25 March 2009

Queenco Leisure International Ltd.

(the “Group” or “QLI”),

Financial Results for the 12 months ended 31 December 2008

Queenco Leisure International Ltd. (LSE: QLI), the emerging markets developer and owner of entertainment centers through Israeli and foreign companies, is pleased to report its results for the three and twelve month periods ending 31 December 2008.

Financial Highlights for the year ended 31 December 2008

- Gross revenues were €196.4 million (2007: €205.7 million)
- Net Revenues were €137.4 million (2007: €142.9 million)
- EBITDA was € 47.8 million (2007: €62.0 million)
- Profit before tax was €36.4 million (2007: €52.9 million)
- EPS was 3.8¢ (2007: 7.6¢); Earnings per GDR (1 GDR = 10 ordinary shares) was 38¢ (2007: 76¢)
- Net current assets of €21.1 million as at 31 December 2008
- Net cash position of €31.5 million as at 31 December 2008

2008 Main Operating and Business Highlights

- Global economic environment impacting gaming worldwide
  - Decrease in consumer spending
  - Reviewing and prioritizing ongoing and future projects, while identifying new opportunities

- Expanding marketing and loyalty programs to draw high rollers
  - Nominated new VP of Global Sales and Marketing
  - Acquired plane to accommodate high rollers
  - Loutraki continued to draw guests, up 3.6% yoy

- Continuing to expand into fast growing regions
  - Increased indirect holding in Grand Casino d.o.o. Beograd (‘Casino Beograd’), to 30.7% following purchase by Club Hotel Loutraki S.A. (‘CHL’) of Casino Austria's 51% stake
  - SaSaZu, our unique entertainment centre in Prague is due to officially open in April 2009

Uri Ben Ari, Chief Executive Officer of QLI, commented:

"We are operating in a challenging and complex environment affecting all areas of the economy, including the gaming sector. QLI began the year with healthy growth in its main properties, but, in the second half trading was impacted by a slowdown in global spending.

“However, we are encouraged by the fact that our properties continued to draw customers in high numbers despite the tough climate. We are focused on maintaining the same level of excellence across all our businesses and steadily investing in both marketing and loyalty programmes.

"The year ahead will undoubtedly be challenging, but I believe that by focusing on our core skills, we can continue to develop the business despite the current global economic crisis."

Analyst/Investor Conference Call

A conference call will be held at 3.00pm (UK time), 5.00pm (Israel time), 11.00am (Eastern Daylight Time) and 8.00am (Pacific Daylight Time). The call can be accessed by dialing:

UK Freephone:	**T: 0 808 101 2717**
US Freephone:	**T: +1 888 723 3164**
International:	**T: +972 3 918 0650**
Israel:	**T: 03 918 0650**

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

A replay of the call will be available from tomorrow under the investor relations section of Queenco Leisure International Limited's website: www.queenco.com

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

Queenco Leisure International Ltd.
Uri Ben-Ari, CEO T: +972 (0)3 756 6555
Neomi Enoch, CFO

ING
Chris Godman T: +44 (0)20 7767 6896

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

Chief Executive's Review

Introduction

I am pleased to present QLI's financial results for the three and twelve months ended 31 December 2008. Despite the global economic slowdown, the Group is in a good position, with three cash generative properties and a balance sheet with net current assets of €21.1 million.

Gross revenues for the three months ended 31 December 2008 were €45.1 million while gross revenues for the year were €196.4 million. Our operating properties continued to draw customers in high numbers and Loutraki in particular saw an increase of 40,953 guests for the year. In line with trends across the gaming industry, win per visit in QLI decreased as a result of lower spending budgets due to the current downturn, especially during the second half of 2008.

Our main effort during these challenging times is to focus on maintaining and increasing guest numbers, as we believe this is the key to our Company's growth and success in the near future. We continue to invest our efforts in marketing activities having recently appointed Ron Yariv as our new VP for global sales and marketing, improve our loyalty programmes and continue with investments in complimentary services to ensure customers continue to enjoy a high quality experience.

We have reviewed the pipeline of our new developments and have adopted a more cautious approach to pursuing our pipeline of projects. At the same time we are identifying new opportunities arising from the current global market.

Summary of financial performance

Results for the twelve months ended 31 December 2008

Gross revenues were €196.4 million (2007: €205.7 million), a decrease of 4.5% whilst net revenues decreased by 3.85 % to €137.4 million (2007: €142.9 million). The decline in revenues, both gross and net, for the year reflects the impact of the general economic slowdown. During the period customers continued to visit our operating properties, however, win per visit was down year on year. Despite the decrease in revenues, the continuous visitation reflects our customers' loyalty and the strong appeal of our casinos. External factors, including the fall in win per visit and changes in Greece to the accounting policy treatment for employees' social rights, together with increased marketing costs, led to EBITDA for the year decreasing to €47.8 million (2007: €62.0 million). While the fall in consumer spending was the key factor, the introduction of new employment laws by the Greek government meant our Greek properties had to absorb a €2.7 million increase in salary costs. In addition, to retain key staff in the competitive Bucharest market, salary costs in Casino Palace also increased. Marketing expenses increased reflecting our strategy to maintain market share and attract new customers, particularly VVIP players. Higher head office costs relating to employee options, salaries and legal expenses, together with costs relating to our investment in Prague, meant administrative costs increased as well. Net profit for the year was €23.0 million (2007: €37.5 million).

Basic earnings per share was 3.8 ¢ (2007: 7.6¢) and earnings per GDR (each GDR representing 10 ordinary shares) were 38 ¢ (2007: 76¢)

Results for the three months ended 31 December 2008

Gross revenues were €45.1 million (2007: €56.3 million), whilst net revenues were €31.6 million (2007: €39.1 million). The decline in revenues, gross and net, in the period, primarily follows the 17.89% decline in gross revenues at Casino Loutraki following a substantial decline in win per visit during the period, despite maintaining guest numbers at broadly similar levels. EBITDA was €8.3 million (2007: €17.3 million) a decrease of 52.0% mainly due to the lower net revenues, as well as higher payroll expenses. Net profit for the quarter was €5.6 million (2007: €10.1 million). The lower net profit for the quarter resulting from the trends outlined above was offset by an increase in finance income following currency gains.

Basic earnings per share were 1.1 ¢ (2007:2.0 ¢) and earnings per GDR were 11 ¢ (2007: 20 ¢).

Operational Review

Results by casino for the twelve months ended 31 December 2008

Casino	Net Revenue (EURm)		EBITDA (EURm)		Guests (000's)		Win per Visit (EUR)		QLI's Economic Interest
	2008	2007	2008	2007	2008	2007	2008	2007	
Loutraki	174.2	188.2	73.9	91.6	1,166	1,125	220	245	38.5%
Rodos	25.4	27.7	8.6	11.8	169	177	212	221	91.6%
Palace	22.1	19.5	7.2	6.4	110	116	*209*	174	83.3%

*Loutraki is consolidated in the report at 53% between January and August 2008 and 50% onwards, while the results of Rodos and Palace are fully consolidated.
** The results of Casino Beograd are incorporated in Loutraki under the equity method of accounting.

Results by casino for the three months ended 31 December 2008

Casino	Net Revenue (EURm)		EBITDA (EURm)		Guests (000's)		Win per Visit (EUR)		QLI's Economic Interest
	2008	2007	2008	2007	2008	2007	2008	2007	
Loutraki	40.3	49.1	16.2	24.6	294	304	203	239	38.5%
Rodos	6.1	7.3	2.4	3.1	38	44	226	236	91.6%
Palace	5.4	5.8	1.0	1.7	30	30	190	215	83.3%

*Loutraki is consolidated in the report as 50% while the results of Rodos and Palace are fully consolidated.
** The results of Casino Beograd are incorporated in Loutraki under the equity method of accounting.

Club Hotel Casino Loutraki ("Casino Loutraki")

Results for the twelve months ended 31 December 2008

Gross gaming revenues for the 12 months ended 31 December 2008 were €256.1 million (2007: €275.3 million), while net revenues were €174.2 million (2007: €188.2 million). Over the year the property generated EBITDA of €73.9 million, a decrease of 19.3% (2007: €91.6 million), mainly due to the fall in net revenue in the second half of 2008 and the higher payroll expenses.

For the year ended 31 December 2008, Casino Loutraki continued to attract more guests with a 40,953 increase in guest numbers. Average win per visit for the year declined by 10.3%, resulting from the lower spending in the current environment.

Results for the three months ended 31 December 2008

Gross gaming revenues for the three months ended 31 December 2008 were €59.7 million (2007: €72.7 million), while net revenues were €40.3 million (2007: €49.1 million). In the fourth quarter 2008, Casino Loutraki generated EBITDA of €16.2 million (2007: €24.6 million), mainly due to the decrease in net revenues as a result of guests' lower spending budgets as well as high expenses, primarily as a result of changes to Greek labour laws.

For the three months ending 31 December 2008, the number of guests decreased slightly to 293,975 (2007:303,885). We continue to see a decrease in the average win per visit, which was €203 to (2007:€239), a 15% decrease.

