AmRest Holdings N.V.

Interim Consolidated Financial Statements as at and for the six months ended 30 June 2007

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Interim consolidated income statement
for the six months ended 30 June 2007 and 30 June 2006

in thousands of Polish zloty	Note	2007	2006
Restaurant sales	2	364 660	280 009
Restaurant expenses:	4		
Cost of food		(121 324)	(94 470)
Direct marketing expenses		(15 662)	(14 411)
Direct depreciation and amortisation expenses		(21 116)	(18 448)
Payroll and employee benefits		(70 724)	(53 215)
Continuing franchise fees		(21 463)	(16 602)
Occupancy and other operating expenses		(61 627)	(48 874)
Total restaurant expenses		(311 916)	(246 020)
Gross profit on sales		52 744	33 989
General and administrative expenses (G&A)	4	(22 052)	(17 191)
Depreciation and amortisation expenses (G&A)	4	(1 182)	(1 004)
Other operating income	5	3 451	1 900
(Loss)/gain on disposal of property, plant and equipment and intangibles	9	(482)	2 213
Impairment losses	4	(249)	(1 495)
Operating profit		32 230	18 412
Finance income	2,6	321	6 149
Finance cost	2,7	(2 310)	(2 825)
Share of profit of associates	2,29	482	346
Profit before tax	8	30 723	22 082
Income tax expense	2,8	(5 364)	(3 131)
Profit for the period		**25 359**	**18 951**
Attributable to:			
Minority interest		530	42
Equity holders of the parent	2	24 829	18 909
Basic earnings per share in Polish zloty	27	1,84	1,40
Diluted earnings per share in Polish zloty	27	1,83	1,40

See accompanying notes to the consolidated financial statements.

Interim consolidated balance sheet
as at 30 June 2007 and 31 December 2006

in thousands of Polish zloty

	Note	2007	2006
Assets			
Property, plant and equipment	9	208 949	191 705
Other intangible assets	10	13 362	23 516
Goodwill	11	23 222	12 829
Investment in associates	2,29	1 703	1 221
Other non-current assets	12	17 827	17 726
Deferred tax asset	8	9 569	9 336
Total non-current assets		274 632	256 333
Inventories	13	8 671	8 134
Trade and other receivables	14	10 412	11 460
Other current assets	15	7 079	5 976
Held-to-maturity assets		-	9 984
Cash and cash equivalents	16	39 068	25 241
Assets held for sale	17	-	3 861
Total current assets		65 230	64 656
Total assets	2	339 862	320 989
Equity	18		
Share capital		519	519
Reserves		219 639	219 137
Accumulated deficit		(56 928)	(95 511)
Profit for the period		24 829	38 583
Translation reserve		(4 577)	(4 943)
Equity attributable to shareholders of the parent		183 482	157 785
Minority interest		609	79
Total equity		184 091	157 864
Liabilities			
Interest-bearing loans and borrowings	19	61 428	72 140
Finance lease liabilities	24	3 094	3 326
Employee benefits	20	1 145	913
Provisions	21	2 882	5 565
Deferred tax liabilities	8	509	760
Other non-current liabilities	22	1 486	1 721
Total non-current liabilities		70 544	84 425
Interest-bearing loans and borrowings	19	6 466	918
Finance lease liabilities	24	70	68
Trade and other accounts payable	23	75 679	75 448
Income tax liabilities		3 012	2 266
Total current liabilities		85 227	78 700
Total liabilities	2	155 771	163 125
Total equity and liabilities		339 862	320 989

See accompanying notes to the consolidated financial statements.

Interim consolidated statement of cash flows
for the six months ended 30 June 2007 and 30 June 2006

in thousands of Polish zloty	Note	2007	2006
Cash flows from operating activities			
Profit before tax		30 723	22 082
Adjustments for:			
Share of profit of associates	29	(482)	(346)
Amortization	10	3 164	2 815
Depreciation	9	19 134	16 637
Interest (income)/expense, net	6,7	1 094	2 009
Foreign exchange loss/(gain), net	6,7	497	(2 544)
Loss/(gain) on disposal of property, plant, equipment and intangibles	9	482	(2 213)
Impairment of assets	4	235	1 404
Equity–settled share based payments expenses	20	502	194
Forgiveness of loans from a related party	6,30	-	(3 396)
Working capital changes::			
Change in receivables		1 067	8 159
Change in inventories		(537)	(53)
Change in other assets		(1 271)	(1 891)
Change in payables and other liabilities		(4)	7 147
Change in other provisions and employee benefits		(3 869)	(2 498)
Income taxes paid		(3 684)	(1 671)
Interest paid		(989)	(1 374)
Other		1 102	(3 110)
Net cash provided by operating activities		47 164	41 351
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	3	(1 900)	(20 235)
Proceeds from the sale of property, plant and equipment and intangible assets	9	4 581	652
Proceeds from the sale of assets held for sale	17	4 000	3 300
Proceeds from held-to-maturity debt securities	17	9 984	-
Acquisition of property, plant and equipment	9	(44 230)	(19 890)
Acquisition of intangible assets	10	(3 972)	(486)
Acquisition of investments in associates	29	-	(10)
Net cash used in investing activities		(31 537)	(36 669)
Cash flows from financing activities			
Proceeds from borrowings		-	5 643
Repayment of borrowings		(918)	(20 693)
Repayment of finance lease		(230)	(210)
Net cash provided by financing activities		(1 148)	(15 260)
Net change in cash and cash equivalents		14 479	(10 578)
Cash and cash equivalents, beginning of period		25 241	31 575
Effect of foreign exchange rate movements		(652)	(384)
Cash and cash equivalents, end of period		39 068	20 613

