AmRest Holdings SE

Annual Separate Financial Statements
as at and for the twelve months ended
December 31st, 2012

Contents:

Drew O'Malley **AmRest Holdings SE**	**Mark Chandler** **AmRest Holdings SE**	**Wojciech Mroczyński** **AmRest Holdings SE**
Board Member	**Board Member**	**Board Member**

Wrocław, March 19th, 2013

Annual Separate Income Statement for the 12 months ended December 31, 2012

In thousands of Polish Zloty	**Note**	**12 months ended December 31, 2012**	**12 months ended December 31, 2011**
General and administrative expenses (G&A)		(2 118)	(3 803)
Other operating income		441	193
Finance income	9	29 622	19 892
Finance cost	9	(14 733)	(12 453)
Profit before tax		**13 212**	**3 829**
Income tax expense	10	(628)	(642)
Profit for the period		**12 584**	**3 187**
Basic profit per share in Polish zloty	14	0,59	0,15
Diluted profit per share in Polish zloty	14	0,59	0,15

The Annual Separate Income Statement has to be analyzed jointly with the notes which constitute an integral part of these financial statements.

Annual Separate Statement of Comprehensive Income for the 12 months ended December 31, 2012

In thousands of Polish Zloty	**12 months ended December 31, 2012**	**12 months ended December 31, 2011**
Profit for the period	**12 584**	**3 187**
Other comprehensive income	-	-
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income for the period	**12 584**	**3 187**

The Annual Separate Statement of Comprehensive Income has to be analyzed jointly with the notes which constitute an integral part of these financial statements.

Annual Separate Statement of Financial Position as at December 31, 2012

In thousands of Polish Zloty	Note	December 31, 2012	December 31, 2011
Assets			
Investment in associates	2	831 091	754 224
Other non-current assets	3	6 199	205 700
Total non-current assets		**837 290**	**959 924**
Trade and other receivables	5	1 474	1 002
Other current assets		4	8
Other financial assets	3	156 151	27 728
Cash and cash equivalents	8	12 433	17 043
Total current assets		**170 062**	**45 781**
Total assets		**1 007 352**	**1 005 705**
Equity	7		
Share capital	7	714	714
Reserves	7	783 790	776 182
Retained Earnings	7	66 944	56 742
Total Equity attributable to shareholders of the parent		**851 448**	**833 638**
Liabilities			
Deferred tax liabilities	10	584	179
Interest-bearing loans and borrowings	4	4 467	-
Non-current bonds liabilities	4	149 497	149 491
Total non-current liabilities		**154 548**	**149 670**
Interest-bearing loans and borrowings	4	-	22 111
Trade and other payables		1 356	286
Total current liabilities		**1 356**	**22 397**
Total liabilities		**155 904**	**172 067**
Total equity and liabilities		**1 007 352**	**1 005 705**

The Annual Separate Statement of Financial Position has to be analyzed jointly with the notes which constitute an integral part of these financial statements.

Annual Separate Statement of Cash Flows for the 12 months ended December 31, 2012

In thousands of Polish Zloty	**12 months ended December 31, 2012**	**12months ended December 31, 2011**
Cash flows from operating activities		
Profit before tax	13 212	3 829
Adjustments for:		
Interest, net	(16 135)	(7 267)
Unrealized foreign exchange differences	666	(306)
Change in receivables	(223)	4 176
Change in other current assets	4	(4)
Change in payables and other liabilities	1 070	(274)
Income taxes paid	(403)	(698)
Net cash provided by operating activities	**(1 809)**	**(544)**
Cash flows from investing activities		
Proceeds from repayment of loan and interest given	105 006	159 956
Dividends received from subsidiaries	10 098	-
Interest received from bank deposits	899	1 828
Expense on loans given	(3 250)	-
Acquisition of subsidiaries, net of cash acquired	(71 199)	(359 683)
Net cash used in investing activities	**41 554**	**(197 899)**
Cash flows from financing activities		
Proceeds from shares issued	-	168 926
Proceeds from share issuance (employees options)	442	377
Expense on acquisition of own shares (employees option)	(1 014)	-
Repayment of bonds and bonds interest	(12 582)	(11 619)
Proceeds from loans received	23 708	22 312
Repayment of loans and borrowings and interest	(42 389)	-
Proceeds from cash-pooling	80	2 321
Expense on short- and long-term deposits	(12 600)	-
Other financial expenses	-	(440)
Net cash provided by/(used in) financing activities	**(44 355)**	**181 877**
Net change in cash and cash equivalents	**(4 610)**	**(16 566)**
Balance sheet in cash and cash equivalents	**(4 610)**	**(16 566)**

Cash and cash equivalents, beginning of period	**17 043**	**33 609**
Cash and cash equivalents, end of period	**12 433**	**17 043**

The Annual Separate Statement of Cash Flows has to be analyzed jointly with the notes which constitute an integral part of these financial statements.

Annual Separate Statement of Changes in Equity for the 12 months ended December 31, 2012

	Issued capital	Reserves	Retained Earnings	**Total Equity**
As at January 1, 2011	**623**	**605 689**	**53 555**	**659 867**
Comprehensive Income				
Profit for the period	-	-	3 187	**3 187**
Total Comprehensive Income	**-**	**-**	**3 187**	**3 187**
Transactions with shareholders				
Employees share option scheme – value of employee services	-	1 281	-	**1 281**
Employees share option scheme – value of realized options	-	377	-	**377**
Issuance of shares	91	168 835	-	**168 926**
Total of transactions with shareholders	**91**	**170 493**	**-**	**170 584**
As at December 31, 2011	**714**	**776 182**	**56 742**	**833 638**
As at January 1, 2012	**714**	**776 182**	**56 742**	**833 638**
Comprehensive Income				
Profit for the period	-	-	12 584	**12 584**
Total Comprehensive Income	**-**	**-**	**12 584**	**12 584**
Transactions with shareholders				
Employees share option scheme – value of employee services	-	5 668	-	**5 668**
Acquisition of own shares		-	(442)	**(442)**
Distribution of retained earnings	-	1 940	(1 940)	**-**
Total of transactions with shareholders	**-**	**7 608**	**(2 382)**	**5 226**
As at December 31, 2012	**714**	**783 790**	**66 944**	**851 448**

The Annual Separate Statement of Changes in Equity has to be analyzed jointly with the notes which constitute an integral part of these financial statements.

1 Company overview and significant accounting policies

(a) Background

AmRest Holdings SE ("the Company") was established in the Netherlands in October 2000 as a joint-stock company. On September 19, 2008, the Commercial Chamber in Amsterdam registered the change in the legal status of the Company to a European Company (Societas Europaea) and of its name to AmRest Holdings SE. On December 22, 2008, the District Court for Wrocław-Fabryczna in Wrocław, 6th Business Department registered the new registered office of AmRest in the National Court Register. The address of the Company's new registered office is: pl. Grunwaldzki 25-27, Wrocław (50-365), Poland. The Court also registered amendments to the Company's Memorandum of Association related to the transfer of the registered office of AmRest to Poland.

AmRest is the first public company in Poland operating in the form of a European Company. The purpose of transforming AmRest into a European Company was to increase its operating effectiveness and reduce operating and administrative expenses. Following the fact of transfer into European Company and transfer of Company registered head office to Poland, the functional currency of AmRest holdings SE since January 1, 2009 is polish zloty (PLN).

The Company's core activity is direct management of the following entities ("the Group"):

- AmRest Sp. z o.o. (Poland), the entity being a parent in an international group comprising of entities located in Poland, as well as in Russia (OOO AmRest) and USA (AmRest, LLC),
- AmRest s.r.o. (The Czech Republic),
- AmRest EOOD (Bulgaria),
- AmRest Acqusition Subsidiary Inc (USA),
- AmRest Finance ZRT (Hungary),
- AmRest Finance S.L. (Spain),
- AmRest HK Limited (China),
- Blue Horizon Hospitality Group PTE Ltd. (China), the entity being a parent in a group, comprising of entities located in China.

The principal activity of the subsidiaries is operating Kentucky Fried Chicken ("KFC"), Pizza Hut, Burger King and Starbucks restaurants through its subsidiaries in Poland, the Czech Republic (further Czech), Hungary, Russia, Serbia, Croatia, Bulgaria and Spain, on the basis of franchises granted. In Spain, France, Germany, China and The United States the Group operates its own brands La Tagliatella, Trastevere and il Pastificcio. This business is based on the franchise agreements signed with non-related companies and own restaurants. It is supported by the central kitchen which produces and delivers products to the whole network of own brands. Additionally in China since December 21, 2012 the Group operates its own brands Blue Frog and KABB.

On April 27, 2005, the shares of AmRest Holdings SE were quoted for the first time on the Warsaw Stock Exchange ("GPW").

Before April 27, 2005, the Company's co-shareholders and entities exercising their rights from the shares held in the Company were International Restaurants Investments, LLC ("IRI") with its registered office in the United States of America, and Kentucky Fried Chicken Poland Holdings BV ("KFC BV") with its registered office in the Netherlands. The co-shareholders held 50% shares each and had the same proportion of voting rights before the Company was first quoted on the stock exchange. IRI was a company controlled by American Retail Concepts, Inc. with its registered office in the United States of America ("ARC"), and KFC BV was a company controlled by YUM! Brands, Inc. ("YUM!") with its registered office in the USA.