Casino Beograd

Casino Beograd, which enjoys exclusivity in the Serbian Capital, Belgrade became fully operational in February 2008 after the soft opening in July 2007. For the year ended 31 December 2008 Casino Beograd reported a negative EBITDA of €3.7 million. Our investment in marketing in a city of over 2 million inhabitants, and in an under penetrated market, has proven to be successful, as guest numbers increased on a monthly basis.

In December 2008, CHL entered into an agreement with Casino Austria AG ("CAAG") for the purchase of their 51% holding in Casino Beograd for €42 million, taking Casino Loutraki's total stake in the casino to 90%, and increasing QLI's indirect holding to 30.7%. In addition, Casino Austria International Holding ("CAIH) has granted CHL an option to acquire either 50% or 75% of the issued share capital of Grand Casino Brussels.

Furthermore, Vasanta Holdings, a 50% subsidiary of QLI received from Casino Austria International an irrevocable offer to enter into an agreement in which Casino Austria International will have a call option to purchase from Powerbrook Spain, the parent company of CHL controlled by Vasanta ("Powerbook"), and Vasanta will have a put option to cause Casino Austria International to purchase from Powerbrook, ordinary shares representing 11.74% of the fully diluted share capital of Powerbrook. The aggregate exercise price of the Call Option is €54.9 million and the exercise of the Put Option is €49.5 million. As a result of the offer QLI's indirect holding in CHL will be diluted from 34.1% to 30.1%, while our economic interest remains at 38.5% until the accumulated free cash flow (as defined in the shareholders' agreement) of CHL reaches an additional €267 million. The offer is currently pending approval by Vasanta.

Casino Rodos

Results for the twelve months ended 31 December 2008

Casino Rodos, the only casino located on the holiday island of Rhodes has also been affected by the general slowdown. Overall for the year, gross gaming revenues were €35.7 million (2007: €39.3 million) and net revenues were €25.4 million (2007: €27.7 million) which in turn impacted EBITDA at €8.6 million (2007: €11.8 million).

Guest numbers in Casino Rodos declined by 4.9% for the year, while win per visit declined by 4.3% to €211.9 for the year (2007: €221.3).

Results for the three months ended 31 December 2008

Gross gaming revenues for the three months ended 31 December 2008 were €8.6 million (2007: €10.4 million), while net revenues were €6.1 million (2007: €7.3 million), reflecting the slowdown in the quarter. EBITDA which was impacted by the decrease in revenues along with high payroll and marketing expenses was €2.4 million (2007: €3.1).

Guest numbers in Casino Rodos declined by 13.7% for the fourth quarter, while win per visit declined by 4.2% to €226 (2007: €236).

The island of Rhodes is difficult to access in the off season and since Casino Rodos is ideally suited to the high roller market, the Group acquired a private jet in order to accommodate new and returning VVIP customers.

Casino Palace

Results for the twelve months ended 31 December 2008

Revenues for the year have been very positive, although trading in the last six months of 2008 have been affected by the crisis in the global market. Gross gaming revenues for the year were up 13.4% to €22.9 million (2007: €20.2 million), while net revenues were €22.1 million (2007: €19.5 million). Casino Palace has performed strongly in 2008 despite operating in a highly competitive environment, as the superior product it offers attracts high rollers. EBITDA increased by 12.5% to €7.2 million. Although the number of guests decreased by 5.3% to 110,050 (2007: 116,248) the win per visit increased by 20.5% to 209 (2007: 174 million).

Results for the three months ended 31 December 2008

Gross gaming revenues for the three months ended 31 December 2008 were €5.7 million (2007: €6.4 million), while net revenues were €5.4 million (2007: €5.8 million). The property generated EBITDA of €1.0 million (2007: €1.7million), reflecting a fall in net revenues and the largely fixed structure of gaming tax in Romania. The number of guests remained the same, while win per visit was also affected by the general slowdown and decreased by 11.4% to 190.3 (2007: 215).

In addition to "Casa Vernescu", one of Romania's leading restaurants, which is located in Casino Palace, the Group recently opened a new Asian restaurant on the premises to accommodate the rapidly growing Asian cliental in Romania, and has begun renovation work in Casino Palace in order to ensure that players receive the highest quality gaming experience. Looking ahead, the group has acquired land opposite the casino for the development of a boutique hotel to attract and accommodate high rollers. This project is currently on hold pending changes in the global economic environment.

Dividend

On 27 May 2008, a dividend of 17¢ per GDR, an aggregate amount of €6 million, was paid to shareholders. No further dividend is payable in respect of the 2008 financial year. The Board will continue to keep its dividend policy under review.

Personnel

In 2008, I was appointed as Chief Executive Officer, and Neomi Enoch became Chief Financial Officer. Since then we have been joined by Tzahi Miller, who served in various casino-related positions in Las Vegas including Financial Planning and Analysis Manager at the Las Vegas Sands, as Vice President of Strategy and Planning, and Ron Yariv, who has vast experience in international sales and marketing in the Hilton Hotels corporation as the new VP of Global Marketing and Sales. We have also expanded the team in other areas and we believe that these changes will strengthen us and help us face the challenges of the current climate.

On behalf of the board I would like to thank all the employees of the group their hard work.

Projects

After reviewing each investment project, given the current market situation, we have decided to follow through with prioritised investment projects.

The new property in Prague is being developed as part of a unique new entertainment centre concept under the SaSaZu brand and will open in the second quarter of 2009. The new venue will include a nightclub, slot machines, an Asian themed restaurant and garden café.

We continue with our plan to develop “Casino Constanta” in Romania, located in a historic building with a 49.5 year lease. We are seeking to reduce costs in this project as the global economic crisis has resulted in lower costs of labour and material.

In Sihanoukville, Cambodia we are evaluating the economical feasibility of the project as a result of the current economic environment. In Bulgaria, we are awaiting the anticipated changes to the regulatory environment in the country in order to proceed with projects in our two properties, located in Sofia and Varna.

Outlook

We expect the challenging trading conditions will continue in 2009 as the global economic slowdown will continue to effect vistiors' spending budgets. However, we maintain the competitive advantage of having very high quality assets and a positive balance sheet. Our properties are still highly cash generative and offer guests a superior gaming and leisure experience. In addition, we are progressing with prioritized projects such as SaSaZu in Prague and the casino in Constanta, Romania.

We will continue to invest in marketing with the objective of retaining existing customers and attracting new ones through the implementation of a comprehensive marketing business plan, as we believe that enhancing our client base during this challenging period is the key to our future success.

Uri Ben-Ari
Chief Executive Officer
25 March 2009

Disclaimer

Certain statements in this document are forward looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties or assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this document regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this announcement.

Except as required by law, the Company is under no obligation to update or keep current the forward-looking statements contained in this document or to correct any inaccuracies which may become apparent in such forward-looking statements.

QUEENCO LEISURE INTERNATIONAL LTD

Consolidated statements of income
(In thousands of €)

	Notes	Year ended 31 December		
		2008	**2007**	**2006***
Revenues	4	137,390	142,895	119,858
Operating costs				
Cost of revenues	5	(58,614)	(54,918)	(47,587)
Selling and marketing expenses	6	(15,510)	(14,911)	(11,353)
General and administrative expenses	7	(23,920)	(19,959)	(17,545)
Other operating expenses	8	(366)	(492)	(861)
Share of results of associated company	16	(2,203)	(1,351)	86
Operating profit		**36,777**	**51,264**	**42,598**
Investment income	9	3,000	4,933	1,188
Finance costs	10	(2,992)	(3,195)	(2,476)
Foreign exchange loss		(384)	(61)	(110)
Profit before tax		**36,401**	**52,941**	**41,200**
Tax	11	(13,382)	(15,407)	(14,761)
Profit for the year		**23,019**	**37,534**	**26,439**
Attributable to:				
Equity holders of the parent		13, 367	25,138	17,241
Minority interests		9,652	12,396	9,198
		23,019	**37,534**	**26,439**
Earnings per share				
Basic *pro forma* (¢)**	13			5.5
Diluted *pro forma* (¢)**	13			5.5
Basic (¢)	13	3.8	7.6	9.1
Diluted (¢)	13	3.8	7.5	9.1

* The 2007 and 2006 amounts reflect the 12 months operations for the Group for each year as if the restructuring described in Note 1 had occurred at the beginning of the reporting period starting 1 January 2006.

** *Pro forma* earnings per share have been calculated as if the equity issue described in Note 1 had been performed on 1 January 2006.