See accompanying notes to the consolidated financial statements.

Interim consolidated statement of changes in equity for the six months ended 30 June 2007 and 30 June 2006

	Attributable to equity holders of the Company									
in thousands of Polish zloty	**Share Capital (Note 18)**	Share premium	Share options (Note 20)	Other reserves (Note 18)	**Total Reserves**	**Accumulated deficit**	**Currency translations**	**Total**	**Minority Interest**	**Total**
As at 01.01. 2006	**519**	210 302	2 147	6 191	**218 640**	**(95 511)**	**(574)**	**123 074**	**20**	**123 094**
Employees share option scheme – value of employee services (Note 20)	**-**	-	194	-	**194**	**-**	**-**	**194**	**-**	**194**
Currency translation differences	**-**	-	-	-	**-**	**-**	**(2 763)**	**(2 763)**	**-**	**(2 763)**
Profit for the period	**-**	-	-	-	**-**	**18 909**	**-**	**18 909**	**42**	**18 951**
As at 30.06.2006	**519**	210 302	2 341	6 191	**218 834**	**(76 602)**	**(3 337)**	**139 414**	**62**	**139 476**
As at 01.01.2007	**519**	210 302	2 644	6 191	**219 137**	**(56 928)**	**(4 943)**	**157 785**	**79**	**157 864**
Employees share option scheme – value of employee services	**-**	-	502	-	**502**	**-**	**-**	**502**	**-**	**502**
Currency translation differences	**-**	-	-	-	**-**	**-**	**366**	**366**	**-**	**366**
Profit for the period	**-**	-	-	-	**-**	**24 829**	**-**	**24 829**	**530**	**25 359**
As at 30.06.2007	**519**	210 302	3 146	6 191	**219 639**	**(32 099)**	**(4 577)**	**183 482**	**609**	**184 091**

See accompanying notes to the consolidated financial statements.

1 Company overview and significant accounting policies

(a) Background

AmRest Holdings N.V. (the "Company") was established as a joint stock company in October 2000 in the Netherlands. The Company's head office is located in Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands. The Company's corporate offices are located in Wroclaw, Poland.

The Company and its subsidiaries are collectively referred to as the "Group".

The Consolidated Financial Statements as at and for the six months ended 30 June 2007 comprise the data on the Company, its subsidiaries and on the Group's equity interest in associates.

The following Consolidated Financial Statements have been approved by the Management Board on 27 September 2007 r.

The principal activity of the Group, conducted by its subsidiaries in Poland, the Czech Republic, Hungary and Bulgaria, is to operate Kentucky Fried Chicken („KFC") and Pizza Hut franchised restaurants, as well as "Rodeo Drive" restaurants in Poland and the Czech Republic and solely in Poland "Burger King", „Ice*Land" and "freshpoint" restaurants.

Group's operations are not significantly seasonal what makes financial results for consecutive periods able to compare.

On 27 April 2005, the shares of AmRest Holdings N.V. commenced trading on the Warsaw Stock Exchange ("WSE") in Poland.

Prior to 27 April 2005, the Company was jointly owned and controlled by International Restaurant Investments, LLC ("IRI") of the United States and Kentucky Fried Chicken Poland Holdings BV ("KFC BV") of the Netherlands. Before the initial public offering each shareholder possessed a 50% ownership.

IRI is a wholly-owned subsidiary of American Retail Concepts, Inc. of the United States ("ARC"), whereas KFC BV was a wholly-owned subsidiary of Yum! Brands, Inc. ("YUM!") of the United States.

In conjunction with the listing of the Company's shares on the WSE, YUM! sold all of its shares in the Company and is no longer a shareholder and a related party. Moreover, IRI also sold part of its shares as a result of the Company's IPO on the stock exchange.

