

CENTURY CASINOS INC /CO/
Form 10-K/A
June 30, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended

December 31, 2009

OR

“ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission file number 0-22290

CENTURY CASINOS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE **84-1271317**
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)
2860 South Circle Drive, Suite 350, Colorado Springs, Colorado 80906

(Address of principal executive offices) (Zip Code)

(719) 527-8300

(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$0.01 Per Share Par Value	NASDAQ Stock Market, Inc.

Securities Registered Pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

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The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2009, based upon the closing price of \$2.98 for the Common Stock on the NASDAQ Stock Market on that date, was \$62,750,954. For purposes of this calculation only, officers and directors of the registrant are considered affiliates.

As of February 28, 2010, the registrant had 23,809,368 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: Part III incorporates by reference the registrant's definitive Proxy Statement for its 2010 Annual Meeting of Stockholders to be filed with the Commission within 120 days after December 31, 2009.

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EXPLANATORY NOTE

Century Casinos, Inc. (the Registrant) is filing this Amendment No. 1 (the Amendment) to its Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (the Original Filing), which was filed with the U.S. Securities and Exchange Commission (the SEC) on March 15, 2010.

This Amendment is being filed because, pursuant to Rule 3-09 of SEC Regulation S-X, the Registrant is required to file financial statements of its unconsolidated subsidiary, Casinos Poland Sp. z o.o. (CPL). The financial statements of CPL are filed in this Amendment under Item 15 Exhibits, Financial Statement Schedules.

Except as described above, no other changes have been made to the Original Filing, and this Form 10-K/A does not amend, update or change any other items or disclosures in the Original Filing. This Form 10-K/A does not reflect events occurring after the Original Filing and, other than providing the financial statements of CPL under Item 15, does not modify or update the disclosures in the Original Filing in any way.

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PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) List of documents filed with this report

1. Financial Statements

The financial statements and related notes, together with the reports of Grant Thornton LLP dated March 15, 2010, appear in Part II, Item 8, Financial Statements and Supplementary Data, of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, filed on March 15, 2010.

2. Financial Statement Schedules

None.

3. List of Exhibits

(b) Exhibits Filed Herewith or Incorporated by Reference to Previous Filings with the Securities and Exchange Commission:

(3) Articles of Incorporation and Bylaws

3.1 Certificate of Incorporation of Century Casinos, Inc. is hereby incorporated by reference to the Company's Proxy Statement in respect of the 1994 Annual Meeting of Stockholders.

3.2 Amended and Restated Bylaws of Century Casinos, Inc., is hereby incorporated by reference to Exhibit 11.14 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.

(10) Material Contracts

10.1A Sale of Shares Agreement by and between Century Resorts Limited, Tsogo Sun Gaming (Pty) Ltd. and Century Casinos Africa (Pty) Ltd. is hereby incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated December 24, 2008.

10.1B Amendment to Sale of Shares Agreement, dated June 15, 2009, by and between Century Resorts Limited, Tsogo Sun Gaming (Pty) Ltd. and Century Casinos Africa (Pty) Ltd. is hereby incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K dated June 15, 2009

10.2A Silver Dollar Purchase Agreement dated as of November 6, 2009 by and between Century Casinos Europe GmbH and Grant Thornton Limited in its capacity as interim receiver and manager of EGC Holdings Ltd. and not in its personal capacity, is

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- hereby incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 22, 2009.
- 10.2B Amendment No. 1 to Silver Dollar Purchase Agreement dated as of November 24, 2009 by and between Century Casinos Europe GmbH and Grant Thornton Limited in its capacity as interim receiver and manager of EGC Holdings Ltd. and not in its personal capacity, is hereby incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated December 22, 2009.
- 10.2C Amendment No. 2 to Silver Dollar Purchase Agreement dated as of November 30, 2009 by and between Century Casinos Europe GmbH and Grant Thornton Limited in its capacity as interim receiver and manager of EGC Holdings Ltd. and not in its personal capacity, is hereby incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated December 22, 2009.
- 10.2D Amendment No. 3 to Silver Dollar Purchase Agreement dated as of December 11, 2009 by and between Century Casinos Europe GmbH and Grant Thornton Limited in its capacity as interim receiver and manager of EGC Holdings Ltd. and not in its personal capacity, is hereby incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K dated December 22, 2009.