Consolidated Balance sheets
(In thousands of €)

	Notes	As at 31 December	
		2 0 0 8	**2 0 0 7**
Non-current assets			
Intangible assets	14	8,233	13,746
Property, plant and equipment	15	108,322	92,672
Investment property	33	6,994	7,652
Associated company	16	11,435	13,019
Deferred tax asset	17	2,043	2,465
Other long term receivables	18	12,144	12,178
Total non-current assets		**149,171**	**141,732**
Current assets			
Inventories	19	760	782
Investments	20	9,107	8,894
Trade and other receivables	21	4,470	3,985
Cash and cash equivalents	22	57,015	76,011
Total current assets		**71,352**	**89,672**
Total assets		**220,523**	**231,404**
Current liabilities			
Accounts payable		(4,941)	(5,587)
Current tax liabilities		(5,352)	(11,314)
Other current liabilities	23	(23,012)	(25,974)
Bank overdraft and loans	24	(16,958)	(12,591)
Total current liabilities		**(50,263)**	**(55,466)**
Net current assets		**21,089**	**34,206**
Total assets less current liabilities		**170,260**	**175,938**
Non-current liabilities			
Long-term bank loans	24	(8,536)	(10,259)
Other long-term liabilities	25	(7,286)	(11,003)
Deferred tax	17	(1,795)	(3,471)
Provision for retirement benefits	26	(5,340)	(4,835)
Total non-current liabilities		**(22,957)**	**(29,568)**
Net assets		**147,303**	**146,370**

Consolidated Balance sheets (Cont.)
(In thousands of €)

Shareholders' equity			
Share capital	27	62,512	62,512
Share premium		130,998	130,998
Hedging and translation reserve		2,830	1,828
Other reserve	2.4	(7,950)	-
Accumulated deficit	28	(71,495)	(80,009)
Equity attributable to equity holders of the parent		**116,895**	**115,329**
Minority interest		**30,408**	**31,041**
Total Equity		**147,303**	**146,370**

The financial statements were approved by the board of directors and authorised for issue on 24 March 2009. They were signed on its behalf by:

Uri Ben-Ari
Chief Executive Officer

Neomi Enoch
Chief Financial Officer

24 March 2009

Consolidated statements of changes in equity

(In thousands of €)

	Notes	Share Capital	Share Premium	Hedging & Translation reserve	Other reserve	Accumulated deficit	Parent	Minority Interest	Total Equity
Balance as at 1 January 2006		-	-	(3,247)	-	(103,290)	(106,537)	9,411	(97,126)
Capital issue		44,173	84,827	-	-	-	129,000	-	129,000
Translation differences		-	-	5,725	-	-	5,725	222	5,947
Dividend		-	-	-	-	-	-	(3,871)	(3,871)
Profit share due to the municipality of Loutraki	12	-	-	-	-	-	-	(3,361)	(3,361)
Profit for the year		-	-	-	-	17,241	17,241	9,198	26,439
Balance as at 31 December 2006		**44,173**	**84,827**	**2,478**	**-**	**(86,049)**	**45,429**	**11,599**	**57,028**
Translation differences				(650)	-	-	(650)	(16)	(666)
Costs relating to the Romanian transaction under common control		-	-	-	-	(136)	(136)	-	(136)
Capital issue		7,175	46,171	-	-	-	53,346	-	53,346
Expense resulting from grant of share options		-	-	-	-	954	954	-	954
Issuance of shares in relation to the Romanian transaction under common control		11,164	-	-	-	(11,164)	-	-	-
Conversion of capital notes to equity *		-	-	-	-	-	-	9,816	9,816
Purchase of minority interest		-	-	-	-	-	-	5,468	5,468
Dividend **		-	-	-	-	(8,752)	(8,752)	(3,553)	(12,305)
Profit share due to the municipality of Loutraki	12	-	-	-	-	-	-	(4,669)	(4,669)
Profit for the year		-	-	-	-	25,138	25,138	12,396	37,534
Balance as at 31 December 2007		**62,512**	**130,998**	**1,828**	**-**	**(80,009)**	**115,329**	**31,041**	**146,370**

* Capital notes held with Milimor and Shachar Hamillenium (parent companies)

** Representing 1.7 ¢ and 4 ¢ per share for 2008 and 2007, respectively

Consolidated statements of changes in equity (Cont.)
(In thousands of €)

	Notes	Share Capital	Share Premium	Hedging & Translation reserve	Other reserve	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 (see 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 period		-	-	-	-	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**

* Capital notes held with Milimor and Shachar Hamillenium (parent companies)
** Representing 1.7 ¢ and 4 ¢ per share for 2008 and 2007, respectively
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Consolidated cash flow statements
(In thousands of €)

	Notes	Year ended 31 December		
		2008	**2007***	**2006***
Net cash from operating activities	29	**19,847**	**46,280**	**35,941**
Investing activities				
Interest received		2,635	4,801	478
Purchases of property, plant and equipment		(24,013)	(9,983)	(9,972)
Proceeds on sale of property, plant and equipment		341	-	-
Purchase of other intangibles		(73)	(28)	(27)
Advances on fixed assets		(2,509)	-	-
Investment in an associated company		(1,367)	(9,754)	(20)
Increase in other long-term receivables		(168)	-	-
Proceeds on sale of marketable security		-	-	2,465
Money on deposit		-	-	(715)
Purchases of trading investments		(735)	(7,923)	(147)
Instalments for the acquisition of a subsidiary		(2,964)	(714)	(714)
Loan to associated company		-	(7,585)	(60)
Sale of interest in joint venture entity		865	-	-
Purchase of additional interest in joint venture entity		-	(2,153)	-
Investment in a subsidiary net of cash acquired		-	-	(7,500)
Net cash used in investing activities		**(27,988)**	**(33,339)**	**(16,212)**
Financing activities				
Dividends paid to minority shareholders		(5,131)	(3,402)	(3,776)
Dividends		(6,007)	(8,752)	-
Repayments of borrowings		(12,420)	(11,730)	(13,325)
Receipt / (repayment) of other long term liabilities		(1,245)	3,285	(4,266)
Issue of shares, net of expenses		-	53,346	-
Repayments of capital notes		-	-	(246)
Share of profits paid to Municipality of Loutraki		(4,371)	(4,361)	(2,911)
Increase (decrease) in bank overdrafts and short-term loans		15,959	(250)	245
Net cash provided by (used in) financing activities		**(13,215)**	**28,136**	**(24,279)**
Net increase (decrease) in cash and cash equivalents		(21,356)	41,077	(4,550)
Effect of foreign exchange rate changes		2,360	(305)	590
Cash and cash equivalents at beginning of year	22	76,011	35,239	39,199
Cash and cash equivalents at end of year		**57,015**	**76,011**	**35,239**
Tax cash flow		(18,323)	(14,717)	(11,891)
Interest paid		(1,212)	(1,208)	(4,074)

* The 2007 and 2006 amounts reflect the 12 months operations for the Group for each year as if the reorganisation described in Note 1 had occurred at the beginning of the reporting period starting 1 January 2006.

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

NOTE 1 - GENERAL INFORMATION

Queenco Leisure International Ltd (formerly Resido Tourism, Development and Vacationing (2002) Ltd) (the "Company" and "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 traded 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 traded 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 Zilka.

The Company, through Israeli and foreign companies, (together, "the Group"), is a developer, operator and owner of entertainment centres, casinos and leisure resorts, currently mainly in Greece and in Romania. The activities in Greece are in the city of Loutraki and Rhodes Island. Currently, the activities in Romania are in the city of Bucharest. The Company provides advisory services to the projects.

Up until the end of 2002, Milomor and Queenco were the joint owners 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 for a total consideration, from all investors, of € 405 million at the beginning of 2003. 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.

In November 2006 the Company's ultimate controlling shareholders (as of then) decided to restructure their holdings and to transfer their controlling interest in a Romanian tourist and casino project in Bucharest to the Company. Under this reorganisation it was agreed that the Romanian project would be transferred to the ownership and control of the Company for 62,500,050 newly issued shares of the Company representing 25% of the Company's equity prior such an issuance. This transaction was accounted for as a re-organisation of entities under common control (Note 2.1(ii)). The transaction was completed on 13 June 2007.

In June 2007, Resido Rodos Ltd, a subsidiary of the Company, signed an agreement to exchange € 9.8 million of parent loans for capital notes. These capital notes are considered equity instruments and the transaction was conditional on a successful public offering of the Company.

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 2008, 34.1% interest in Club Hotel Loutraki S.A. ("CHL"), a company incorporated in Greece. This holding is mainly trough 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.

(in thousands of Euro unless otherwise stated)

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. See Note 9 for further details.

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 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 2008). Once accumulated free cash flow has reached this level, the third party shareholder (Casino Austria) had 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

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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 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.

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 financial statements of the Rhodes Casino are fully consolidated.

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 are remote

Projects in Romania

Following the completion of the reorganisation described above, 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 financial statements of the Palace Casino are fully consolidated and as if the reorganisation described in Note 1 had occurred at the beginning of the earliest reporting period presented: 1 January 2006 (see also Note 2.1 (*ii*)).

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 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, trough Queen Investments, intends to renovate and operate the building "Casino Constanse". Queen Investments has entered into contractual obligations of approximately € 0.1 million per annum in this respect. There is a further obligation to invest € 10 million in the project.