In connection with the flotation of the Company on GPW, YUM! sold all its shares in the Company and is no more a shareholder or a related entity. Also when the Company was floated on GPW, IRI sold part of the shares held.

On April 22, 2010 share subscription agreement was signed between AmRest Holdings S.E, and WP Holdings VII B.V., following which on May 24, 2010 WP Holdings VII B.V. obtained 4 726 263 shares of the Company from new emission at emission price of PLN 65 for total value of PLN 307.2 million. At June 10, 2010 was registered by the registry court in Wroclaw the increase in the share capital of the Company by the amount of EUR 47 262.63 (PLN 195 374.26). Additionally during 12 months from the date on which the described above emission shares were registered by the registry court proper for the Company's registered office, the WP Holdings VII B.V. will have an option to subscribe for additional shares in up to two instalments to the extent that its shareholding does not exceed 33% of the post-issuance share capital. The issuance price for the additional shares subscription was PLN 75 per share. On March 25, 2011, WP subscribed for 2 271 590 shares with the issuance price of PLN 75 per share. After decrease by all costs concern capital issue the growth was PLN 168 926 thousand.

As at December 31, 2012, WP Holdings VII B.V. was the largest shareholder of AmRest and held 32.99% of its shares and voting rights.

These financial statements were authorized by the Management Board on March 19, 2013.

(b) Representations on compliance of the financial statements with the International Financial Accounting Standards

These annual separate financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and adopted by the European Union for annual financial reporting, in force as at December 31, 2012. As at December 31, 2012, there are no discrepancies between the accounting policies adopted by the Entity and the standards referred to above. The accounting policies which have been applied in the preparation of the annual financial statements comply with those used in preparing the annual separate financial statements for the year ended December 31 2011, with the exception of the new standards binding as of 1 January 2012.

<u>Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Entity</u>

In this financial statements Entity has not decided for early adoption of following standards and interpretations that are not yet effective:

- IFRS 9 „Financial Instruments Part 1: classification and measurement"

IFRS 9 Financial Instruments was published by IASB on November 12, 2009 and replaces those parts of IAS 39 that covers classification and measurement of financial assets. In October 2010 IFRS 9 was amended for classification and valuation of financial liabilities. New standard is applicable for annual periods starting January 1, 2013 or later. Standard introduces one model providing only two classification categories for financial assets: amortized cost and fair value. Classification is made on initial recognition and depends on applied by entity model for managing financial instruments and characteristic of agreed cash flows for given instruments. Most of IAS 39 requirements regarding classification and measurement of financial liabilities were moved to IFRS 9 in unchanged form. Key amendment is imposition on entities requirement for presentation in comprehensive income effects of changes in own credit risk from financial liabilities indicated to be valued in fair value through income statement.

Group will apply amendment to IFRS 9 beginning on January 1, 2015. Management board is during verification of above amendments influence on financial statements.

As at the date of this financial statement issuance, IFRS 9 has not been approved by European Union.

- IFRS 10, „Consolidated Financial Statements"

IFRS 10 "Consolidated Financial Statements" was published by IASB in May 2011. New standard is applicable for annual periods starting January 1, 2013 or later. New standard replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance.

Group will apply amendment to IFRS 10 beginning on January 1, 2013. Management board is during verification of above amendments influence on financial statements.

As at the date of this financial statement issuance, IFRS 10 has not been approved by European Union.

- IFRS 11, „Joint Arrangements"

IFRS 11 „Joint Arrangements" was published by IASB in May 2011. New standard is applicable for annual periods starting January 1, 2013 or later. New standard replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities - Non-Monetary Contributions by Ventures".

Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures.

Group will apply amendment to IFRS 11 beginning on January 1, 2013. Management board is during verification of above amendments influence on financial statements.

As at the date of this financial statement issuance, IFRS 11 has not been approved by European Union.

- IFRS 12, „Disclosure of Interest in Other Entities"

IFRS 12 „Disclosure of Interest in Other Entities" was published by IASB in May 2011. New standard is applicable for annual periods starting January 1, 2013 or later. New standard applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities.

Group will apply amendment to IFRS 12 beginning on January 1, 2013. Management board is during verification of above amendments influence on financial statements.

As at the date of this financial statement issuance, IFRS 12 has not been approved by European Union.

- IFRS 13, „Fair value measurement"

IFRS 13 „ Fair value measurement" was published by IASB in May 2011. New standard is applicable for annual periods starting January 1, 2013 or later. New standard aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs.

Group will apply amendment to IFRS 12 beginning on January 1, 2013. Management board is during verification of above amendments influence on financial statements.

As at the date of this financial statement issuance, IFRS 12 has not been approved by European Union.

- Revised IAS 27, „Separate Financial Statements"

Revised IAS 27, "Separate Financial Statements" was published by IASB in May 2011. New standard is applicable for annual periods starting January 1, 2013 or later. IAS 27 was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements.

Group will apply amendment to revised IFRS 27 beginning on January 1, 2013. Management board is during verification of above amendments influence on financial statements.

As at the date of this financial statement issuance, revised IFRS 27 has not been approved by European Union.

- Revised IAS 28, „Investments in Associates and Joint Ventures”

Revised IAS 28, „Investments in Associates and Joint Ventures” was published by IASB in May 2011. New standard is applicable for annual periods starting January 1, 2013 or later. The amendment of IAS 28 resulted from the Board’s project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged.

Group will apply amendment to revised IFRS 28 beginning on January 1, 2013. Management board is during verification of above amendments influence on financial statements.

As at the date of this financial statement issuance, revised IFRS 28 has not been approved by European Union.

- Amended IAS 19, „Employee Benefits”

Amendments to IAS 19 „Presentation of Financial Statements” were published by the International Accounting Standards Board in June 2011 and are effective for the annual periods beginning January 1, 2013 or later. The amended AIS 19 makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income.

Group will apply amendments to IAS 19 beginning on January 1, 2013. Management board is during verification of above amendments influence on financial statements.

As at the date of this financial statement issuance, amendments to IAS 19 has not been approved by European Union.

- „Offsetting Financial Assets and Financial Liabilities” - Amendments to IAS 32

Amendments to IAS 32 „Offsetting Financial Assets and Financial Liabilities” were published by the International Accounting Standards Board in December 2011 and are effective for the annual periods beginning January 1, 2014 or later. The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement systems may be considered equivalent to net settlement.

Group will apply amendments to IAS 32 beginning on January 1, 2014. Management board is during verification of above amendments influence on financial statements.

As at the date of this financial statement issuance, amendments to IAS 32 has not been approved by European Union.

- „Disclosures-Offsetting Financial Assets and Financial Liabilities” - Amendments to IFRS 7

Amendments to IFRS 7 „Disclosures-Offsetting Financial Assets and Financial Liabilities” were published by the International Accounting Standards Board in December 2011 and are effective for the annual periods beginning January 1, 2013 or later. The amendment requires disclosures that will enable users of an entity’s financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off.

Group will apply amendments to IFRS 7 beginning on January 1, 2013. Management board is during verification of above amendments influence on financial statements.

As at the date of this financial statement issuance, amendments to IFRS 7 has not been approved by European Union.

- Amendments to IFRS 1 “Government loans”

Amendments to IFRS 1 "First-time adoption of International Financial Reporting Standards" were issued by IASB in March 2012 and are valid for annual periods starting from January 1, 2013 or later. The amendments, dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. This will give first-time adopters the same relief as existing preparers.

Group will apply amendment to IFRS 1 not earlier than on January 1, 2013. Management board is during verification of above amendments influence on financial statements.

As at the date of this financial statement issuance, IFRS 1 has not been approved by European Union.

- Improvements to International Financial Reporting Standards 2009-2011

The International Accounting Standards Board published in May 2012 "Improvements to IFRS 2009-2011", which changed five standards. Amendments concern changes in presentation, valuation and terminological and editing changes. Changes will be obligatory for annual periods beginning from January 1st, 2013.

Group will apply Improvements to International Financial Reporting Standards 2009-2011 not earlier than on January 1, 2013. Management board is during verification of above amendments influence on financial statements.

As at the date of this financial statement issuance, Improvements to International Financial Reporting Standards 2009-2011 has not been approved by European Union.

- Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 was issued by the International Accounting Standards Board on 28 June 2012 and effective for annual periods beginning on 1 January 2013 or later. The amendments clarify the transition guidance in IFRS 10 Consolidated Financial Statements. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012 for a calendar year-end entity that adopts IFRS 10 in 2013) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11, Joint Arrangements, and IFRS 12, Disclosure of Interests in Other Entities, by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied.

Group will apply Amendments to IFRS 10, IFRS 11 and IFRS 12 not earlier than on January 1, 2014. Management board is during verification of above amendments influence on financial statements.

As at the date of this financial statement issuance, Amendments to IFRS 10, IFRS 11 and IFRS 12 has not been approved by European Union.

- Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment entities"

Amendments to IFRS 10, IFRS 12 and IAS 27 was issued by the International Accounting Standards Board on 31 October 2012 and effective for annual periods beginning on or after 1 January 2014. The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary.

Group will apply Amendments to IFRS 10, IFRS 12 and IAS 27 not earlier than on January 1, 2014. Management board is during verification of above amendments influence on financial statements.

As at the date of this financial statement issuance, Amendments to IFRS 10, IFRS 12 and IAS 27 has not been approved by European Union.

New and amended standards adopted by the Entity:

As at January 1, 2012 Entity has adopted following new and amended IFRS and IAS:

- Amendments to IFRS 7 “Transfers of financial assets”

Amendments to IFRS 7 “Transfer of financial assets” were issued by IASB in November 2010 and are valid for annual periods starting from July 1, 2011 or later. Amendments require disclosure of additional information on risk derived from transfer of financial assets. Cover requirement to disclose according to classes of assets, character, balance sheet value, risk description and benefits concerning financial assets transferred to other entity, but still remaining in balance sheet of entity. Required are also disclosures of information allowing users of financial statements to identify value of potential related liability and relation between given financial asset and counterpart liability. In case when financial assets were derecognized from balance sheet, but entity is still exposed to certain risk and can gain certain rewards connected with transferred item of assets, it is required to additionally disclose information allowing to understand consequences of such risk.

Group applies amendments to IFRS 7 from January 1, 2012. Application of standard amendments does not create retrospectively adjustments. The amendments do not have a material impact on the group or company's financial statements.

- “Recovery of underlying assets” – Amendments to IAS 12

Amendments to IAS 12 „Recovery of underlying assets” were published by the International Accounting Standards Board in December 2010 r. and are effective for the annual periods beginning on or after January 1, 2012 r. The purpose of this update is to provide practical guidance in the estimation of the amount of deferred income tax in a situation where investment property is measured through the use of the fair value model from IAS 40 Investment Property and introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC 21 Income Taxes - Recovery of Revalued Non-Depreciable Assets which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16 Property, Plant and Equipment was incorporate into IAS 12 after excluding guidance regarding investment property measured at fair value.

Group applies amendments to IAS 12 from January 1, 2013. Application of standard amendments does not create retrospectively adjustments. The amendments do not have a material impact on the group or company's financial statements.

- „Presentation of Financial Statements” - Amendments to IAS 1

Amendments to IFRS 1 „Presentation of Financial Statements” were published by the International Accounting Standards Board in June 2011 and are effective for the annual periods beginning on or after July 1, 2012. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to ‘statement of profit or loss and other comprehensive income.

Group applies amendments to IAS 1 from January 1, 2013. Application of standard amendments does not create retrospectively adjustments. The amendments do not have a material impact on the group or company's financial statements.

- Severe Hyperinflation and Removal of Fixed Dates for First - time adopters - Amendments to IFRS 1

Amendments to IFRS 1 „Severe Hyperinflation and Removal of Fixed Dates for First - time adopters” were published by the International Accounting Standards Board in December 2010 and are effective for the annual periods beginning on or after July 1, 2011. The amendment regarding severe hyperinflation creates an additional exemption when an entity that has been subject to severe hyperinflation resumes presenting or presents for the first time, financial statements in accordance with IFRS. The exemption allows an entity to elect to measure certain assets and liabilities at fair value; and to use that fair value as the deemed cost in the opening IFRS statement of financial position. The IASB has also amended IFRS 1 to eliminate references to fixed dates for one exception and one exemption, both dealing with financial assets and liabilities. The first change requires first-time adopters to apply the derecognition requirements of IFRS prospectively from the date of transition, rather than from 1 January 2004. The second amendment relates to financial assets or liabilities where the fair value is established through valuation techniques at initial recognition and allows the guidance to be applied prospectively from the date of transition to IFRS rather than from 25 October 2002 or 1 January 2004. This means that a first-time adopter may not need to determine the fair value of certain financial assets and liabilities at initial recognition for periods prior to the date of transition. IFRS 9 has also been amended to reflect these changes.

Group applies amendments to IFRS 1 from January 1, 2013. Application of standard amendments does not create retrospectively adjustments. The amendments do not have a material impact on the group or company's financial statements.

(c) Basis of preparation of financial statements

Because of the fact that Company has moved its seat to Poland financial statements was prepared in polish zloty (PLN), after rounding to full thousands (TPLN).

The Company prepares consolidated financial statements of the Group for which it acts as a parent. The consolidated and separate financial statements have to be analyzed jointly in order to vies a full picture of the Company’s financial.

The financial statements were prepared on the historical cost excluding valuation of derivative instruments and investment properties to their fair value.

The preparation of the IFRS financial statements requires the Management of the Company to make certain assumptions and estimates which are reflected in the accounting policy and that affect the reported amounts of assets and liabilities and reported revenues and expenses during the period. The results of the estimates and the respective assumptions being the result of experience and various factors deemed to be justified in given circumstances are the basis for assessing the values of assets or liabilities which do not result directly from other sources. The actual financial results may differ from the adopted estimates.

The estimates and the assumptions on which they are based are subject to current verification. The adjustment of accounting estimates is recognized in the period in which it was made, on condition that it only relates to that period, or in the period in which it was made, and in future periods, if it relates both to the current and future periods.

The accounting policies have been applied consistently to all periods presented in these financial statements.

(d) Going concern assumption

Information presented below should be read together with information provided in Note 12 and 15, describing accordingly: commitments and contingencies, and significant post balance sheet events after December 31, 2012.

Annual separate financial statements for the period of 12 months ended December 31, 2012 were prepared in accordance with going concern assumption by the Entity in foreseeable future, what assumes realization of assets and liabilities throughout the normal terms of business operations. Annual separate financial statements does not account for adjustments, which would be essential in such events. As at the date of annual separate financial statements issuance in assessment made by Management Board Entity there are no circumstances indicating threats for business going concern of the Entity and any related party in AmRest Group as well.

(e) Financial assets – investments in subsidiaries

Investments in subsidiaries

Investments in subsidiaries are valued at cost, net of impairment losses.

Other than investments in subsidiaries the Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity assets, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition and reviews this designation at every balance sheet date.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories described below. The Entity does not maintain any investments classified as available-for-sale financial assets as at the end of each of the periods covered by these separate financial statements.

Financial assets at fair value profit or loss

This category has two sub-categories: ‘financial assets held for trading’, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as ‘held for trading’ unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date. The Company does not maintain any investments classified as financial assets at fair value through profit or loss as at the end of each of the periods covered by these financial statements.

Financial assets held to maturity

This category covers financial assets which the Management Board decided would be maintained to maturity upon inception. Financial assets held to maturity are stated at amortized cost. The carrying amount of investments measured at adjusted purchase price (amortized cost) and is calculated as the amount due on maturity net of all non-amortized initial discounts or premiums.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. They are carried at amortized cost less impairment losses and are classified as ‘trade and other receivables’ in the balance sheet for maturities not greater than 12 months after the balance sheet date (see accounting policy (f below).

Regular purchases and sales of investments are recognized on trade-date – the date on which the Entity commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Entity has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method.

(f) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognized initially at fair value and subsequently measured at amortized cost less impairment losses.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(h) Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

The supplementary capital comprises of:

- surpluses between income from share issue and nominal value of issued shares, less costs of issue,
- costs of employee benefits and share option plans.

(i) Financial liabilities - interest bearing loans and borrowings and bonds obligations

Interest-bearing loans and borrowings as well as bonds obligations are recognized initially at cost being their fair value, less attributable transaction costs. In subsequent periods, borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings using the effective interest rate method.

If the loan is settled before the maturity date, any difference between the settled cost and the current cost is recognized in the income statement.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

The zero coupons bonds obligations are classified as non-current liabilities if the maturity date is equal greater than 12 months after the balance sheet date.

(j) Employee benefits

Share-based compensation

The Company, having no own employees, provides three equity-settled, share-based compensation plans for the key employees of AmRest Group (see Note 6). The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(k) Trade and other payables

They are recognized initially at fair value and subsequently measured at amortized cost.

(l) Currency and exchange differences

Entity presented its annual separate financial statements in Polish zloty. Transactions denominated in foreign currencies are translated into the functional currency at the rate prevailing as at the transaction date. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated into Polish zloty at the rate prevailing as at that date. Foreign exchange differences arising as a result of translating the transactions denominated in foreign currencies into Polish zloty were recognized in the income statement, except incomes and losses concern hedging instrument, which constitutes effective hedge presented directly in other comprehensive income. Non-monetary assets and liabilities stated at historical cost and denominated in foreign currencies are translated using the exchange rate as of the transaction date.

(m) Income tax expense

The income tax shown in the income statement comprises the current and deferred portion. The current portion of the income tax includes tax calculated on the basis of the taxable income for the current period using the income tax rates which have been enacted or substantially enacted as at the balance sheet date, and adjustments of the income tax liability from prior years.