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- 10.3 Mortgage agreement by and between Century Resorts Alberta Inc. and Canadian Western Bank dated December 6, 2007, is hereby incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007.
- 10.4* Deferred Compensation Agreement (Form) is hereby incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated November 21, 2008.
- 10.5A* Employment Agreement by and between Century Casinos, Inc. and Erwin Haitzmann as restated on February 18, 2003, is hereby incorporated by reference to Exhibit 10.120 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.
- 10.5B* Amendment No. 1 to Employment Agreement by and between Century Casinos, Inc. and Erwin Haitzmann, dated February 3, 2005, is hereby incorporated by reference to Exhibit 10.143 to the Company's Current report on Form 8-K dated February 3, 2005.
- 10.5C* Amendment No. 2 to Employment Agreement by and between Century Casinos, Inc. and Erwin Haitzmann, effective September 1, 2006, is hereby incorporated by reference to Exhibit 10.178 to the Company's Current Report on Form 8-K dated October 19, 2006.
- 10.5D* Amendment No. 3 to Employment Agreement by and between Century Casinos, Inc. and Erwin Haitzmann, effective November 5, 2009 is hereby incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated November 10, 2009.
- 10.6A* Employment Agreement by and between Century Casinos, Inc. and Peter Hoetzing as restated on February 18, 2003, is hereby incorporated by reference to Exhibit 10.121 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.
- 10.6B* Amendment No. 1 to Employment Agreement by and between Century Casinos, Inc. and Peter Hoetzing, dated February 3, 2005, is hereby incorporated by reference to Exhibit 10.144 to the Company's Current Report on Form 8-K dated February 3, 2005.
- 10.6C* Amendment No. 2 to Employment Agreement by and between Century Casinos, Inc. and Peter Hoetzing, effective September 1, 2006, is hereby incorporated by reference to Exhibit 10.179 to the Company's Current Report on Form 8-K dated October 19, 2006.
- 10.6D* Amendment No. 3 to Employment Agreement by and between Century Casinos, Inc. and Peter Hoetzing, effective November 5, 2009, is hereby incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated November 10, 2009.
- 10.7* Employment Agreement by and between Century Casinos, Inc. and Mr. Larry Hannappel is hereby incorporated by reference to Exhibit 10.147 to the Company's Current Report on Form 8-K dated March 22, 2005.

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- 10.8* Employment agreement, effective March 15, 2005, by and between Century Casinos, Inc. and Mr. Ray Sienko is hereby incorporated by reference to Exhibit 10.167 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

- 10.9* Revised and Restated Management Agreement, effective September 30, 2006, by and between Century Resorts International Ltd, Century Casinos, Inc. and Flyfish Consulting Agreement is hereby incorporated by reference to Exhibit 10.176 to the Company's Current Report on Form 8-K dated October 19, 2006.

- 10.10* Revised and Restated Management Agreement, effective September 30, 2006, by and between Century Resorts International Ltd, Century Casinos, Inc. and Focus Consulting Agreement is hereby incorporated by reference to Exhibit 10.177 to the Company's Current Report on Form 8-K dated October 19, 2006.

- 10.11A ADC Agreement, dated September 30, 2005, by and between Bank Austria Creditanstalt AG, Century Casinos, Inc., and Oesterreichische Kontrollbank Aktiengesellschaft, is hereby incorporated by reference to Exhibit 10.157 to the Company's Current Report on Form 8-K dated October 3, 2005.