In 2006, a building was acquired for a total of € 1.9 million near the casino in Bucharest. In 2008, land was acquired for a total of € 1.6 million, near the planed casino in Constanta. Both the plot and the building are designated for the construction of a boutique hotel near each of the casinos.

Project in Belgrade

In December 2005, Grand Casino d.o.o Belgrade (hereinafter: "the Serbian Company") in which CHL holds a 39% interest, 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. See below with respect to developments after 31 December 2008.

The Group's proportional share of the Serbian Company is included in the financial statements under the Equity Method.

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.

In September 2006, CHL acquired a company which owns the asset in which the casino will be located for a consideration of € 15 million. The Serbian Company leases the asset for a period of 10 years. This asset is designated as an investment property.

Grand Casino d.o.o. underwent a soft opening on 30 June 2007 and fully opened during February 2008.

Project in Prague

The Company is in the process of forming an amusement centre in the city of Prague, the Czech Republic. The amusement centre will include a club and gaming centre and is planned to open in the second quarter of 2009. Total investment in the project is estimated at € 8.7 million. Total investment in the project at 31 December 2008 was € 7.3 million.

Real estate in Bulgaria

The Company holds, through a wholly owned Israeli subsidiary, 70% interest in a private company registered in Bulgaria which has the right to be registered as the owner of certain real estate property in Bulgaria. This asset is designated for future use as a tourist project, and accordingly is presented as part of the Group's fixed assets. The financial statements of the company in Bulgaria are fully consolidated in the Group's consolidated financial statements.

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. In January 2008 a foreign interest of the Group, controlled by it, contracted to acquire additional land in Cambodia for a total consideration of approximately € 7.5 million (the "Second Acquisition").

The current designation of the both acquisitions is for agriculture. However the Group expects that the designation can be changed for tourism purposes. With regard to the Second Acquisition, , the Group has contacted a local Cambodian entity to help the Group in the obtainment of the needed permits for the tourist projects, for 10% of the Second Acquisition's rights, subject to the obtainment of needed permits and meeting certain other conditions by August of 2009.

As at the date of these accounts, no decision has yet been made as to how to progress with the projects and the Group is evaluating the economical feasibility of such projects.

Developments with respect to project in Belgrade and PBS

On 31 December 2008, CHL, has entered into an agreement with Casino Austria AG ("CAAG") for the purchase from CAAG of 51% of the shares of the Serbian Company (the "Purchased Shares"), for a purchase price of Euro 42 million (CHL held, prior to the closing of the transaction, 39% of the shares of the Serbian Company). The purchase price for the Purchased Shares is payable in two parts: the first amount of Euro 8.4 million (the "First Tranche") is payable, as extended, on 4 May 2009 and the balance amount of Euro 33.6 million (the "Second Tranche") is payable not later than six months following the sale of the Purchased Shares (the "Closing"). To secure the payment of the Second Tranche, CHL has agreed to grant CAAG at the Closing a first priority, fixed and continuing pledge over 60% of the Serbian Company issued shares (reflecting two thirds of CHL's holding in the Serbian Company upon Closing), which pledge will be removed upon payment to CAAG of the Second Tranche. In March 2009, all conditions for the closing have been met. The foregoing transaction is referred to as the "Sale Transaction". Casino Austria International Holding GmbH ("CAIH"), an affiliate of CAAG, has additionally granted CHL an option to acquire 50% or 75% of CAIH interest in Grand Casino Brussels, by paying CAIH 50% or 87.5%, respectively, of CAIH actual investment in the Brussels casino as defined. This option shall expire, as extended, on 20 June 2009.

From Closing, the financial statements of the Serbian Company will be consolidated with the financial statements of CHL. However, the initial accounting for the transaction is yet incomplete as the fare value of the shares acquired is not yet determined.

For additional details on the Serbian Company please refer to **Project in Belgrade** above and to Note 16.

In addition, Vasanta informed QLI that it has received from CAIH , an irrevocable offer (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, the following securities of PBS (the Call Option may be exercised by CAIH with respect to all or any of the following securities, provided however that if the Call Option is exercised with respect to the Ordinary Shares under clause 1 below, CAIH must also exercise the Call Option with respect to the special shares under clauses 2 and 3 below):

1. Ordinary shares of PBS constituting 11.74% of the fully diluted share capital of PBS;

2. A special share providing for (i) the right to receive certain amounts out of (A) funds actually received by PBS and attributable to operating income of the Serbian Company and/or (B) the sale of shares of the Serbian Company that may be distributed by PBS in the future and (ii) for so long as CHL controls the Serbian Company and PBS controls CHL, the right 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 the Serbian Company; and

3. A special share providing for certain minority protective 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

In the event, as a result of the decision of the Constitutional court of Serbia on September 18 2008, the license is revoked, in whole or in part, and as a result thereof damage is caused to the Company, than the seller shall indemnify the buyer up to an aggregate amount equal to the purchase price ,in a manner described in the agreement (see Note 31).

If CAIH exercises the Call Option with respect to the ordinary shares referred to in clause 1 above, it will have the right to aggregate its holdings with Casinos Austria Greece GmbH, which currently holds shares in PBS, and as a result nominate a total of up to two members, while Vasanta (through an indirectly controlled company) will have the right to nominate a total of up to seven members, to the board of directors of PBS. The Offer also includes an agreement that provides that the transactions contemplated by the Offer may only be consummated following consummation of the Sale Transaction. The aggregate exercise price of the Call Option is Euro 54.9 million and the exercise price of the Put Option is Euro 49.5 million.

The Offer, as extended, will expire, if not accepted by Vasanta, by 30 April 2009. If Vasanta accepts the Offer by such time, the Call Option will be exercisable from the time of acceptance through 30 August 2009 and the Put Option will be exercisable from 31 May 2009 through 2 November, 2009.

There is no assurance that the Offer will be accepted by Vasanta.

(in thousands of Euro unless otherwise stated)

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 following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 8	Operating Segments
IAS 1 (R)	Presentation of Financial Statements
IAS 23 (R)	Borrowing Costs (March 2007)
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 13	Customer Loyalty Programs
IFRIC 14	IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers

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 except for additional disclosures on reclassification of financial statements items that might deem necessary when the relevant standards come into effect for periods commencing on or after 1 January 2009.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are set out below:

2.1 Basis of Presentation

(i) General

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.

(ii) Effect of reorganisation on financial information

As explained in Note 1, the reorganisation involved entities under common control. Therefore these consolidated financial statements have been prepared to reflect the financial position and results of operations for the years ended 31 December 2007 and 2006 as if the reorganisation had taken place on 1 January 2006, the earliest period presented in these financial statements.

The reorganisation has been reflected by combining the balance sheets of the combining entities. The offsetting entry was recorded in accumulated deficit, which was then eliminated upon legal issuance of the 62,500,050 shares on 13 June 2007.

2.2 Use of Estimates

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

2.3 Basis of consolidation

(i) Subsidiaries

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

(ii) Associates

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

(iii) Jointly controlled entities

Jointly controlled entities are those entities over whose activities the Group has joint control under contractual arrangement. The financial statements include the Group's proportionate share of the jointly controlled entities' assets, liabilities, revenue and expenses with items of a similar nature on a line-by-line basis, from the date that joint control commences until the date that joint control ceases.

(iv) Transactions eliminated on consolidation

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

2.4 Business Combinations

The acquisition of subsidiaries is accounted for using the purchase method. 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 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.

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

Until 2007, 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 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 revisions made to IFRS 3 (Revised) have had no impact on the Group's accounting for these periods. 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 do 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).

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 Groups 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 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).

For consolidation purposes, the following translation process from each functional currency into the presentation currency of the Group is applied:

- The assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. Goodwill and fair value adjustments arising on the acquisition of an acquired company are treated as assets and liabilities of the acquired company. These items are translated at the closing rate.

- The income statements are translated at average exchange rates for the year, weighted for the importance of economic events during the year for each functional currency.

- The exchange differences arising from the translation are taken directly to equity

- The exchange differences arising on a monetary item that forms part of a net investment in a foreign operation is taken directly to equity in the consolidated financial statements. On disposal of a foreign entity, accumulated exchange differences are recognised in the income statement as a component of the gain or loss on disposal.

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 operates in one business segment and currently in one geographical segment (Europe).

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.

(in thousands of Euro unless otherwise stated)

2.8 Tangible fixed assets

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

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

2.9 Borrowing costs

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

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

2.10 Leases

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

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

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

2.11 Provisions for retirement benefits

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

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

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

Upon retirement, personnel of the CHL and Rhodes Casino, are entitled to a retirement payment which is equal to 40% of the amount that would be payable in case of involuntary termination calculated according to the provision of Greek Labour Law, which takes into account the employees compensation on retirement and the length of service with the Greek companies. For this unfunded defined benefit retirement benefit plan the cost of providing the benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date.

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

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

2.12 Deferred tax

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

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

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

2.13 Investments

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

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

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

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 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 the Rhodes Casino, the gaming license is amortised over a period of 12 years ending in 2010.

The fair value adjustment on the license (not including exclusivity), purchased in 2007, is amortised over 38 years.