Income tax expense is recognized in the income statement, with the exception of transactions accounted for in equity, in respect of which the tax is also recognized directly in equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arose in respect of the initial recognition of an asset or liability under a transaction other than a business combination which has no impact on the profit/loss for accounting or tax purposes, it is not recognized. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax is not recognized upon the initial recognition of goodwill.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax provisions are recognized on temporary differences arising on investments in subsidiaries and associates, unless the reversal of temporary differences is controlled by the Entity and it is improbable that in the foreseeable future the differences will be reversed.

(in PLN thousands unless stated otherwise)

2 Investments in subsidiaries

The table below presents the number and value of the shares owned by the Company in its subsidiaries as at December 31, 2012 and as at December 31, 2011.

	December 31, 2012		**December 31, 2011**	
	Interest ownership	Value of Shares	Interest ownership	Value of Shares
AmRest Sp. z o.o. (Poland)[(a)]	100,00%	219 683	100,00%	214 015
AmRest s.r.o. (Czech Republik)	100,00%	33 573	100,00%	33 573
AmRest Acquisition Subsidiary (USA)	100,00%	146 954	100,00%	146 954
AmRest Tag S.L. (Spain)[(b)]	-	-	100,00%	357 044
AmRest Finance ZRT (Hungary)[(c)]	99,96%	357 044	-	-
AmRest Finance S.L. (Spain)	100,00%	13	100,00%	13
AmRest EOOD (Bulgaria)[(d)]	100,00%	2 000	100,00%	2 000
AmRest HK Limited (China)	65,00%	10 386	65,00%	625
Blue Horizon Hospitality Group PTE Ltd. (Chiny)[(e)]	51,20%	61 438	-	-
Total	**-**	**831 091**	**-**	**754 224**

(a) The value of shares in AmRest Sp. z o.o. was increased by capitalized costs of the share option plan (share options granted to the employees of the subsidiaries). The costs capitalized in the value of investments in subsidiaries amounted to 5 688 TPLN as at December 31, 2012.

(b) On March 15, 2011, AmRest Holdings SE acquired 100% of AmRest TAG S.L. shares, with its registered office in Madrid, Spain. The total transaction value was PLN 357 044 thousand (EUR 90 million). On March 15, 2011, AmRest TAG S.L. acquired 100% of AmRestavia S.L shares. The purpose of the acquisition of above mentioned companies was the purchase of 100% shares in Restauravia Grupo Empresarial S.L. ("RGE").

On April 28,2011, AmRest Holdings SE acquired 100% shares in Restauravia Grupo Empresarial S.L. from Corpfin Capital Fund III F.C.R., Corpfin Capital S.A. S.C.R., Corpfin Capital Fund III SBP F.C.R., Delta Spain S.A.R.L. SICAR, known as „Shaleholders Corpfin" and Ms. María Elena Pato-Castel Tadeo, Mr. David Gorgues Carnicé, Kenvest Restoration S.L. Ebitda Consulting S.L.. As a result of shares purchase in RGE, both companies acquired on March 15,2011 became shareholders of RGE AmResTAG 83,48% and AmRestavia 16,52%). Additionally 23.73% of shares in AmRest TAG was covered by existing shareholders of the RGE.

(c) On November 23, 2012 transfer of ownership of 76,27% stakes in AmRest TAG S.L. from AmRest Holdings SE to AmRest Sp. z o.o., a 100% subsidiary, was made. AmRest TAG Shares were contributed in-kind by AmRest Holdings to AmRest Finance ZRT, an entity fully controlled by AmRest Sp. z o.o., for taking up new shares in AmRest Finance ZRT (change of the shareholder was registered on January 8, 2013 by the court proper for AmRest Finance ZRT). Then, on the same day, AmRest Finance ZRT sold shares in w AmRest TAG to AmRest Sp. z o.o..

(in PLN thousands unless stated otherwise)

According to terms of the agreement AmRest owns “Call Option” to purchase total or part of shares from non-controlling interest shareholders. AmRest has the right to realize Call option after 3 and to 6 years from the date of finalizing the agreement on May 1st and December 1st each year within this period. Non-controlling shareholders have the right to “Put Option” to sell total or part of shares. Put option can be realized after 3 and to 6 years from the date of finalizing the agreement. Additionally the Put Option may be exercised at any time in the following cases: death of Mr. Steven Kent Wineger, formal initiation of the listing process of AmRest TAG’s shares on a security exchange, AmRest’s stock market price per share falls below 65 PLN. The price of both options will be equal 8,2 times of the EBITDA value for last 12 months, adjusted by net debt value on the day of option realization. AmRest Holdings SE (with AmRest Sp. z o.o.) is jointly and severally responsible for discharging the obligations resulting from purchase agreement.

(d) On December 20, 2011 AmRest Sp. z o.o. sold shares in AmRest EOOD to AmRest Holdings SE. Change of the shareholder was registered on February 2, 2012 by the court proper for AmRest EOOD (Bulgaria).

(e) On December 21, 2012 AmRest Holdings SE acquired 51,2% share in Group Blue Horizon Hospitality PTE LTD. The transaction value was PLN 61.438 thousand (USD 20 million) and consisted of payment for 50% shares (19 million USD) and direct share increase (1 million USD) giving additional 1,2% of shares. Transaction was based on agreement signed December 14, 2012. February 19, 2013 AmRest Holdings SE entered into an agreement with the seller confirming the purchase price adjustment (decrease) by the amount of 501 287 dollars (1.553 thousands PLN). The Entity received money transfer on February 5-7, 2013.

As at December 31, 2012 the Company has not recognized impairment on the investments in subsidiaries.

3 Other financial assets

As at December 31, 2012 and December 31, 2011, the balances of other financial assets were as follows:

Other long-term financial assets	**December 31, 2012**	**December 31, 2011**
Loans given	-	205 700
Trust fund	6 199	-
Total of other long-term financial assets	**6 199**	**205 700**

Other short-term financial assets	**December 31, 2012**	**December 31, 2011**
Loans given	149 938	27 728
Trust fund	6 199	-
Other	14	-
Total of other short-term financial assets	**156 151**	**27 728**

The Entity provided subsidiaries with the loans specified as below:

Borrower	- AmRest s.r.o.
Loan amount	- 25 431 thousands PLN

(in PLN thousands unless stated otherwise)

Interest rate - WIBOR 3M + margin

The loan agreement was signed on April 28 and August 22, 2005. In accordance with the agreement the interest will be calculated on the monthly basis. According to the amendment dated December 10, 2012 the principal amount of the loan with all accrued interest will be repaid till December 31, 2013.

Borrower	- AmRest Sp. z o.o.
Loan amount	- 350 000 thousands PLN
Interest rate	- 3M WIBOR + margin

The loan agreement was signed on October 18, 2010. In accordance with the agreement the interest will be paid on the quarterly basis. The change of the compound interest rate will be executed on the first day of each quarter. The principal amount of the loan with all accrued interest will be repaid till September 30, 2013.

Borrower	- AmRest HK Ltd.
Loan amount	- 1 000 thousands USD
Interest rate	- 3M LIBOR + margin

The loan agreement was signed on November 19, 2012. In accordance with the agreement the interest will be calculated on the quarterly basis. The change of the compound interest rate will be executed on the first day of each quarter. The principal amount of the loan with all accrued interest will be repaid till November 19, 2013.

The table below presents the change of loan value during the twelve months period ended December 31, 2012:

As at January 1, 2012	**233 428**
Including:	
Short – term loans	**27 728**
Long – term loans	**205 700**
Change of loan value during the twelve months period ended December 31, 2012:	
Loans granted	3 250
Interest accrued	18 617
Loan and interest repayment	(105 018)
Exchange rate differences (financial expense)	(339)
As at December 31, 2012	**149 938**
Including:	
Short – term loans	**149 938**
Long – term loans	**-**

Loans are not secured. The fair value of the loans presented above does not differ significantly from its carrying value.

4 Liabilities

Borrowings from related parties

On December 9, 2011 the Entity signed three loan agreements with the related parties: Restauravia Grupo Empresarial S.L., Restauravia Food S.L.U, Pastificio Services S.L.U to finance the current activity. Limits of the loans respectively amount to 10 000 TEUR, 10 000 TEUR and 20 000 TEUR. As at December 31, 2011 the liabilities amount to 2 000 TEUR for the loan granted by Restauravia Grupo Empresarial S.L., 1 500 TEUR for the loan granted by Restauravia Food S.L.U. and 1 500 TEUR for the loan granted by Pastificio Services S.L.U. In accordance with the agreements the interest will be calculated on the monthly basis. The principal amount of the loan with all accrued interest will be repaid till December 31, 2012.

On March 10, 2012 the Entity signed the loan agreement with the subsidiary AmRest Sp. z o.o.. Limit of the loan amounts to 5 689 thousand euro. In accordance with the agreements the interest will be calculated on the monthly basis. The change of the compound interest rate will be executed on the quarterly basis. The principal amount of the loan with all accrued interest will be repaid till September 20, 2016. On April 16, 2012 agreement on the assignment of receivables between AmRest Sp. z o.o. and AmRest Capital ZRT was made. AmRest Capital ZRT entered into a loan agreement for the principal amount All terms and conditions remained unchanged.