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- 10.11B Annex to ADC Agreement by and between Bank Austria Creditanstalt AG, Century Casinos, Inc. and Oesterreichische Kontrollbank Aktiengesellschaft, is hereby incorporated by reference to Exhibit 10.158 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.
(21) Subsidiaries of the Registrant
- 21** Subsidiaries of the Registrant
(23) Consents of Experts and Counsel
- 23.1** Consent of Independent Auditors Grant Thornton LLP
- 23.2 Consent of Independent Auditors Grant Thornton Frackowiak Sp. Z.o.o.
(31) Rule 13a-14(a)/15d-14(a) Certifications
- 31.1 Certification of Erwin Haitzmann, Co Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
- 31.2 Certification of Peter Hoetzing, President and Co Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
- 31.3 Certification of Margaret Stapleton, Executive Vice President and Principal Financial Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
(32) Section 1350 Certifications
- 32.1 Certification of Erwin Haitzmann, Co Chief Executive Officer, pursuant to 18 U.S.C. Section 1350.
- 32.2 Certification of Peter Hoetzing, President and Co Chief Executive Officer, pursuant to 18 U.S.C. Section 1350.
- 32.3 Certification of Margaret Stapleton, Executive Vice President and Principal Financial Officer, pursuant to 18 U.S.C. Section 1350.
(99) Additional Exhibits
- 99.1 Consolidated Financial Statements of Casinos Poland Sp z o.o. for the years ended December 31, 2009 (audited), 2008 (unaudited) and 2007 (unaudited) together with the report of Grant Thornton Frackowiak Sp. Z.o.o dated June 30, 2010 for the year ended December 31, 2009.

* A management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 15(a)(3) of Form 10-K.

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** Previously filed with the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which was filed on March 15, 2010.
Filed herewith.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CENTURY CASINOS, INC.

By: **/s/ ERWIN HAITZMANN**
Erwin Haitzmann, Chairman of the Board and Co
Chief Executive Officer
(Co Principal Executive Officer)

By: **/s/ PETER HOETZINGER**
Peter Hoetzing, Vice Chairman of the Board,
Co Chief Executive Officer and President
(Co Principal Executive Officer)

Date: June 30, 2010

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CASINOS POLAND SP. Z O.O.
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2009 AND 2008 (UNAUDITED) AND FOR THE
YEARS ENDED DECEMBER 31, 2009, 2008 (UNAUDITED) AND 2007
(UNAUDITED) AND REPORT OF INDEPENDENT REGISTERED PUBLIC
ACCOUNTING FIRM

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders

Casinos Poland Sp. z o.o.

We have audited the accompanying consolidated balance sheet of Casinos Poland Sp. z.o.o. (a Company incorporated in Warsaw, Poland) and subsidiaries (collectively "Casinos Poland") as of December 31, 2009, and the related consolidated statements of profit and loss, changes in consolidated equity, and cash flows for the year then ended. These financial statements are the responsibility of Casinos Poland's management. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying consolidated balance sheet of Casinos Poland as of December 31, 2008 and the related consolidated statements of profit and loss, changes in consolidated equity, and cash flows for the years ended December 31, 2008 and 2007 were not audited by us and, accordingly, we do not express an opinion on them.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Casinos Poland Sp. z.o.o and subsidiaries as of December 31, 2009, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Poland.

Without qualifying our opinion on these financial statements, we draw your attention to the issue disclosed in note 41.2 of the additional notes to the financial statements. In this note the Management Board of the Company presented impact of the correct and justified settlement of the Social Fund obligatory charge for the years 2005 - 2006 and benefits paid from the above Fund as well as impact of the provision for the future jackpots payments disclosed for the first time in the financial statements on the opening balance to the financial statement for the year 2009. The above adjustments resulted in the increase of the opening balance of retained earnings by PLN 579 thousand.

/s/ GRANT THORNTON FRACKOWIAK SP. Z O.O.

June 30, 2010

Poznań, Poland

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STATEMENT OF THE MANAGEMENT BOARD OF THE PARENT COMPANY

(all amounts are presented in Polish Zloty)

Pursuant to the requirements of Article 55 of the Accounting act of 29 September 1994 (consolidated text, Journal of laws of 2009, No. 152, item 1223 as amended), the Management Board of Casinos Poland Sp. z o.o. presents the attached consolidated financial statement comprised of:

- 1) the introduction to the financial statement;
- 2) the consolidated balance sheet prepared as at 31 December 2009 disclosing the total balance of assets, equity and liabilities in the amount of PLN 51,216,243.64;
- 3) the consolidated profit and loss account for the period from 1 January 2009 to 31 December 2009 disclosing a net profit of PLN 2,817,049.44;
- 4) the statement of changes in consolidated equity for the period from 1 January 2009 to 31 December 2009 disclosing an increase in consolidated equity by PLN 2,817,049.44;
- 5) the consolidated cash flow statement for the period from 1 January 2009 to 31 December 2009 disclosing a decrease in net cash by PLN 242,454.56;
- 6) the explanatory notes.