2.16 Impairment

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

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

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

An impairment loss is reversed, except in respect to goodwill, if the subsequent increase in 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.

2.17 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.

2.18 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. The asset in Belgrade is depreciated over 25 years.

2.19 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.

Fair value was measured by use of a binomial model for options granted in 2008 (Black Scholes model for options granted in 2007) 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.

2.20 Reclassifications

Following examinations made by CHL's management regarding the allocation of costs and expenses between the operational departments in CHL, CHL's management has decided to change the allocation of certain staff costs in the casino in Loutraki to better reflect the contribution of staff to each department.

Such change, applied retroactively, has resulted in the reclassification of staff cost in the amount of € 1.9 million and € 1.3 million, for 2007 and 2006, respectively, from Cost of Revenues to General and Administrative expenses (approximately 98% of the amount) and to Selling and Marketing expenses.

(in thousands of Euro unless otherwise stated)

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. The most significant of these are provisions and contingent liabilities including those with respect to tax and actuarial assumptions in respect of the calculation of retirement provisions. See Note 31 for further details of these provisions.

Furthermore 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). There were further key judgements in 2007 regards to the Purchase Price Allocation in the acquisition of minority interest (see Note 9 for further details).

In addition management has made critical judgements in evaluation of indication of impairments and impairments that have been recorded.

NOTE 4 - REVENUE

	Year ended 31 December		
	2008	2007	2006
Gross gaming revenue	**190,771**	**199,266**	**166,533**
Food and beverage revenue	2,354	2,588	2,707
Entrance tickets (net)	1,047	1,030	1,004
Hotel revenue	1,470	1,806	1,829
Rental revenue	115	135	58
Sundry revenue	684	903	435
Total other revenue	**5,670**	**6,462**	**6,033**
Total Revenue	**196,441**	**205,728**	**172,566**
Tax on gross gaming revenues	(55,506)	(59,071)	(49,555)
Municipality tax	(3,545)	(3,762)	(3,153)
Revenue per income statement	**137,390**	**142,895**	**119,858**

NOTE 5 - COST OF REVENUES

	Year ended 31 December		
	2008	2007	2006
Staff costs	37,833	33,037	26,833
Food and beverage	2,083	2,063	1,949
Maintenance	456	628	639
Rent	1,700	1,405	1,182
Utilities	1,543	1,498	1,306
Amortisation	873	1,187	1,082
Depreciation	7,558	7,864	8,076
Greek Tourist Organisation – duties	965	959	954
Other	5,603	6,277	5,566
Total	**58,614**	**54,918**	**47,587**

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

NOTE 6 - SELLING AND MARKETING EXPENSES

	Year ended 31 December		
	2008	2007	2006
Advertising and marketing expenses	14,148	13,940	10,724
Junketeers	470	273	311
Staff costs	892	698	318
Total	**15,510**	**14,911**	**11,353**

NOTE 7 - GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December		
	2008	2007	2006
Staff costs	11,084	9,305	7,649
Audit fees	642	485	367
Other professional services	4,731	5,486	5,505
Gratuities, donations	1,422	1,122	301
Bank charges	218	141	293
Other costs	5,823	3,420	3,430
Total	**23,920**	**19,959**	**17,545**

NOTE 8 - OTHER OPERATING EXPENSES

	Year ended 31 December		
	2008	2007	2006
Casino licence bids	-	-	58
Impairment of fixed assets	-	-	710
Other costs	366	492	93
Total	**366**	**492**	**861**

(in thousands of Euro unless otherwise stated)

NOTE 9 - INVESTMENT INCOME

	Year ended 31 December		
	2008	2007	2006
Gain on marketable securities	-	132	710
Interest on bank deposits and loans granted	3,000	3,356	478
Profit on purchase of minority interest	-	2,890	-
Loss on grant of derivative instrument	-	(1,445)	-
Total	**3,000**	**4,933**	**1,188**

On 30 September 2007, the Company purchased 6% of the shareholding in Dasharta, a jointly controlled entity from a minority interest. Dasharta is the company that indirectly holds PBS. This represented a purchase of 3% of a minority interest in Loutraki and increased its proportionally consolidated holding in the same project by 3%. See note 2.4 for further details of the accounting treatment. After the Purchase Price Allocation was completed in January 2008, it was determined that the investment had been bought at a discount to fair value, resulting in negative goodwill. This has been recognised as a profit in 2007.

Both in the acquisition contract and in announcements to the Public, QLI declared its intentions to make an offer to QLI's partner in the Loutraki project (the owner of the other 50% in Vasanta), to purchase half of the additional investment in the Loutraki project that QLI had purchased, at half of the consideration that QLI had paid for the full investment. The loss on the grant of this derivative instrument has been recognised immediately at fair value. The derivative instrument has been revalued as at 31 December 2007 and in 2008 (until the offer was exercised), and the loss recognised in the Income Statement in 2007 and 2008. See also Notes 1 (**Project in Loutraki**) and 10 for more details.

Details of the consideration, assets and liabilities purchased, and results of the purchase price allocation are displayed below:

Total consideration *	11,567
Additional interest in net assets purchased **	5,557
<u>QLI share of fair value adjustments</u>	
Licence	8,886
Building	2,228
Client base	753
Deferred tax	(2,967)
Total fair value purchased	**14,457**
Negative goodwill	**2,890**

* The total consideration consists of an initial payment of € 3.5 million and € 2.3 million annually for four years, commencing September 2008.

** Net assets consist of 6% of the shares in Dasharta and a Shekel denominated capital note with a face value of € 14.8 million (as at the date of the transaction). This capital note represents a loan to Agastia and is eliminated upon consolidation.

(in thousands of Euro unless otherwise stated)

NOTE 10 - FINANCE COSTS

	Year ended 31 December		
	2008	**2007**	**2006**
Interest on borrowings	2,510	2,936	2,476
Loss on revaluation of derivative instrument *	482	259	-
Total	**2,992**	**3,195**	**2,476**

* See Note 9 for more details.

NOTE 11 - TAX

	Year ended 31 December		
	2008	**2007**	**2006**
Current tax	13,180	15,991	12,775
In respect of prior years	99	92	1,208
Deferred tax (Note 17)	103	(676)	778
Total	**13,382**	**15,407**	**14,761**

In Israel, normal income taxation for the year ended 31 December 2008 is calculated at 27% (2007: 29%, 2006: 31%) 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%.

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 to it of the holding the casino in Loutraki. 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 2008 a net operating loss carried forward in an amount of approximately € 6.9 million for which no asset was recorded.

For Greece based projects, normal income taxation for the year ended 31 December 2008 was calculated at 25% (2007: 25%, 2006: 29%) of the estimated assessable profit for the year.

As part of a new tax reform in Greece, corporate tax rates will be reduced from the mentioned 25% in 2008 and 2009 to 20% in 2014 and thereafter as follows: 2010: 24%, 2011: 23%, 2012: 22%, 2013: 21%.

In addition, dividends paid by a Greek company to a non-EU shareholder or to a Greek shareholder will be subject to a 10% withholding tax in Greece. Such withholding tax will apply also to any other payment to shareholders, board members, employees and more.

To the best knowledge of the Company, such withholding tax will not apply on its holding in CHL. However, such a withholding tax will apply on the Group's holding in the Rhodes Casino (held by another Greek company). The Group is in a process of evaluating the situation and the possibility and feasibility of a change in the holding structure.

In 2007 the Greece Tax Authorities completed a tax audit for JV DAET Club Hotel Loutraki S.A. (a subsidiary of CHL) for the period 1 January 2005 to 31 December 2006. In January 2007, the tax authorities completed a tax audit for CHL for the period 1 January 2000 to 31 December 2005. The outcome of the tax audit was that additional taxes and penalties of €1.1 million were assessed of which € 0.4 million had been provided in prior years. The Groups 50% share in total income tax under-provision of € 1,208 is presented as a prior year expense in the 2006 tax expenses. There has been no tax audit for the years 2006-2008.

(in thousands of Euro unless otherwise stated)

For Romanian based projects, the Group pays tax depending on the activity undertaken. During years 2006-2008, 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 2008 is subject to 16% tax rate applied to gross profit (as in 2007 and 2006)

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

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

	Year ended 31 December		
	2008	**2007**	**2006**
Profit before tax:	**36,401**	**52,941**	**41,200**
Tax at the Israeli corporation tax rate of 27% (2007: 29%; 2006: 31%)	9,828	15,353	12,772
Tax effect of share of results of associated company	595	(392)	20
Tax effect of expenses that are not deductible in determining taxable profit	1,442	1,425	1,702
Tax effect of losses for which no deferred tax asset was recognized	2,683	188	835
Effect of lower tax rate on interest income	(124)	-	-
Tax effect of change in future tax rates	215	-	-
Tax effect of utilisation of tax losses not previously recognised	(224)	(1,252)	(1,654)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,132)	(7)	(122)
Effect of tax for prior years	99	92	1,208
Tax expense for the year	**13,382**	**15,407**	**14,761**
Effective tax rate	**36.6%**	**29.1%**	**35.8%**

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. Refer Note 31.