The table below presents the change of borrowings value during the twelve months period ended December 31, 2012:

As at January 1, 2012	**22 111**
Including:	
Short – term borrowings	**22 111**
Long – term borrowings	**-**
Change of borrowing value during the twelve months period ended December 31, 2012:	
Borrowings received	23 708
Interest accrued	898
Repayment of the borrowings and interest	(42 389)
Różnice kursowe z wyceny (koszty finansowe)	139
As at December 31, 2012	**4 467**
Including:	
Short – term borrowings	**-**
Long – term borrowings	**4 467**

Liabilities to third parties

On December 7, 2009 AmRest Holdings SE signed with RBS Bank (Polska) S.A. and Bank Pekao S.A. agreement for bonds issuance (“5years bonds”), on the basis of which was released option program for corporate bonds of AmRest, allowing to issue bonds in total maximum value of PLN 300 million, where bonds in the value of PLN 150 million were issued already. Agreement was signed for agreed period till July 9, 2015 with period extension options till repayment of all issued bonds.

On December 30, 2009 and February 24, 2010 Company has issued bonds for value of 110 000 000,00 PLN and of value of 40 000 000,00 PLN specified as below:

Date of issue - December 30, 2009

(in PLN thousands unless stated otherwise)

Number of bonds issued	- 11 000
Emission price of 1 bond	- 10 000 PLN
Total value of bonds issued:	- 110 000 000 PLN
Termination date	- December 30, 2014
Interest rate	- variable
Reference rate	- WIBOR 6M

Date of issue	- February 24, 2010
Number of bonds issued	- 4 000
Emission price of 1 bond	- 10 000 PLN
Total value of bonds issued:	- 40 000 000 PLN
Termination date	- December 30, 2014
Interest rate	- variable
Reference rate	- WIBOR 6M

The table below presents the change of borrowings value during the twelve months period ended December 31, 2012:

As at January 1, 2012	**149 491**
Interest – discounted	12 588
Interests – paid	(12 582)
As at December 31, 2012	**149 497**

On August 22, 2012 above mentioned agreement was replaced with the new one between AmRest Holding SE, AmRest Sp. z o.o. and Bank Pekao S.A. for the fixed date till December 31, 2019. The prolongation option is till redemption of all bonds issued. The total maximum value of the program remained the same and is equal to PLN 300 million.
As at December 31, 2012 were issued PLN 150 million and the payable concerned bonds issued is PLN 149 497 thousand.

5 Trade and other receivables

As at December 31, 2012 and December 31, 2011 Company has receivables of following characteristics:

Receivables descriptions	**December 31, 2012**	**December 31, 2011**
Receivables from related party – cash pooling	10	71
Receivables from related party – AmRest Coffee s.r.o.	111	-
Receivables from related party – AmRest s.r.o.	28	-
Receivables from related party – AmRest Sp. z o.o.	19	19

(in PLN thousands unless stated otherwise)

Receivables from related party – AmRest LLC	10	-
Receivables from related party – OOO AmRest	-	9
Receivables from related party – AmRest TAG	4	-
Receivables from related party – AmRest d.o.o.	-	1
Tax receivables	1 161	902
Other receivables	131	-
Total of receivables	**1 474**	**1 002**

6 Employee benefits and share option plans

Long-term employee benefits dependent on their years in service

In accordance with the terms and conditions of the collective labour agreement, a specific group of employees is entitled to receive long-service bonuses depending on their years in service. The entitled employees receive a one-off amount of USD 300 after five years in service, and USD 1 000 after 10 years in service, translated in both cases into the currency of the given country. In year 2009 Group has added to this service benefit package jubilee gift for 15 years of work, which is equal to value of 100 AmRest Holdings SE shares. Due to unification of jubilee gift policy this system will be valid till the end of 2013.

Employee share option plan 1
The Plan was launched in 1999 as a cash-settled plan and covered the group of selected employees of the Group. Upon the Group's flotation on the GPW – on April 27, 2005 – the plan was modified to be share-based instead of cash-based. Additionally, all the obligations in respect of the plan were taken over by ARC (Note 1a). ARC assumed responsibility for the redemption of all the units (which could already be and which could not yet be exercised). The carrying amount of the liability as at that date of PLN 1 944 thousand was charged to capital. As at December 31, 2012 the Plan was fully settled.

Employee share option plan 2

In April 2005, the Group implemented another Employee Option Plan which is share-based, thinking of its selected employees. The whole number of shares which are attributed to the options is determined by the Management Board, however, it may not exceed 3% of all the outstanding shares. Moreover, the number of shares purchased by employees through exercising options is limited to 200 000 per annum. In accordance with the provisions of the Plan, the Group, following approval by the Management Board, is entitled to determine, apart from other issues, the employees authorized to participate in the Plan and the number of options granted and the dates for their granting. The option exercise price will be in principle equal to the market price of the Company's shares as at the date of awarding the option, and the vesting period will be 3 to 5 years. The Employee Option Plan was approved by the Company's Management Board and the General Shareholders' Meeting.

In January 2010, Supervisory Board of Group parent entity approved resolution confirming and systemizing total amount of shares for which may be issued options that will not exceed allowed 3% of shares in market.

In June 2011, Supervisory Board of Group parent entity approved and changed the pervious note related to the number of shares purchased by employees through exercising options is limited to 100 000 per annum.

Employee share option plan 3

In December, 2011, the Group implemented further Employee Option Plan which is share-based, thinking of its selected employees. The whole number of shares which are attributed to the options is determined by the Supervisory Board, however, it may not exceed 1 041 000 shares. In accordance with the provisions of the Plan, the Supervisory Board of Group, on request of the Management Board, is entitled to determine, apart from other issues, the employees authorized to participate in the Plan and the number of options granted and the dates for their granting. The option exercise price will be in principle equal to the market price of the Company's shares as at the date of preceding the day of awarding the option, and the vesting period will be 3 years. The option exercise price will increase by 11% each year. The Employee Option Plan was approved by the Company's Supervisory Board.

(in PLN thousands unless stated otherwise)

The terms and conditions for the share options awarded to employees are presented in the table below:

Award date	Number of share options awarded	Terms and conditions for exercising the options	Option exercise price in PLN	Options term to maturity period
Plan 1				
April 30, 1999	75.250	5 years, gradually, 20% per annum	6.4	10 years
April 30, 2000	53.750	5 years, gradually, 20% per annum	25.6	10 years
April 30, 2001	76.300	5 years, gradually, 20% per annum	25.6	10 years
April 30, 2002	74.600	5 years, gradually, 20% per annum	16.0	10 years
April 30, 2003	55.100	5 years, gradually, 20% per annum	16.0	10 years
April 30, 2004	77.800	5 years, gradually, 20% per annum	19.2	10 years
Total	412.800			
Plan 2				
30 April 2005	79.300	5 years, gradually, 20% per annum	24.0	10 years
30 April 2006	75.000	5 years, gradually, 20% per annum	48.4	10 years
30 April 2007	89.150	5 years, gradually, 20% per annum	96.5	10 years
30 April 2008	105.250	5 years, gradually, 20% per annum	86.0	10 years
12 June 2008	20.000	5 years, gradually, 20% per annum	72.5	10 years
22 August 2008	1.000	5 years, gradually, 20% per annum	65.4	10 years
30 April 2009	102.370	5 years, gradually, 20% per annum	47.6	10 years
10 May 2009	3.000	5 years, gradually, 20% per annum	73.0	10 years
30 April 2010	119.375	5 years, gradually, 20% per annum	70.0	10 years
30 April 2010	7.975	5 years, gradually, 20% per annum	70.0	10 years
20 June 2011	105.090	5 years, gradually, 20% per annum	78.0	10 years
5 September 2011	1.000	5 years, gradually, 20% per annum	70.6	10 years
30 April 2012	81.500	5 years, gradually, 20% per annum	70.0	10 years
Total	790.010			
Plan 3				
13 December 2011	616.000	3 years, gradually, 33% per annum	61.00	10 years
8 October 2012	259.000	3 years, gradually, 33% per annum	64.89	10 years
Total	875.000			

In the table below we present the number and weighted average of the exercise price of the options from all plans for the twelve-month period ended December 31, 2012 and 2011.

	Weighted average option exercise price	Number of options Plan 3	Number of options Plan 2	Number of options Plan 1	Weighted average option exercise price	Number of options Plan 3	Number of options Plan 2	Number of options Plan 1
	2012				2011			
At the beginning of the	PLN 64.60	616 000	524 999	10 300	PLN 66.11	-	436 260	10 300

(in PLN thousands unless stated otherwise)

period								
Utilized during the period	PLN 30.59	-	(12 200)	(10 300)	PLN 48.52	-	(7 704)	-
Redeemed during the period	PLN 66.27	(120 000)	(61 096)	-	PLN 67.03	-	(17 622)	-
Awarded during the period	PLN 66.11	259 000	81 500	-	PLN 63.55	616 000	114 065	-
At the end of the period		755 000	533 203	-		616 000	524 999	10 300
Available for exercising as at the end of the period	PLN 68.40	-	304 288	-	PLN 65.57	-	249 069	10 300

The fair value of the work performed in consideration for the options issued is measured using the fair value of the options awarded. The estimated fair value of the benefits is measured using the trinomial model and a model based on the Monte-Carlo method. One of the input data used in the above model is the term to maturity of the options (10 years). The possibility of early exercising of the option is taken into consideration in the trinomial model.