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Introduction to the consolidated financial statement

(all amounts are presented in Polish zloty)

1. Data identifying the parent company and the Capital Group

1.1 Name of the parent company

Casinos Poland Sp. z o.o.

1.2 Registered office of the parent company

ul. Wolnosc 3a, 01-018 Warsaw

1.3 Registration of the parent company in the National Court Register

Court s registered office: District Court for the capital city of Warsaw in Warsaw,
12th Commercial Department of the National Court

Date: Register
12 June 2001
Register number: 16809

1.4 Basic line of business and duration of the parent company

running of casinos in the Republic of Poland and abroad,

organizing other games of chance not covered by the State monopoly,

running arcade games, billiard games, computer games and video games,

running own trade activities pertaining to internal trade and foreign trade and as part of intermediation,

rendering food services,

purchase and sale of foreign currencies and intermediation in the purchase and sale of these values,

advertising.

The parent company has been established for an unspecified period of time.

1.5 Entities whose data are disclosed in the consolidated financial statement

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Detailed information about the entities whose data are disclosed in the consolidated financial statement are presented below:

Entity's name	Registered office	Line of business	Share capital	% share in share capital as at 31.12.2009
KA-NA GIS <u>Sp. z 0.0.</u>	Warsaw	Real estate rental	326,500.00	100%
Cesario Investments Sp. z 0.0.	Warsaw	Real estate rental, management consultation	9,550,000.00	100%

The percentage share of the parent company in the voting rights at the general meeting of shareholders of the given company corresponds to its share in the share capital of that company.

Table of Contents**Introduction to the consolidated financial statement (Continued)****(all amounts are presented in Polish zloty)**

The following subsidiaries have been covered by the consolidated financial statement:

a) *KA-NA GIS Sp. z o.o.*

This entity has been covered by consolidation due to the fact that its financial data are significant to the fulfillment of the obligation stipulated in Article 4 par. 1 of the Accounting act of 29 September 1994.

b) *Cesario Investments Sp. z o.o.*

This entity has been covered by consolidation due to the fact that it has not been covered by consolidation by the lower level parent company KA-NA GIS Sp. z o.o.

The consolidated financial statement for 2008 and 2007 also covered CP Nieruchomosci Sp.zo.o. In result of the merger of Cesario Investments Sp. z o.o. with CP Nieruchomości Ap. Z o.o., CP Nieruchomosci was deleted from the National Court Register on 30 October 2009. The merger was conducted pursuant to Article 492 sec. 1 item 1 and Article 516 sec. 6 of the Commercial companies code. The merger was conducted by combination through take-over reconciled by a share merging method pursuant to Article 44a par. 2 of the Accounting act.

1.6 Subordinated entities excluded from the consolidated financial statement

The following entities have been excluded from the consolidated financial statement:

Entity s name	Registered office	Line of business	Share capital	% share in share capital as at 31.12.2009
CP Management Sp. z o.o. in receivership	Warsaw	Private investigation services	100,000.00	100%
CP World B.V.	Alkmaar	Business consultation	EUR 82,800.00	100%

CP Management Sp. Z o.o. was deleted from the National Court Register on 28 January 2010.

Exclusion of the financial statements of the above entities from the consolidated financial statement took place on the basis of the provisions of Article 58 par. 1 of the Accounting act of 29 September 1994.

1.7 Period covered by the consolidated financial statement

The consolidated financial statement has been prepared for the financial year ending on 31 December 2009. The financial statements of the related parties have been prepared for the same financial year.

1.8 Assumption of continuation of business activity

The consolidated financial statement of Casinos Poland Sp. z o.o. Capital Group and the financial statements constituting the basis for drawing up the consolidated financial statement have been drawn up assuming that business activity will be continued in the foreseeable future. The Management Board of the parent company does not ascertain any circumstances as at the day the financial statement is signed indicating that

there is a threat to the continuation of business activity by the Capital Group.