(in thousands of Euro unless otherwise stated)

NOTE 13 - EARNINGS PER SHARE

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

Earnings

	Year ended 31 December		
	2008	**2007**	**2006**
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	13,367	25,138	17,241
Number of shares used for EPS calculation *	353,365,670	332,765,020	189,897,510
Number of shares used for diluted EPS calculation *	353,365,670	333,800,369	189,897,510
Number of shares used for *pro forma* calculation **			312,500,250
Number of shares used for diluted *pro forma* calculation **			312,500,250

* The number of shares used for the EPS calculation reflects the 62,500,050 shares issued on 13 June 2007 for the Romanian assets as if they had been issued on 1 January 2006 because this was accounted for as a reorganisation of entities under common control.

** A *pro forma* calculation for earnings per share has been presented for 2006 for the purposes of comparability. Due to large number of shares issued in June 2006, the EPS calculation mandated by IAS 33 does not represent useful information. The *pro forma* calculation assumes that the equity issue in June 2006 occurred on 1 January 2006. The effective interest reduction as a result of this assumption is immaterial and therefore has not been included for the purposes of the *pro forma* calculations.

(in thousands of Euro unless otherwise stated)

NOTE 14 - INTANGIBLE ASSETS

	Gaming Licences	Goodwill	Other intangibles	Total
Cost				
Balance as at 01 January 2007	**11,158**	**2,273**	**133**	**13,564**
Additions	26	-	2	28
Disposals	-	-	-	-
Assets acquired through business combinations	8,986	-	903	9,889
Balance as at 31 December 2007	**20,170**	**2,273**	**1,038**	**23,481**
Additions	32	-	41	73
Disposals	-	-	(2)	(2)
Transfer	58	-	(67)	(9)
Exercise of an option granted to the other shareholder in a jointly controlled entity (*)	(4,543)	-	(528)	(5,071)
Exchange differences	(11)	-	(9)	(20)
Balance as at 31 December 2008	**15,706**	**2,273**	**473**	**18,452**
Accumulated amortisation				
Balance as at 01 January 2007	**8,182**	**-**	**92**	**8,274**
Amortization for the year	656	-	563	1,219
Disposals	-	-	-	-
Assets acquired through business combinations	242	-	-	242
Balance as at 31 December 2007	**9,080**	**-**	**655**	**9,735**
Amortization for the year	785	-	118	903
Disposals	-	-	(2)	(2)
Transfers	397	-	(406)	(9)
Exercise of an option granted to the other shareholder in a jointly controlled entity (*)	(189)	-	(206)	(395)
Exchange differences	(7)	-	(6)	(13)
Balance as at 31 December 2008	**10,066**	**-**	**153**	**10,219**
Net book value as at 31 December 2008	**5,640**	**2,273**	**320**	**8,233**
Net book value as at 31 December 2007	**11,090**	**2,273**	**383**	**13,746**

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.

(*) See Note 9 for more details.

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

NOTE 15 - TANGIBLE FIXED ASSETS

	Land, Building & Installations	Casino Gaming Electric &Electronic Equipment	Furniture And Equipment	Vehicles	Assets Under Construction	Total
Cost						
Balance as at 01 January 2007	**95,107**	**19,913**	**20,805**	**634**	**1,096**	**137,555**
Additions	3,178	1,700	3,166	158	1,781	9,983
Transfers and disposals	(2)	(3,229)	(38)	(19)	-	(3,288)
Assets acquired through business combinations	5,611	728	795	28	-	7,162
Exchange differences	(261)	(102)	(10)	(6)	(28)	(407)
Balance as at 31 December 2007	**103,633**	**19,010**	**24,718**	**795**	**2,849**	**151,005**
Additions	17,353	2,063	2,518	236	1,843	24,013
Disposals	-	(594)	(99)	(214)	-	(907)
Transfers	6,577	2,480	(1,126)	163	(2,164)	5,930
Exercise of an option granted to the other shareholder in a jointly controlled entity (*)	(4,885)	(771)	(926)	(29)	-	(6,611)
Exchange differences	(899)	(369)	(34)	-	(172)	(1,474)
Balance as at 31 December 2008	**121,779**	**21,819**	**25,051**	**951**	**2,356**	**171,956**
Accumulated Depreciation						
Balance as at 01 January 2007	**20,785**	**12,954**	**17,313**	**440**	**474**	**51,966**
Additions	3,358	2,313	2,246	113	-	8,030
Transfers and disposals	-	(3,229)	(38)	(21)	-	(3,288)
Assets acquired through business combinations	616	518	633	25	-	1,792
Exchange differences	(80)	(75)	(7)	(5)	-	(167)
Balance as at 31 December 2007	**24,679**	**12,481**	**20,147**	**552**	**474**	**58,333**
Additions	3,491	2,159	1,679	111	-	7,440
Disposals	-	(382)	(43)	(125)	-	(550)
Transfers	(62)	3,801	(2,375)	89	(474)	979
Exercise of an option granted to the other shareholder in a jointly controlled entity (*)	(716)	(576)	(685)	(26)	-	(2,003)
Exchange differences	(291)	(251)	(21)	(2)	-	(565)
Balance as at 31 December 2008	**27,101**	**17,232**	**18,702**	**599**	**-**	**63,634**
Net book value as at 31 December 2008	**94,678**	**4,587**	**6,349**	**352**	**2,356**	**108,322**
Net book value as at 31 December 2007	**78,954**	**6,529**	**4,571**	**243**	**2,375**	**92,672**

(*) See Note 9 for more details.

(in thousands of Euro unless otherwise stated)

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.

NOTE 16 - ASSOCIATED COMPANY

	As at 31 December 2008	2007
Cost of investment in associated company	15,128	14,660
Share of post acquisition profit (loss)	(4,011)	(1,830)
Elimination of intercompany transactions	318	189
Total	**11,435**	**13,019**

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 is 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:

Balance sheet

	As at 31 December 2008	2007
Total assets	54,289	59,701
Total liabilities	5,620	3,565
Net assets	48,669	56,136

Profit and loss

	Year ended 31 December 2008	2007	2006
Gross revenue	15,127	3,167	-
Profit (loss) before income tax	(9,724)	(6,894)	173
Income tax	(779)	-	-
Profit (loss) for the year	**(10,503)**	**(6,894)**	**173**
Group's share of associates profit (loss)	**(2,203)**	**(1,351)**	**86**

(in thousands of Euro unless otherwise stated)

NOTE 17 - DEFERRED TAX ASSET

	As at 31 December	
	2008	**2007**
Net deferred tax assets:		
Balance beginning of year	2,465	2,220
Exercise of an option granted to the other shareholder in a jointly controlled entity	(83)	-
Assets acquired through business combinations	-	97
Movement for the year	(339)	148
Balance end of year	2,043	2,465
Net deferred tax assets comprise:		
Accrued liabilities	363	323
Restructuring asset *	764	897
Provision for retirement benefit	839	964
Owned fixed assets and license fees	140	290
Total deferred tax assets	**2,106**	**2,474**
Deferred tax liabilities		
Owned fixed assets and license fees	(60)	-
Capitalised finance leases	(3)	(9)
Net deferred tax assets	**2,043**	**2,465**
Net deferred tax liabilities:		
Balance beginning of year	(3,473)	(1,032)
Exercise of an option granted to the other shareholder in a jointly controlled entity	1,442	-
Assets acquired through business combinations	-	(2,967)
Movement for the year	236	528
Balance end of year	(1,795)	(3,471)
Net deferred tax liabilities comprise:		
Accrued liabilities	44	92
Provision for retirement benefit	216	238
Provisions	34	-
VAT provision	134	168
Deferred tax assets	**428**	**498**
Deferred tax liabilities		
Owned fixed assets and license fees	(628)	(785)
Fair value adjustment in respect of fixed assets	-	(553)
Fair value adjustment in respect of intangible assets	(1,414)	(2,386)
Debt forgiveness .	(181)	(245)
Net deferred tax liabilities	**(1,795)**	**(3,471)**

(in thousands of Euro unless otherwise stated)

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	
	2008	2007
Deposits on land	-	4,900
Advances for the acquisition of fixed assets	2,509	-
VAT receivable	3,388	3,347
Loan to Agastia (*)	3,109	2,818
Jointly controlling shareholder in Vasanta (Note 1)	2,009	-
Other	1,129	1,113
	12,144	**12.178**

(*) The loan is linked to the US dollar and carried interest at the rate of the Dollar Libor +2% per annum. The repayment date has not been determined yet.

NOTE 19 - INVENTORIES

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

NOTE 20 - INVESTMENTS

	As at 31 December	
	2008	2007
Short-term deposit (*)	938	987
Money market funds	8,169	7,907
	9,107	**8,894**

(*) Of the above, € 715 thousand is placed with Piraeus Bank, a related party of CHL. Interest rate is 5.8% per annum. Such amount is used as a guaranty for the payment of a current maturity of a long term liability.