The fair value of the options as at the moment of awarding was determined on the basis of the following parameters:

Issued in period		Average fair value of option as at the date of award	Average price of share at the date of measurement/award	Average exercise price	Expected fluctuations of share prices (expressed as the weighted average fluctuation in share prices used in the trinomial	Expected term to maturity of the options (expressed as the weighted average period to maturity of the options used in the trinomial model)	Expected dividend (as of 2009)	Risk-free interest rate (based on Treasury bills)
from 1/1/2012 to 31/12/2012	Plan 3	PLN 22.57	PLN 61.00	PLN 61.0	38%	10 years	-	5.82%
from 1/1/2011 to 31/12/2011		PLN 25.35	PLN 73.95	PLN 64.89	37%	10 years	-	4.35%
from 1/1/2012 to 31/12/2012	Plan 2	PLN 39.62	PLN 70.00	PLN 70.00	37%	10 years	-	5.35%
from 1/1/2011 to 31/12/2011		PLN 45.97	PLN 78.00	PLN 78.00	37%	10 years	-	5.61%
from 1/1/2010 to 31/12/2010		PLN 42.61	PLN 70.00	PLN 70.00	40%	10 years	-	5.51%
from 1/1/2009 to 31/12/2009		PLN 27.38	PLN 48.32	PLN 48.32	41%	7.6 years	-	5.80%
from 1/1/2008 to 31/12/2008		PLN 29.81	PLN 83.8	PLN 83.8	37%	8.9 years	18.80%	5.80%
from 1/1/2007 to 31/12/2007		PLN 36.09	PLN 96.5	PLN 96.5	33%	9.9 years	18.80%	5.50%
from 1/1/2006 to 31/12/2006		PLN 15.5	PLN 48.3	PLN 48.3	31%	9.9 years	18.80%	4.98%
from 1/1/2005 to 31/12/2005		PLN 8.9	PLN 25.7	PLN 24.0	40%	9.9 years	18.80%	4.50%
till the end of 2004	Plan 1	PLN 6.8	n/a	PLN 18.6	40%	7.0 years	19.40%	4.50%
		PLN 6.6	n/a	PLN 18.6	40%	7.5 years	19.40%	5.80%

* In connection with the fact that before 2006 the Company was not listed on the GPW, the expected fluctuations in the prices of its shares for measuring awards from before 2006 were based on the historical fluctuations of share prices of

(in PLN thousands unless stated otherwise)

comparable companies quoted on the GPW (calculated on the basis of the weighted average time to maturity of the options), adjusted by all the expected changes in the future fluctuations of the share prices resulting from published information on the Company. Estimates for awards from 2006 were based on the actual fluctuations in the Company's quoted share prices. High actual fluctuation in share prices is the effect of a significant increase in the Company's share prices from their flotation.

Options are awarded after the terms and conditions relating to the period of employment have been met. The Plan does not provide for any additional market conditions on which the exercising of the options would depend except of plan 3 which assumes minimal annual growth rate.

The costs recognized in connection with the plans relating to share-based payments for the period of twelve months ending on December 31, 2012 and 2011 respectively are presented below:

	December 31, 2012	December 31, 2011
Value of employee services	5 668	1 281
	5 668	**1 281**

Apart from those specified above, there are no other liabilities in respect of employee benefits.

7 Equity

Share capital

As described in Note 1a, on April 27, 2005, the shares of AmRest Holdings SE commenced trading on the Warsaw Stock Exchange ("WSE") in Warsaw, Poland.

Holders of ordinary shares are authorized to receive dividend and have voting rights at the Group's General Shareholders' Meetings ("AGM") proportionate to their holdings.

As at December 31, 2012, the Company held 21 213 893 issued, fully paid-up shares. The Company's target capital is 500 000 shares. Nominal value of one share is 1 eurocent (0.01 euro).

Pursuant to the information available to the Company, as at the date of release of this annual report, that is March 19, 2013 the following shareholders submitted information on holding directly or indirectly (through subsidiaries) 5% or more of the total vote at the General Shareholders Meeting of AmRest Holdings SE:

Shareholders	Shares amount	Share in Equity %	Shares amount at AGM	Share at AGM %
WP Holdings VII B.V.*	6 997 853	32,99%	6 997 853	32,99%
ING OFE	4 100 000	19,33%	4 100 000	19,33%
PZU PTE**	2 779 734	13,10%	2 779 734	13,10%
Aviva OFE	1 600 000	7,54%	1 600 000	7,54%

* WP Holdings VII B.V. owns directly 32,99% shares in Equity and at AGM,

** PTE PZU S.A. manages assets which include the funds of OFE PZU "Złota Jesień" and DFE PZU

(in PLN thousands unless stated otherwise)

Reserves

Structure of the reserved capital is as follows:

	December 31, 2012	December 31, 2011
Share premium	786 815	786 815
Employees share option plan (Note 6)	19 919	14 251
Non-refundable capital deposit without additional share issue, made by shareholders of the Entity before entry on GPW	6 191	6 191
Functional currency translation	(31 219)	(31 219)
Own shares recognition	144	144
Distribution of retained earnings	1 940	-
Total supplementary capital	**783 790**	**776 182**

Retained earnings

Retained Earnings of a Entity according to 16th resolution of Annual Shareholders Meeting dated June 10, 2011 includes also reserve fund in value of PLN 50,000 thousands for purchase of treasury shares only for share option redemption to every existing and future employee and managerial motivational stock option plans, including Management Board members of Group entities. In 2012 year (as it was disclosed in statement of changes in equity) were realized transaction on treasury shares for existing stock option plans (note 6) amounting PLN 442 thousand.

8 Cash and cash equivalents

	December, 31 2012	December 31, 2011
Cash at bank	12 432	17 042
Cash in hand	1	1
	12 433	**17 043**

9 Finance income and expenses

	12 months ended December 31, 2012	12 months ended December 31, 2011
Interest income	19 524	19 493
Dividends received	10 098	-
Net exchange rate gains	-	399
Finance income, total	**29 622**	**19 892**
Interest expense	13 323	11 815
Other	215	638
Net exchange rate losses	1 195	-
Finance expenses, total	**14 733**	**12 453**

(in PLN thousands unless stated otherwise)

10 Income Tax

	12 months ended December 31, 2012	12months ended December 31, 2011
Corporate income tax - current period	223	83
Change in deferred tax assets/liabilities	405	559
Income tax recognized in the income statement	**628**	**642**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. After the offset, the following amounts are disclosed in the separate financial statements:

	December 31, 2012	December 31, 2011
Deferred tax asset to be recovered after more than 12 months	-	834
Deferred tax asset to be recovered within 12 months	1 286	872
Deferred tax asset:	**1 286**	**1 706**

	December 31, 2012	December 31, 2011
Deferred tax liabilities to be used within 12 months	1 869	1 885
Deferred tax liabilities:	**1 869**	**1 885**

Temporary differences after the offset accounted for in the calculation of deferred tax relate to the following items:

	December 31, 2012	December 31, 2011
Investment in subsidiaries	(248)	(480)
Other financial assets	(1 616)	(1 367)
Other financial liabilities	(5)	25
Interest-bearing loans and borrowings	105	(38)
Trade and other payables	238	14
Tax loss carried forwards	942	1 667
Deferred tax asset	**-**	**-**
Deferred tax liabilities	**584**	**179**

As at December 31, 2012, tax loss carried forward are as follows:

	December 31, 2012
Tax loss for period 2009	101
Tax loss for period 2010	841
Tax losses in respect of which deferred tax assets were recognized	**942**

(in PLN thousands unless stated otherwise)

11 Related party transaction

As at December 31, 2012 the Group of which the Company is a parent consisted of the following subsidiaries (direct and indirect):