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Introduction to the consolidated financial statement (Continued)

(all amounts are presented in Polish zloty)

2. Significant accounting principles

2.1 Basis for drawing up the consolidated financial statement

The consolidated financial statement has been drawn up in accordance with the practice applied by entities operating in Poland, on the basis of the accounting principles ensuing from the provisions of the Accounting act of 29 September 1994 (Journal of laws of 2009, No. 152, item 1223 as amended) and the secondary legislation to the Act.

The accounting principles adopted by the parent company for the capital group were applied in a continuous manner and comply with the accounting principles applied in the previous financial year.

2.2 Revenues and expenses

Revenues and expenses are recognized on an accrual basis during periods which they concern, regardless of the day on which payment is received or effected.

The group classifies expenses by type and draws up a profit and loss account using a comparative method.

Sales revenues

Revenues from the sale of products, goods and materials are recognized in the profit and loss account, when the significant risk and benefits ensuing from the ownership rights to the products, goods and materials have been assigned over to the buyer. Revenues from the sale of services whose period of execution is shorter than 6 months are recognized the moment their performance is finished.

2.3 Intangible assets

Intangible assets are recognized in the ledgers at purchase prices or expenses borne to manufacture them and are amortized using a straight-line method over the following period:

Software	2 years
----------	---------

2.4 Fixed assets

The initial value of the fixed assets is recognized in the ledgers at purchase price or manufacturing cost taking into account the consequences or reappraisal (readjustment), less depreciation allowances and impairment allowances.

The initial value of the fixed assets and the depreciation allowances made so far are readjusted on the basis of separate regulations.

The purchase price and the manufacturing cost of the fixed assets is the total cost borne by the entity during the period of construction, assembly, adaptation and improvement until the day they are put to use, including the costs of servicing liabilities incurred for the purpose of financing thereof and the associated exchange differences, less the revenue ensuing therefrom.

Table of Contents**Introduction to the consolidated financial statement (Continued)****(all amounts are presented in Polish zloty)**

The initial value constituting the purchase price or the manufacturing cost is increased by the costs of improvement, which involves rebuilding, expansion, modernization or reconstruction, causing the usable value of that asset after the improvement has been completed to exceed the usable value in effect the moment the asset is put to use.

The fixed assets are depreciated using the straight-line method. Depreciation starts in the month following the month in which the fixed asset is put to use. Low-priced fixed assets are amortized at full value in the month they are put to use.

Depreciation rates:

Buildings (investments in foreign fixed assets)	10%
Ownership right to usable premises	2.5%
Computers	30.0%
Other technical equipment (play machines)	20.0%
Vehicles	20.0%

2.5 Fixed assets under construction

Fixed assets under construction are recognized according to the overall costs directly related to the purchase or manufacture thereof borne up to the balance sheet date, less any impairment allowances.

2.6 Investments

Investments cover assets purchased to gain financial benefits ensuing from the increase in the value of these assets, generation of revenues therefrom in the form of interest, dividends (profit sharing) or other gains, including from trade transaction, and, in particular, financial assets as well as those real properties and intangible assets which are not being used by the entity but have been purchased to trade in.

2.6.1 Investments in real estate

The initial value of the investments in real estate is recognized in the ledgers at purchase price or manufacturing cost taking into account the consequences of reappraisal (readjustment), less depreciation allowances and impairment allowances. The initial value of the investments in real estate and the depreciation allowances made so far are readjusted on the basis of separate regulations.

The initial value constituting the purchase price or the manufacturing cost of an investment in real estate is increased by the costs of improvement, which involves rebuilding, expansion, modernization or reconstruction, causing the usable value of the investment in real estate after the improvement has been completed to exceed the usable value in effect the moment the investment is put to use.

Investments in real estate are depreciated using the straight-line method. Depreciation starts in the month following the month in which the investment in real estate is put to use.

2.6.2 Investments in intangible assets

Investments in intangible assets are recognized in the ledgers in accordance with the rules stipulated in item 2.3.

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Introduction to the consolidated financial statement (Continued)

(all amounts are presented in Polish zloty)

2.7 Leasing

The Company is a party to lease contracts, on the basis of which it accepts fixed assets to be used against payment for a specified period of time.