(in thousands of Euro unless otherwise stated)

NOTE 21 - TRADE AND OTHER RECEIVABLES

	As of 31 December	
	2008	2007
Jointly controlling shareholder in Vasanta- current maturity (Note 1)	1,086	-
Accrued interest and prepayments	929	1,211
Trade receivables	701	1,129
Income tax paid in advance	68	191
Advance to related party	124	134
Other receivables from related parties	1,047	812
Other	515	508
Total	**4,470**	**3,985**

NOTE 22 - CASH AND CASH EQUIVALENTS

	As at 31 December	
	2008	2007
Cash on hand	8,992	9,468
Cash at banks	33,033	33,990
Time deposits	14,990	32,553
Total	**57,015**	**76,011**

Of the above amounts 2008: € 20,300 thousand; 2007: € 14,407 thousand; was placed with Piraeus Bank, a related party of CHL, interest rates vary from 1.59% to 2.29% per annum as at 31 December 2008.

In addition, approximately € 3,226 thousand is represent cash on hand that is restricted for use as per the casinos' licenses

NOTE 23 - OTHER CURRENT LIABILITIES

	As at 31 December	
	2008	2007
Parent companies	63	135
Liability to the Municipality of Loutraki	3,169	3,446
Employee related liabilities	6,189	5,990
Taxes and duties	5,853	8,107
Accruals and provisions	2,199	2,436
Related Parties	374	431
Customer prepayments and chips	473	316
Short-term portion of long-term liabilities	2,838	2,826
Cheques payable	403	790
Other	1,451	1,497
Total	**23,012**	**25,974**

(in thousands of Euro unless otherwise stated)

NOTE 24 -BANK LOANS

Short term credit

	As at 31 December	
	2 0 0 8	**2 0 0 7**
Consisting of:		
Overdraft and short term credit	15,058	4
Bank loans falling due within one year	1,900	12,587
Total	**16,958**	**12,591**

Bank Loans		
Loan 1- in Euro	10,436	12,093
Loan 2 - in Euro	-	10.753
Total bank loans	**10,436**	**22,846**
Less: Total falling due within one year	(1,900)	(12,587)
Total long-term portion	**8,536**	**10,259**

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

	2 0 0 8	**2 0 0 7**
Within one year	1,900	12,587
In the second year	2,050	1,900
In the third year	2,200	2,050
In the fourth year	2,260	2,200
In the fifth year and after	2,026	4,109
Total	**10,436**	**22,846**

Loan. 1

Loan 1 was granted to the Rhodes Casino.

The loan bears interest of EURIBOR +2.25% per annum spread + 0.6% contribution Law 128/75 (4,943% as at 31 December 2008) .The loan is repayable in 16 instalment (September and December of each year) commencing on 31 December 2005 with the last instalment due on 30 September 2013 .

The loan is 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.

Loan 2

Loan 2 represented a loan of €74 million taken by PBS from "Bank Für Arbeit und Wirtschaft" (BAWAG). Interest was calculated quarterly and based on 3-month EURIBOR plus a margin of 1% per annum. The bank also charged a management fee of 0.5% per annum on the outstanding amount. These two items are recorded under the "Finance costs" caption of the accompanying Income Statements.

The loan was fully repaid in 2008.

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 rate costs for 2008 were € 1,736 thousand (2007: € 1,728 thousand; 2006: € 2,134 thousand). Interests were EURIBOR + 0.6-2.25%. If interest rates were 1% higher during 2008, these would have increased to € 2,090 thousand, and if interest rates had been 1% lower these would have decreased to € 1,382 thousand.

(in thousands of Euro unless otherwise stated)

Liquidity risk

The Group has € 17 million falling due within 2008. The Group intends to manage liquidity by funding the repayment from cash flow from operating activities, and if necessary from cash at bank.

NOTE 25 - OTHER LONG TERM LIABILITIES

	As at 31 December	
	2008	**2007**
Shareholder loans	-	1,097
Consideration for Casino Rhodes	1,340	1,966
Consideration for the purchase on minority interest (Note 1)	6,259	8,261
Other (payment terms yet not determined)	2,525	2,505
Total	**10,124**	**13,829**
Less: Short-term portion	(2,838)	(2,826)
Other long-term liabilities	**7,286**	**11,003**

Shareholders' loans were linked to the Israeli CPI until repaid in 2008.

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

As at 31 December 2008, the present value of the .other long-term liabilities is repayable as follows:

30 August 2009	2,838
30 August 2010	2,769
30 August 2011	1,992
	7,599
Less: portion falling due within one year	(2,838)
Total	**4,761**

The present value has been determined using a rate of 4.68%-5.23% per annum.

NOTE 26 - 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 has no liability with respect to the employees in Romania.

(in thousands of Euro unless otherwise stated)

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

	Year ended 31 December		
	2008	2007	2006
At 1 January	4,835	3,990	3,420
Amounts charged to income	981	1,044	870
Liabilities acquired through business combinations	-	215	-
Exercise of an option granted to the other shareholder in a jointly controlled entity	(306)	-	-
Benefits paid directly by the Company	(170)	(414)	(300)
Balance 31 December	**5,340**	**4,835**	**3,990**

Amounts recognised in the income statement are as follows:

	Year ended 31 December		
	2008	2007	2006
Service cost	633	619	592
Interest cost	195	172	140
Extra payments	153	253	133
Past service cost arising over last year	-	-	5
Total	**981**	**1,044**	**870**

The amount included in the balance sheet is as follows:

	As at 31 December	
	2008	2007
Present value of obligation	4,004	4,320
Unrecognised actuarial gain	1,361	542
Unrecognised past service cost	(25)	(27)
Net liability recognised in balances	**5,340**	**4,835**

The key assumptions used are as follows:

	Year ended 31 December		
	2008	2007	2006
Discount rate	5.7%	4.8%	4.2%
Expected rate of salary increases – depending on salary level	4%-4.5%	4.5% - 5.0%	2.5% - 5.0%
Inflation	2.5%	2.5%	2.5%

The expected rate of salary increases for December 2008 takes into account the CHL's and Casino Rhodes'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 2008.

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.

(in thousands of Euro unless otherwise stated)

Note 27 - SHARE CAPITAL

	As at 31 December	
	2008	**2007**
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	250,000,200
Issued in Romania transaction	-	62,500,050
Issued in IPO	-	40,865,420
Issued and fully paid as at 31 December	353,365,670	353,365,670

NOTE 28 - 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 is approximately € 16 million as at 31 December 2008.

(in thousands of Euro unless otherwise stated)

NOTE 29 - NOTES TO THE CASH FLOW STATEMENTS

	YEAR ENDED 31 DECEMBER		
	2008	**2007**	**2006**
Profit before tax	**36,401**	**52,941**	**41,200**
Adjustments for:			
Depreciation of property, plant and equipment	7,672	8,315	7,822
Impairment	-	-	755
Increase in provisions	503	670	114
Profit from on sale of property, plant and equipment	16		
Amortisation of intangible assets	903	1,219	1,116
Investment income	(3,000)	(4,933)	(1,188)
Finance costs	2,992	3,195	2,476
Foreign exchange loss	384	61	110
Profit from negative goodwill	-	(1,445)	-
Share of results of associated company	2,203	1,351	(86)
Expense relating of grant of share options	1,154	954	-
	49,228	**62,328**	**52,319**
Operating cash flows before movements in working capital			
Increase in inventories	(19)	(196)	(201)
Decrease/(increase) in receivables	668	(399)	126
Increase/(decrease) in payables	(10,495)	472	(338)
Cash generated by operations	**39,382**	**62,205**	**51,906**
Income taxes paid	(18,323)	(14,717)	(11,891)
Interest paid	(1,212)	(1,208)	(4,074)
Net cash from operating activities	**19,847**	**46,280**	**35,941**

Increase in interest in proportionally consolidated entity

	2008	**2007**	**2006**
Consideration paid	-	3,500	-
Less: cash received	-	(1,347)	-
Investment in subsidiary	-	2,153	-

(in thousands of Euro unless otherwise stated)

NOTE 30 - 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 bid to abandon plans to the marina are successful, CHL will be obligated under an alternate commitment.

(b) Operating lease commitments

	As at 31 December		
	2008	**2007**	**2006**
Within one year	1,409	336	60
In the second to fifth years inclusive	4,784	1,322	146
Total	6,193	1,658	206

(c) See Note 16 with respect to a commitment of the Serbian Company

NOTE 31 - CONTINGENT LIABILITIES

THE COMPANY

The Company was informed that a third party which was involved in the Company's activities in Prague is considering an approximately 5 million NIS law suit against the Company and its controlling and ultimate controlling shareholders. The Company believes that the potential outcome of the issue will have no material effect on the Company's financial position and results of operations.

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 5 years.