Company name	Seat	Parent/ non-controlling undertaking	Ownership interest and total vote	Date of effective control
		Holding activity		
AmRest Acquisition Subsidiary Inc.	Wilmington, USA	AmRest Holdings SE	100,00%	May 2007
AmRest TAG S.L.	Madrid, Spain	AmRest Sp. z o.o. Steven Winegar Maria Elena Pato David Gorgues Carnice Pozostali	76,27% 20,46% 1,69% 0,85% 0,73%	March 2011
AmRestavia S.L.U.	Madrid, Spain	AmRest TAG S.L.	100,00%	April 2011
Restauravia Grupo Empresarial S.L.	Madrid, Spain	AmRestavia S.L.U. AmRest TAG S.L.	16,52% 83,48%	April 2011
AmRest Services Sp. z o.o.*	Wroclaw, Poland	AmRest Sp. z o. o.	100,00%	April 2011
AmRest Restaurant Management Co. Ltd	Szanghai, China	AmRest HK Ltd	100,00%	November 2012
Blue Horizon Hospitality Group PTE Ltd	Singapour, China	AmRest Holdings SE. WT Equities BHHG MJJP Coralie Danks	51,20% 19,50% 19,50% 4,90% 4,90%	December 2012
AmRest Services Sp. z o.o. SKA	Wroclaw, Poland	AmRest Sp. z o. o.	100,00%	December 2012
		Restaurant activity		
AmRest Sp. z o.o.	Wroclaw, Poland	AmRest Holdings SE	100,00%	December 2000
AmRest s.r.o.	Prague, Czech Republic	AmRest Holdings SE	100,00%	December 2000
AmRest Kft	Budapest, Hungary	AmRest Sp. z o.o.	100,00%	June 2006
AmRest Coffee Sp. z .o. o.	Wroclaw, Poland	AmRest Sp. z o. o. Starbucks Coffee International, Inc.	82,00 % 18,00 %	March 2007
AmRest EOOD	Sofia, Bulgaria	AmRest Holdings SE	100,00%	April 2007
OOO AmRest	Petersburg,Russia	AmRest Acquisition Subsidiary Inc. AmRest Sp. z o. o.	1,56 % 98,44 %	July 2007
AmRest Coffee s.r.o.	Prague, Czech Republic	AmRest Sp. z o. o. Starbucks Coffee International, Inc.	82,00 % 18,00 %	August 2007
AmRest Kávézó Kft	Budapest, Hungary	AmRest Sp. z o. o. Starbucks Coffee International, Inc.	82,00 % 18,00 %	August 2007
AmRest d.o.o.	Belgrad, Serbia	AmRest Sp. z o. o. ProFood Invest GmbH	60,00 % 40,00 %	October 2007
AmRest LLC	Wilmington, USA	AmRest Services Sp. z o.o. SKA	100,00%	July 2008
Restauravia Food S.L.U.	Madrid, Spain	Restauravia Grupo Empresarial S.L.	100,00%	April 2011

(in PLN thousands unless stated otherwise)

Company name	**Seat**	**Parent/ non-controlling undertaking**	**Ownership interest and total vote**	**Date of effective control**
Pastificio Service S.L.U.	Lleida, Spain	Restauravia Grupo Empresarial S.L.	100,00%	April 2011
Pastificio Restaurantes S.L.U.	Lleida, Spain	Pastificio Service S.L.U.	100,00%	April 2011
Tagligat S.L.U.	Lleida, Spain	Pastificio Service S.L.U.	100,00%	April 2011
Pastificio S.L.U.	Lleida, Spain	Pastificio Service S.L.U.	100,00%	April 2011
AmRest HK Ltd	Hong Kong, China	AmRest Holdings SE Stubbs Asia Limited	65,00% 35,00%	September 2011
AmRest Restaurants (India) Private Ltd	Bombay, India	Restauravia Grupo Empresarial S.L.	100,00%	October 2011
AmRest Adria d.o.o.	Zagreb, Croatia	AmRest Sp. z o.o	100,00%	October 2011
AmRest GmbH	Munich, Germany	AmRestavia S.L.U.	100,00%	March 2012
AmRest SAS	Paris, France	AmRestavia S.L.U.	100,00%	April 2012
La Tagliatella LLC	Wilmington, USA	AmRestavia S.L.U.	100,00%	April 2012
AmRest Adria 2 d.o.o.	Ljubljana,Slovenia	AmRest Sp. z o.o	100,00%	August 2012
La Tagliatella Asia Pacific LLC	Hong Kong, China	Restauravia Grupo Empresarial S.L.	100,00%	November 2012
Bigsky Hospitality Group Ltd	Central, Hong Kong	Blue Horizon Hospitality Group PTE Ltd.	100,00%	December 2012
New Precision Ltd.	Apia, Samoa	Blue Horizon Hospitality Group PTE Ltd.	100,00%	December 2012
Horizon Group Consultants (BVI)	Road Town, Tortola, British Virgin Islands	Blue Horizon Hospitality Group PTE Ltd.	100,00%	December 2012
Frog King Food & Beverage Management Ltd	Szanghai, China	Bigsky Hospitality Group Ltd.	100,00%	December 2012
Blue Frog Food & Beverage Management Ltd	Szanghai, China	New Precision Ltd.	100,00%	December 2012
Shanghai Kabb Western Restaurant Ltd	Szanghai, China	Horizon Group Consultants (BVI) Shanghai Renzi Business Consultancy Co. Ltd	97,50% 2,50%	December 2012
		Financial services for the Group		
AmRest Finance S.L.	Madrid, Spain	AmRest Holdings SE	100,00%	December 2011
La Tagliatella International Kft	Budapest, Hungary	AmRestavia S.L.U.	100,00%	November 2012
La Tagliatella Financing Kft	Budapest, Hungary	AmRestavia S.L.U.	100,00%	November 2012
AmRest Capital Zrt	Budapest, Hungary	AmRest Sp. z o.o.	100,00%	November 2011
AmRest Finance Zrt	Budapest, Hungary	AmRest Holdings SE AmRest Sp. z o. o.	99,96% 0,04%	November 2011
		Owner of building ,where the office surface is placed		
Bécsi út.13. Kft	Budapest, Hungary	AmRest Kft	100,00%	April 2007
		Delivery services for restaurants operated by the Group		
SCM Sp. z o.o.	Chotomow, Poland	AmRest Sp. z o.o. Zbigniew Cylny Beata Szafarczyk-Cylny	51,00 % 44,00 % 5,00 %	October 2008
		Lack of running activity		
AmRest Ukraina t.o.w.	Kiev, Ukraine	AmRest Sp. z o.o.	100,00%	December 2005

(in PLN thousands unless stated otherwise)

Company name	Seat	Parent/ non-controlling undertaking	Ownership interest and total vote	Date of effective control
AmRest Work Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o	100,00%	March 2012

* On March 1, 2012 the name of Rodeo Drive Sp. z o.o. was changed into AmRest Services Sp. z o.o.

** On November 23, 2012 transfer of ownership of 76,27% stakes in AmRest TAG S.L. from AmRest Holdings SE to AmRest Sp. z o.o., a 100% subsidiary, was made. AmRest TAG Shares were contributed in-kind by AmRest Holdings to AmRest Finance ZRT, an entity fully controlled by AmRest Sp. z o.o., for taking up new shares in AmRest Finance ZRT. Change of the shareholder was registered on January 8, 2013 by the court proper for AmRest Finance ZRT.

As at December 31, 2012 the Group possess the following associated entities included in the financial statements under the equity method:

Company name	Seat	Core business	Parent/ non-controlling undertaking	Owner-ship interest and total Group vote	Date of effective control
SCM s.r.o.	Prague, Czech Republik	Delivery services for restaurants provided to the Group	SCM Sp. z o.o.	45,90 %	March 2007
BTW Sp. z o.o.	Warsaw, Poland	Restaurant activity	SCM Sp. z o.o.	25,50%	March 2012

The Group's office is in Wroclaw, Poland. At December 31, 2012 the restaurants operated by the Group are located in Poland, the Czech Republic, Hungary, France, Germany, Russia, Bulgaria, Serbia, Croatia, Spain, in the United States of America and China.

Related party transaction

Trade and other receivables from related entities	**December 31, 2012**	**December 31, 2011**
AmRest Coffee s.r.o.	111	-
AmRest Sp. z o.o.	29	90
AmRest s.r.o.	28	-
AmRest LLC	10	-
OOO AmRest	-	9
AmRest TAG S.L.	4	-
AmRest d.o.o.	-	1
	182	**100**

Loans granted to related entities	**December 31, 2012**	**December 31, 2011**
AmRest Sp. z o.o.	117 458	205 700
AmRest s.r.o.	29 366	27 728
AmRest HK Ltd.	3 114	-
	149 938	**233 428**

(in PLN thousands unless stated otherwise)

Borrowings received from related entities	**December 31, 2012**	**December 31, 2011**
AmRest Capital ZRT	3 913	-
Restauravia Grupo Empresarial S.L.	-	8 843
Restauravia Food S.L.U.	-	6 633
Pastificio Service S.L.U.	-	6 635
	3 913	**22 111**

Trade and other payables to related entities	**December 31, 2012**	**December 31, 2011**
AmRest Sp. z o.o.	-	1
	-	**1**

Other operating income from related entities	**12 months ended December 31, 2012**	**12 months ended December 31, 2011**
AmRest Sp. z o.o.	313	171
AmRest Coffee s.r.o.	111	2
AmRest s.r.o.	111	74
AmRest TAG S.L.U.	41	-
AmRest LLC	22	22
OOO AmRest	12	16
AmRest KFT	-	4
AmRest Coffee Sp. z o.o.	-	1
AmRest EOOD	1	1
AmRest Kavezo KFT	-	1
AmRest DOO	-	1
AmRest BK s.r.o.	-	1
SCM Sp. z o.o.	1	1
	612	**295**

General and administrative expenses – related entities	**12 months ended December 31, 2012**	**12 months ended December 31, 2011**
AmRest Sp. z o.o.	18	161
AmRest s.r.o.	-	2
	18	**163**

Financial income form related entities	**12 months ended December 31, 2012**	**12 months ended December 31, 2011**
AmRest Sp. z o.o. – interest	16 785	15 903
AmRest s.r.o. – interest	1 826	1 762
AmRest HK Ltd. – interest	15	-
AmRest s.r.o. – dividend	10 098	-
	28 724	**17 665**

(in PLN thousands unless stated otherwise)

Financial cost – related entities	**12 months ended December 31, 2012**	**12months ended December 31, 2011**
AmRest Sp. z o.o. – interest	644	37
Restauravia Grupo Empresarial S.L. – interest	88	10
Pastificio Service S.L.U. – interest	63	10
Restauravia Food S.L.U. – interest	104	7
	899	**64**

Transactions with the management/ Management Board, Supervisory Board

Remuneration of the Management and Supervisory Board

	12 months ended December 31, 2012	**12 months ended December 31, 2011**
Remuneration of the Management and Supervisory Boards paid by the Company's subsidiaries	5 933	4 902
Total remuneration of the Management Board and Supervisory Board	**5 933**	**4 902**

The Group's key employees also participate in an employee share option plan (see note 6). The costs relating to the employee option plan in respect of management amounted to PLN 2 316 thousand and PLN 291 thousand respectively in the 12 month period ended December 31, 2012 and 2011.