As regards financial lease contracts, by virtue of which the entire risk and profits ensuing from the possession of the assets constituting the subject matter of the contract are assigned, the subject matter of the lease is recognized in the assets as a fixed asset at the current value of the minimum lease fees the day on which the lease starts. Lease fees are divided between financial expenses and decrease in the balance of liability in a manner making it possible to obtain a fixed interest rate on the liability remaining to be repaid. Financial expenses are recognized directly in the profit and loss account.

Fixed assets used on the basis of lease contracts are depreciated over the anticipated period of use or the duration of the lease whichever is shorter.

Lease fees pertaining to contracts which do not meet the criteria of a financial lease contract are recognized as expenses in the profit and loss account using a straight-line method over the duration of the lease.

2.8 Inventories

Inventories are valued at purchase prices not higher than their net sales prices as at the balance sheet date. The value of inventories of materials and goods is set on the basis of:

Materials - the purchase price, using a FIFO method.

Goods - the purchase price, using a FIFO method.

Inventories are recognized in the balance sheet at net value, i.e. less write-down allowances resulting from their valuation at net sales prices.

2.9 Receivables, claims and liabilities, other than those classified as assets

Receivables are recognized at value due and receivable, in accordance with the prudence principle.

The value of the receivables is adjusted taking into account the degree of probability of payment thereof by way of a write-down allowance, recognized under other operating expenses or financial expenses - depending on the type of the receivables which the write-down allowance relates to.

Liabilities are recognized in the ledgers at amount due and payable.

Receivables and liabilities expressed in foreign currencies are recognized as at the day the transaction is made at the average exchange rate of the National Bank of Poland set for the given currency for that day.

As at the balance sheet date the receivables and the liabilities expressed in foreign currencies are recognized at the average exchange rate of the National Bank of Poland for the given currency in effect on that day.

2.10 Share capital

The share capital is recognized at value specified in the deed of association of the parent company and entered in the court register. The differences in the fair value of the payment received and the face value of the shares are recognized under supplementary capital from the sale of shares above their face value.

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Introduction to the consolidated financial statement (Continued)

(all amounts are presented in Polish zloty)

2.11 Provisions for liabilities

Provisions are comprised of liabilities whose maturity date or amount due are uncertain.

Unused leaves

Liabilities arising from unused employee leave have been valued on the basis of information about the total number of days of unused leave and average historical data about the remuneration costs.

Token balance

Some of the value tokens and vouchers issued by the Company are used by the gamblers as quasi money and are outside of the Company. The Company creates a provision in an amount corresponding to the value of the tokens and vouchers of a unit value over PLN 1,000.00, believing, from experience, that low-value tokens are treated by the gamblers as souvenirs and are not returned to circulation at the casino.

Cumulative jackpot

Slot machines used by the Company at the casinos and the game arcade make it possible to receive the jackpot at a later time than the period during which a significant portion of the revenues is generated. The Company creates a provision in the amount of the potential jackpot accumulated as at the balance sheet date, which will be paid out at a later time, net of gambling tax on that amount, calculated and paid by the Company.

Bonuses for the Management Board

Employment contracts entered into by the parent company with former members of the Management Board provided for the payment of an annual bonus, the value of which depended on the net result generated by the parent company in the financial year ending on 31 December 2007. Additionally, the Company created a provision for the bonuses for the present Management Board in an amount similar to the bonus paid out for 2008 on the basis of a resolution of the Shareholders of Casinos Poland Sp. z o.o. dated 30 October 2009.

Competition ban

Employment contracts of former members of the Company's Management Board contained provisions concerning the ban on competition after employment has ceased. Analogical provisions exist in contracts banning competition which the Company entered into with two employees holding managerial posts in the Company. The Company is currently questioning the payments ensuing from that fact. Not knowing the effects of the lawsuit in the above regard the Company created a provision in the amount fully reflecting the contractual provisions.

Termination of the employment contract without notice

The employment contract with the former President of the Management Board of the parent company was terminated without notice. Not knowing the outcome of the lawsuit in the above regard the Company created a provision in the amount corresponding to a three months' salary plus Social Insurance Institution's surcharges.

