened, and any and all resolution adopted on those meetings were duly passed, valid and in accordance with Dasharta's bylaws and that there is no ground for an approval of a derivative claim.

   According to the Company's legal counsels' opinion, at this stage it is not possible to assess the outcome of the claim.

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%.

4. On October 31, 2010, the parties to the proceedings mentioned in 1, 2 and 3 above, agreed to suspend all legal actions for a period of three months and to try and settle all disputes through a mitigation process. This term was mutually extended for an additional month. On March 22, 2011 the parties notified the court that the mitigation process ended with no success.

NOTE 32 - CONTINGENT LIABILITIES (Cont.)

LEGAL PROCEEDINGS SERVED AGAINST THE COMPANY AND OTHERS : (Cont.)

5. 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 mitigation process. At this stage it is impossible to anticipate the results.

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 PBSk; 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 legal counsels' opinion, at this stage it is not possible to assess the outcome of the motion.

2. On July 22 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.

   For other legal proceedings, further information and background; please refer to the Company’s annual report for the year ended December 31, 2010.

   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 October 31, 2010, the parties to the proceedings mentioned in 1 and 2 above, agreed to suspend all legal actions for a period of three months and to try and settle all disputes through a mitigation process. This term was mutually extended for an additional month. On March 22, 2011 the parties notified the court that the mitigation process ended with no success.

NOTE 32 - CONTINGENT LIABILITIES (Cont.)

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.

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) As noted in Note 12 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 2010 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, 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 2010 and up to 31 December 2010. Since the initial case was rejected, no provision has been made by CHL.

(c) Several other lawsuits are pending against CHL amounting to € 1,443 thousand mainly relating to claims by former employees. CHL has provided an amount of € 600 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 two individuals totaling € 160 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. 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 2010.CHL SA is subject to a tax audit for the year ending 31 December 2010.

NOTE 32 - CONTINGENT LIABILITIES (Cont.)

CLUB HOTEL LOUTRAKI : (Cont.)

(i) There is 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. 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. In addition there was a claim by the former financial director for further damages amounting € 4,125 thousand from which he resigned during the hearing. 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 2001 through to 31 December 2010. 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.

NOTE 32 - CONTINGENT LIABILITIES (Cont.)

RHODES CASINO (Cont.)

(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.

(d) 66 employees filed a lawsuit against the Company claiming wrongful distribution of gratuities amounting in total to approx € 522 thousand. On the hearing dated 30 November, 2010 the plaintiffs withdrew the lawsuit.

(e) 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 2010 amounts to 306. 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.

(f) 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 an arbitration clause in the agreement with the subcontractor an arbitrator has been appointed. No provision has been made, as the Company's lawyer believes that the claims have remote chances of being successful.
The company has filed to the arbitrator a statement of defence and a counter-claim against the sub contractor for damages caused to the company.

2. A claim has been submitted against the company subsidiary by a previous employee. The first instance court decision was in favour of the former employee. An appeal has been filed by the subsidiary. While waiting

(in thousands of Euro unless otherwise stated)

NOTE 32 - CONTINGENT LIABILITIES (Cont.)

PRAGUE (Cont.)

for the higher instance court decision the subsidiary has entered into negotiation with the plaintiff. The Group has provided an amount of € 120 thousand for this claim.

NOTE 33 - 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 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)
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)
For the year ended 31 December 2008		
Y.Z. Queenco (*)	(87)	82
Shachar HaMillenium (*)	-	(63)
Queen (*)	57	22
Windview limited	-	(60)
Mr Yigal Zilkha (**)	(316)	(294)
Total	(346)	(313)

(*) 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.

(in thousands of Euro unless otherwise stated)

NOTE 33 - RELATED PARTIES (Cont.)

(b) Compensation of key management personnel

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

	2010	2009	2008
Short-term compensation of key management	847	1,102	1,145
Compensation to the Chairman of the board with respect to prior year	-	304	105
Share based compensation of key management	785	608	1,100
Board of directors fees	150	123	90
Total	1,782	2,137	2,490

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

(c) Other related party transactions

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

For share based payments see Note 35.

NOTE 34 - INVESTMENT PROPERITES

Cost	
Balance as at 01 January 2009	7,500
Reclassification to Tangible fixed assets	(7,500)
Reclassification from Tangible fixed assets	5,376
Balance as at 31 December 2009	5,376
Disposal	(1,931)
Balance as at 31 December 2010	3,445
Accumulated amortisation	
Balance as at 01 January 2009	506
Reclassification to Tangible fixed assets	(506)
Reclassification from Tangible fixed assets	1,436
Balance as at 31 December 2009	1,436
Disposal	(608)
Impairment	369
Depreciation	80
Balance as at 31 December 2010	1,277
Net book value as at 31 December 2010	2,168
Net book value as at 31 December 2009	3,940

(*) For more details see Note 9 above.

Fair value	
At 31 December 2010	5,104
At 31 December 2009	7,574

The fair value of the Group's investment properties at 31 December 2010 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 35 – 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 staffs have 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 October 31 2010, 4% of stock option A were 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 option 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 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 Euro and 0.8 million Euro in 2009 and 2010, respectively.

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

	2010		**2009**	
	Number of share options	**Weighted average exercise price (in €)**	**Number of share options**	**Weighted average exercise price (in €)**
Outstanding at beginning of period	1,824,381	10.73	2,222,803	11.55
Granted during the period	879,205	4.2	571,745	4.2
Forfeited during the period	(521,829)	5	(970,167)	8
Outstanding at the end of the period	2,181,757	9.5	1,824,381	10.73
Exercisable at the end of the period	773,802	13.4	501,055	13.71

(in thousands of Euro unless otherwise stated)

NOTE 35 – SHARE BASED PAYMENTS (Cont.)

	Outstanding at December 31 2010			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	14	673,056	14
11.2	74,463	3	11.2	74,164	11.2
4.2	106,329	4.25	4.2	26,582	11.2
4.2	790,188	5	-	-	-
4.2	89,017	5.33	-	-	-
	2,181,757			773,802	13.4

The inputs into the Binomial model are as follows:

	2010	2009
	€	€
Weighted average share price	3	2.73-3
Weighted average exercise price	4.2	4.2
Expected volatility	40%	41%
Expected life	6	6
Risk-free rate	2. 5%	2. 5%-2.75%
Expected dividends	0%	0%

Expected volatility was determined by calculating the historical volatility of QLI's parent company's (Y.Z. Queenco) share price over the previous 1 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 expense of € 951 thousand, € 711 thousand and € 1,154 thousand related to equity-settled share-based payment transactions in 2010, 2009 and 2008, respectively.

NOTE 36 - 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:

(in thousands of Euro unless otherwise stated)

NOTE 36 - FINANCIAL RISK MANAGEMENT (Cont.)

	Profit / (loss)
5% increase in NIS / €	(119)
5% decrease in NIS / €	119
5% increase in RON / €	(63)
5% decrease in RON / €	63
5% increase in NIS / $	(174)
5% decrease in NIS / $	174

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 has a total of net € 2.3 million unlinked and non interest bearing liabilities as at 31 December 2010. This is 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. The non-discounted payments are included in Notes 18 and 25. Consequently the Group considers that it has little interest rate exposure.

For interest rate risk on bank loans see Note 25.

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 2010 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.