In addition, based on a change in the Romanian Fiscal Code in 2008, casinos in Romania are required to withhold from payments to gamblers a withholding tax of a 10% (of prizes from a single contest) or a 20% (of net profit of gambling). However, as instructions for the application of such new provisions were never published, none of the Romanian Casino Association members (including Casino Palace) has collected or paid this tax so far. In addition, major amendments to the Fiscal Code are under debate in the Romanian Parliament and efforts are made to cancel such provisions.

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 2008 as CHL Management believes it will be insignificant.

(b) An appeal, against decision No. 8622/2000 of the Athens Multi Member Court of First Instance, has been filed by the consortium, Komvos, Economou, Makris, Vlasakoudis, who constructed the casino building, claiming loss of profits amounting to approximately € 1.6 million plus interest for not being awarded the contract to construct the hotel. The case was tried on 30 October 2003 and the consortium was requested to guarantee the legal costs of CHL. The final court decision is pending. CHL's lawyer is of the opinion the appeal against CHL will most likely not be successful.

(c) 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 decision is pending. CHL's lawyer believes that the employees have a remote chance of winning the case and hence no provision for possible loss has been made.

(d) Four lawsuits are pending against CHL amounting to € 1,200 thousand by former employees. No provision has been made, as the CHL's lawyer believes that the claims have remote chances of being successful.

(e) Several other lawsuits are pending against CHL amounting to € 617 thousand mainly relating to claims by former employees. However, the claims are not significant and hence no provision for possible loss has been made.

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

(g) There are claims by six individuals totaling € 459 thousand for being refused entry to the Casino, and two claims by an individual for an amount of € 1,148 thousand for suffering injuries in the casino hall. No provision has been made, as the Company's lawyer believes that the claims have remote chances of being successful.

(h) There is a claim from one individual for an amount of € 500 thousand for being refused to book a number of rooms at the hotel at a certain period. No provision has been made, as the Company's lawyer believes that this claim has remote chances of being successful.

(i) 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.

(j) The Joint Venture is still subject to a tax audit for the year ending 31 December 2007 and 31 December 2008, and CHL SA is subject to a tax audit from 1 January 2006 to 31 December 2008.

(k) 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 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.

(l) 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 is a claim by the former financial director for further damages amounting € 4,125 thousand. No provision has been made, as the Company's lawyer believes that this claim has remote chances of being successful.

CASINO RHODES

(a) Casino Rhodes 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 arguments and a good chance 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 2008. Consequently any additional liability and the repercussions (financial and/or other), if any, are carried out, cannot be determined with reasonable accuracy. Hence, no further provision has been made.

The Tax Authorities issued an order dated October 3, 2006 to commence the tax audit of, a subsidiary of Casino Rhodes, for the years 2001-2002. To date the tax audits is currently in progress.

(b) A claim by 66 employees requesting in total € 522 thousand in respect of employer contributions for social security funds deducted from tips paid to them. No provision has been made as the outcome of the case cannot be determined.

(c) One of the Casino Rhodes's minor shareholders has applied for cancellation of 4 September 2002 meeting of the General Assembly approving the capital increase of € 1,397 thousand. The date of the hearing had been set for 20 September 2006, and was postponed. The date has not been set yet.

(d) One claim by an individual amounting to € 300 thousand for being refused entry to the casino. The court hearing was set for 8 June 2006 but was postponed for 5 October 2009. A further claim for € 90 thousand by three individuals for moral damages for being refused entry to the casino, was postponed as well to that date. No provision has been made, as the outcome of the cases cannot be determined.

(e) 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.

(f) 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 the30 % revenues from gaming operations.

(iii) To invest € 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 has granted an extension for these investments up to 13 September 2007.

The opinion of management and the Casino Rhodes's attorney 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. In the opinion of the legal advisors of the Rhodes Casino, the chances of the revocation of the license 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 2008 amounts to 294. 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. The appeal was postponed to 18 March 2009 and was further postponed to a yet unknown date . Casino Rhodes's lawyer's opinion is that there is no risk that the casino licence may be revoked.

(g) 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.

(in thousands of Euro unless otherwise stated)

CASINO BELGARD

CHL was informed by its legal advisors that a decision made by the Constitutional Court of Serbia has a significant impact on the license to operate a casino in Belgrade and may lead to invalidly of the license. If such a risk is materialized, Casino Belgrade would be entitled to remedies under its license agreement and under the law.

NOTE 32 - 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 2008		
Y.Z. Queenco (*)	(87)	82
Shachar HaMillenium (*)	-	(63)
Queen (*)	57	22
Windview limited	-	(60)
Mr Yigal Zilka (**)	(316)	(294)
Total	**(346)**	**(313)**
For the year ended 31 December 2007		
Y.Z. Queenco (*)	(338)	(684)
Shachar HaMillenium (*)	(17)	(611)
Queen (*)	63	(309)
Windview limited	-	(60)
Mr Yigal Zilka (**)	257	15
Total	**(35)**	**(1,663)**
For the year ended 31 December 2006		
Y.Z. Queenco (*)	(339)	
Shachar HaMillenium (*)	(87)	
Milimor (*)	-	
Queen (*)	68	
Windview limited	(598)	
Total	**(956)**	

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

The holding company and ultimate holding company respectively of the Group are Shachar HaMillenium Ltd. and YZ Queenco Ltd. which is floated on the Stock Exchange of Israel.

(in thousands of Euro unless otherwise stated)

(b) Compensation of key management personnel

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

	2008	2007	2006
Short-term compensation of key management	1,145	1,041	503
Compensation to the Chairman of the board with respect to prior year	105	-	-
long-term compensation of key management	-	-	-
Share based compensation of key management	1,100	821	-
Board of directors fees	90	28	-
Total	**2,490**	**1,890**	**503**

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 21.

NOTE 33 – INVESTMENT PROPERITES

Fair value	
At 31 December 2008	20,942
At 31 December 2007	18,484

The fair value of the total value of the Group's investment property at 31 December 2008 has been arrived at on the basis of a valuation carried out at that date by EFG Property Services, independent valuers not connected with the Group. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to € 600 thousand per annum . The Group has non-cancellable minimum rental income from the property for the next 8 years. In addition there is condition rent dependent on the turnover of Grand Casino d.o.o.

NOTE 34 – 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, would be granted with stock options, exercisable at the listing price, vesting over a five -year period, 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, exercisable at 80% of the listing price, contingent on the same terms as the aforementioned options. Toward the end of 2008, certain senior management staffs have left the Group and as a result, a portion of the options granted to them were not vested at the time they left, and were forfeited.

Toward the end of 2008, an obligation for the grant of options, vesting over a four -year period, representing 2.1% of the Company's equity was made to new senior management staff.

The aggregate of the estimated fair values of the options granted in 2008 and 2007, at the dates of grant, were €1,619 thousand and €5,496 thousand, respectively.

(in thousands of Euro unless otherwise stated)

Details of the GDR options outstanding during the year are as follows (GDR=10 shares)

	2008		**2007**	
	Number of GDR options	**Weighted average exercise price (in €)**	**Number of GDR options**	**Weighted average exercise price (in €)**
Outstanding at beginning of period	2,056,590	12.73	-	-
Granted during the period	742,068	8.00	2,056,590	12.73
Forfeited during the period	(575,855)	11.20	-	-
Outstanding at the end of the period	2,222,803	11.55	2,056,590	12.73
Exercisable at the end of the period	262,904	13.59	-	-

The following table summarizes information about GDR options outstanding as of 31 December 2008:

	Outstanding at 31 December 2008			**Exercisable at 31 December 2008**	
Exercise Prices (€)	**Number of outstanding GDR options**	**Weighted average Remaining life** (in years)	**Weighted average Exercise price (€)**	**Number of exercisable GDR options**	**Exercise price (€)**
8.00	742,068	6.00	8.00	-	8.00
11.20	358,975	4.83	11.20	38,552	11.20
14.00	1,121,760	4.83	14.00	224,352	14.00
	2,222,803		11.55	262,904	13.59

The inputs into the option price models are as follows:

	2008 €	**2007** €
Weighted average GDR price	7.8	12.9
Exercise price	8	11.2-14
Expected volatility	37%	8%
Expected life	6	6
Risk-free rate	3.9	4.3
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 period that equal to the expected life. 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 € 1,154 thousand and € 954 thousand related to equity-settled share-based payment transactions in 2008 and 2007, respectively.

(in thousands of Euro unless otherwise stated)

NOTE 35 – FINANCIAL RISK MANAGEMENT

Foreign exchange risk

The Group generates revenues and pays expenses mainly in Euro and in Romanian Lei (up toward to 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.

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

	Profit / (loss)
5% increase in NIS / €	454
5% decrease in NIS / €	(454)
5% increase in RON / €	(75)
5% decrease in RON / €	75
5% increase in € / $	124
5% decrease in € / $	(124)

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 € 4.5 million unlinked and non interest bearing liabilities as at 31 December 2008. 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 purchsed 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 24.

Liquidity risk

The Group does not have liquidity risk as it has positive cash balances at all times in order to meet all its commitments as and when they fall due.

Fair value disclosures

Carrying amounts for all financial instruments as at 31 December 2008 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.