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Introduction to the consolidated financial statement (Continued)

(all amounts are presented in Polish zloty)

2.12 Goodwill of subsidiary companies

The negative goodwill constitutes an excess of the fair value of identifiable net assets of the subsidiary or associated company as at the day control is taken over or exertion of significant pressure on their purchase prices is commenced.

The negative goodwill is depreciated over a period of 40 years.

2.13 Method of consolidation / valuation of subsidiary companies

Subsidiary companies are subject to full consolidation during the period from the moment control over them is taken by the parent company until this control ceases. Assets and liabilities of the subsidiary company as at the day it is included in the consolidated financial statement are recognized at fair value. The difference between the fair value of these assets and liabilities and the purchase price causes a goodwill or negative goodwill to appear, which are disclosed under a separate position in the consolidated balance sheet.

2.14 Income tax

Tax disclosed in the profit and loss account covers the current and the deferred portion.

Current income tax liabilities are calculated in accordance with the tax laws. The deferred portion disclosed in the profit and loss account constitutes the difference between the status of the provisions and assets pertaining to the deferred tax at the end and at the beginning of the reporting period.

Assets pertaining to the deferred income tax are valued at an amount anticipated to be deducted from the income tax in the future, as a result of temporary differences which will result in the future decrease in the tax base and the deductible tax loss, determined taking into account the prudential valuation rule.

The provision for the deferred income tax is created in the amount of the income tax required to be paid in the future, as a result of temporary differences which will result in an increase in the tax base in the future.

The value of the provision and the assets pertaining to the deferred income tax is determined taking into account the income tax rates in effect during the year in which the tax liability appeared.

2.15 Exchange differences

The exchange differences resulting from the valuation as at the balance sheet date of assets and liabilities, except long-term investments, expressed in foreign currencies and arisen in connection with receivables and liabilities in foreign currencies, as well as when selling foreign currencies, are recognized accordingly under financial revenues or expenses, and in some cases, under the purchase price for goods, as well as the purchase price or manufacturing cost of fixed assets, fixed assets under construction or intangible assets.

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Introduction to the consolidated financial statement (Continued)

(all amounts are presented in Polish zloty)

Exchange differences arisen in connection with the valuation of long-term investments as at the balance sheet date, expressed in foreign currencies, are reconciled in the following manner:

Positive exchange differences increase the revaluation capital. Negative exchange differences decrease the revaluation capital to the amount by which the revaluation capital was increased in this regard. In other cases negative exchange differences are recognized under financial costs. The increase in the value of the given investment ensuing from positive exchange differences on assets whose value has been decreased by the negative exchange differences classified under financial costs, are recognized up to the value of these costs as financial revenues.

2.16 Trade financial assets

Trade financial assets include assets acquired for the purpose of achieving economic gains ensuing from short-term changes in the prices and fluctuations of other market indexes or short duration of the acquired instrument, as well as other financial assets, regardless of the intentions followed when concluding the contract, if they constitute an element of a portfolio of similar financial assets, with respect to which there is a high probability of achieving the anticipated economic gains within a short period of time.

2.17 Cash flow statement

The group draws up the cash flow statement using an indirect method.

Table of Contents**CASINOS POLAND SP. Z O.O. CAPITAL GROUP****Consolidated balance sheet**

(all amounts are presented in Polish zloty)

	Note	31.12.2009	31.12.2008 (Unaudited)
ASSETS			
Fixed assets		42,127,533.36	46,935,899.25
Intangible assets	1.1		
Other intangible assets		85,874.19	190,309.23
		85,874.19	190,309.23
Tangible assets	2		
Fixed assets	2.1	40,098,502.49	43,012,164.75
buildings, premises and civil engineering structures		29,689,309.17	33,670,842.63
technical equipment and machines		1,083,351.69	1,280,050.19
vehicles		612,822.06	293,494.21
other tangible fixed assets		8,713,019.57	7,767,777.72
Tangible fixed assets under construction	2.5	664,331.88	1,111,240.61
Advances for tangible fixed assets under construction			566,549.33
		40,762,834.37	44,689,954.69
Long-term receivables			
From other entities	3.1	110,512.59	110,512.59
		110,512.59	110,512.59
Long-term prepayments			
Deferred tax asset	&nbs		