		December 31, 2012	**December 31, 2011**
Number of options awarded		650 750	446 200
Number of available options		114 300	95 147
Fair value of options as at the moment of awarding	PLN	15 887 751	10 795 257

As at December 31, 2012and as at December 31, 2011 there were no liabilities to former employees.

12 Commitments and contingencies

On 11 October 2010, a credit agreement was signed between AmRest Holdings SE, AmRest Sp. z o.o. and AmRest s.r.o. ('Borrowers') and Bank PEKAO S.A., RBS Bank (Polska) S.A., The Royal Bank of Scotland N.V. and Bank Zachodni WBK S.A.. Under the above-mentioned agreement the Group was granted a loan amounting to PLN 440 million. The loan should be repaid by October 11, 2015. It covers two tranches and is earmarked for repayment of liabilities resulting from the credit agreement dated December 15, 2008 and further financing of the development of AmRest. All the Borrowers are jointly and severally responsible for discharging the obligations resulting from the credit agreement. Additionally, Group companies – OOO AmRest, AmRest LLC, AmRest TAG S.L., AmRestavia S.L., Restauravia Grupo Empresarial S.L., Restauravia Food S.L.U. and Pastificio Service S.L.U. – granted guarantees to the financing banks. These companies guarantee that the Borrowers will discharge their obligations following from the credit agreement until the loan is repaid.

According to the appendix to the credit agreement, dated April 18, 2011, loan value was increased by EUR 80 million within tranches C1 and C2. Additional funds were assigned for financing the acquisition of majority shares in Restauravia Grupo Empresarial S.L. The final repayment of tranches C1 and C2 falls due on October 11, 2015.

As at August 8, 2011 all parties of credit agreement signed with Rabobank Polska S.A. the appendix according to which Rabobank Polska S.A. joined the consortium as the additional lender and took over part of debt from

RBS Bank (Polska) S.A. and The Royal Bank of Scotland N.V. Loan value, interests, repayment date and other crucial terms of the agreement remained unchanged.

According to the appendix to the credit agreement, dated February 28, 2012, loan value was increased by EUR 50 million within tranche D. Additional funds were assigned for further financing of the development of AmRest restaurant chain in European countries. The final repayment falls due on November 11, 2015. As at December 31, 2012 AmRest Sp. z o.o. used EUR 40 million within tranche D. The rest of the value, EUR 10 million, is available till June 30, 2013.

As at December 31, 2012 the total credit liabilities amounts to: 42,5 million USD, 108 million EUR, 22 million PLN (AmRest Sp. z o.o.) and 323 million CZK (AmRest s.r.o.).

The loans incurred by the Company do not account for collateral set up on fixed assets and other assets owned by the Company. The Borrowers (AmRest Sp. z o.o. and American Restaurants s.r.o.) are jointly and severally responsible for paying the liabilities resulting from credit agreements. Additionally, Group companies – OOO AmRest, AmRest LLC, AmRest Tag S.L., AmRestavia S.L., Restauravia Grupo Empresarial S.L., Pastificio Service S.L.U. and Restauravia Food S.L.U. – granted guarantees to the financing banks. These companies guarantee that the Borrowers will discharge their obligations following from the credit agreement until the loan is repaid, i.e. October 11, 2015.

The Group is obliged to maintain specific financial ratios at a level specified in the agreement. This includes net gearing (net debt to annualized EBITDA), net gearing modified by operational leases effect (net debt increased by annual operational leases multiplied by 6 times to annualized EBITDA), interest coverage ratio and balance sheet structure ratio (net asset ratio defined as consolidated net capital per the shareholders of the Parent company divided by the balance sheet total). As at December 31, 2012, the above ratios were not exceeded.

13 Financial instruments

The Company is exposed to a variety of financial risks: market risk (including currency and interest rate risk) and - to a limited extent - credit risk. The risk management program implemented by the Company is based on the assumption of the unpredictability of the financial markets and is used to maximally limit the impact of negative factors on the Company's financial results.

Risk management is carried out based on procedures approved by the Management Board.

Credit risk

Financial instruments that are exposed to the credit risk include cash and cash equivalents, receivables and loans. The Company invests cash and cash equivalents in highly reliable financial institutions. There is no significant concentration of credit risk in respect of trade and other receivables due to their level as at balance sheet date. As at December 31, 2012 maximum amount exposed to credit risk was 156 151 TPLN and consist of the intercompany receivables from loan granted to related party (note 3).

The Company did not recognize impairment of assets listed above as well as not did create any write-offs.

Interest rate risk

The loan granted to the subsidiary (Note 3) was based on a floating interest rate. As at December 31, 2012, the Company did not hedge against changes in cash flows resulting from interest rate fluctuations which have an impact on the results. The fair value of that instruments, does not differ significantly from its carrying value.

Foreign currency risk

The Company is exposed to the foreign currency risk mainly due to the receivables and payables valuation denominated in currencies other than functional currency of the Company. The exposure to foreign currency cash flow risk is not hedged as there is no impact on cash flows.

(in PLN thousands unless stated otherwise)

Liquidity risk

The Company does not provide any operating activities except of holding activity, which results in no need of constant access to the financing and control over timely liability payments.

For the purpose of financing of investment activities of the Group, the Company issued bonds (Note 4) for the amount of PLN 150 million. Details of this bonds is presented in note 4.

Capital risk

The Entity manages capital risk to protect its ability to continue in operation, so as to enable it to realize returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce its cost. Financing at the level of 3,5 of yearly EBITDA is treated as acceptable target and safe level of capital risk.

The Entity monitors capital using the gearing ratio. The ratio is calculated as net debt to the value of EBITDA. Net debt is calculated as the sum of borrowings (comprising loans and advances, and finance lease liabilities) net of cash and cash equivalents. EBITDA is calculated as the profit from operations before interest, taxes, depreciation and amortization and impairment.

The gearing ratios at December 31, 2012 and December 31, 2011 were as follows:

	December 31, 2012	**December 31, 2011**
Bonds obligations and other liabilities	155 904	172 067
Less: cash and cash equivalent	12 433	17 043
Net debt	143 471	155 024
Total equity	851 448	833 638
Capital involved	994 919	988 662
Gearing ratio	**14%**	**16%**

Recent volatility in global and country financial markets

Management is unable to reliably estimate the effects on the Company's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

14 Earnings per share

The basic and diluted earnings per ordinary share for the 12 months period of 2012 and 2011 was calculated as follows:

	12 months ended December 31, 2012	**12 months ended December 31, 2011**
Profit for the period	12 584	3 187
Weighted average number of ordinary shares in issue	21 213 893	20 598 233
Impact of share issuance	-	615 660
Impact of option of share issuance	-	-
Impact of share options awarded in 2005	19 602	19 516
Impact of share options awarded in 2006	16 701	19 001

(in PLN thousands unless stated otherwise)

Impact of share options awarded in 2007	-	-
Impact of share options awarded in 2008	-	-
Impact of share options awarded in 2009	16 906	23 909
Impact of share options awarded in 2010	-	15 387
Impact of share options awarded in 2011	82 631	-
Impact of share options awarded in 2012	-	-
Weighted average number of ordinary shares in issue	21 349 733	21 291 706
Profit per ordinary share		
Basic earnings per ordinary share	0,59	0,15
Diluted earnings per ordinary share	0,59	0,15

15 Events after the balance sheet date

On February 20, 2013 was signed appendix to the shareholders agreement of AmRest TAG S.L. The appendix extends from 9 to 11 months the period when minority shareholders of AmRest TAG S.L have the right to exercise put option and sell their shares in case of AmRest stock price drops below PLN 65.

On February 15, 2013 the share capital of Amrest HK Limited subsidiary was increased. After the change registration share capital of Amrest HK Limited equals to USD 8 750 000. It influence change in the shareholder structure. As at the publication date AmRest Holdings SE and Stubbs Asia Limited own accordingly 78.8% and 21.2% of shares (previous shareholder structure was as follows: 65% and 35%).

On January 11, 2013 was signed the agreement concern sale of shares in FP SPV Sp. z o.o.