As at 30 June 2007 the Company's largest shareholder with a 35.24% voting rights and ownership interest was IRI.

Pizza Hut and KFC restaurants operate under franchise agreements with YUM! and YUM! Restaurants International Switzerland, Sarl („YRIS"), a subsidiary of YUM!. Each franchise agreement has a term of ten years, with an option of renewal by the Company for further ten years, subject to certain conditions being met as described in the agreements.

YUM! committed to notify the Company if it enters into another franchise, at least six months before the first KFC or Pizza Hut restaurant is opened in Poland, the Czech Republic or Hungary. During this period, the Company has the right to state its opinion on the issue. YUM! has indicated that at present it has no plans to conclude agreements with other prospective franchisees in Poland, Czech Republic and Hungary or to open new restaurants by itself.

On 8 March 2007, the Company concluded the development agreement with Burger King Europe GmbH ("BKE"), concerning the opening and operation of the Burger King restaurants in Poland. Burger King restaurants are operated under franchise agreements with Burger King Europe GmbH located in Zug, Switzerland which are to be signed for each particular restaurant separately once it opens. Each franchise agreement has a term of ten years, with an option of renewal by the Group for further ten years, subject to certain conditions being met as described in the agreements. By the time the following Consolidated Financial Statements have been approved by the Management Board the Group opened one Burger King restaurant located in Warsaw.

The main conditions relating to signed development agreement are as follows:

- During the 2 years after the first opening of a Burger King restaurant by the Group, BKE shall contribute an amount of 2.5% of the calendar monthly gross sales of all Burger King restaurants operated by the Group to the advertising and sales promotion fund mentioned in the franchise agreement. During the third year after the first opening of a Burger King restaurant by the Group, BKE shall contribute an amount of 2% of the calendar monthly gross sales of all Burger King restaurants operated by the Group to the advertising and sales promotion fund.
- During the initial 5 years term the initial franchise fee payable by the Group shall be $25,000 for each Burger King restaurant with a franchise agreement providing for a term of 10 years (plus a further renewal franchise fee of $ 25,000 in case of a 10 years renewal of the franchise agreement at the Group's option). The initial franchise fee shall be reduced by 50% for the development of each Burger King restaurant which exceeds the number of Burger King restaurants to be developed and opened by the Group according to the development schedule.
- The Group agrees to open and operate Burger King restaurants in strict accordance with the development schedule which includes the minimal numbers of openings in each development year as defined in the development agreement.

On 25 May 2007, the Group concluded agreements with Starbucks Coffee International, Inc. ("Starbucks"), concerning the cooperation on the development and operation of Starbucks stores in Poland, the Czech Republic and Hungary ("the agreements"). The agreements have a term ending on May 31, 2022, with an option to extend for an additional 5 years upon the fulfillment of certain conditions.

The parties resolved to establish three separate companies, one for each of the 3 countries Poland, Czech Republic and Hungary. On 27th of March 2007 a new entity for the Polish region – AmRest Coffee Sp. z o.o. was set up (see Note 3), remaining two companies are currently in the process of organization. The above companies will be the only entities with the right to develop and operate Starbucks stores in Poland, Czech Republic and Hungary during the term of the agreements with non-exclusive rights to certain institutional locations.

The Group will contribute ultimately 82% and Starbucks 18% of the capital to all the companies. In the third and fourth year after the formation of all three companies Starbucks shall have the right and option to increase its participation by acquiring additional shares (up to 50%) in case of the Group's failure in opening and operating a minimum number of Starbucks stores in Poland, Czech Republic and Hungary. In the fifth and ninth year Starbucks will have an unconditional option to increase its stake up to 50%. In case of a conflicting acquisition or a change of control of the Group, Starbucks will have the right to increase its participation in companies up to 100% by acquiring shares from the Group at the price agreed between the parties based on a valuation of the all three companies.

The Group agrees to open and operate Starbucks stores in strict accordance with the development schedule which includes the minimum numbers of openings in each year within the agreements' period. If Group fails to meet the development obligations Starbucks will have the right to charge a development default fee or to terminate the agreements. The agreements include the provision concerning the purchase of coffee and other basic supplies either from Starbucks or other approved or designated suppliers.

The table below presents a summary of the subsidiaries included within the Group at 30 June 2007:

Name of company	City and country of incorporation	Principal activity	Parent company	Ownership interest and voting rights	Date of effective control
American Restaurants Sp. z o.o.	Wroclaw, Poland	Operating Pizza Hut and KFC restaurants in Poland	AmRest Holdings N.V.	100.00 %	December 2000
American Restaurants s.r.o.	Prague, Czech Republic	Operating Pizza Hut and KFC restaurants in the Czech Republic	AmRest Holdings N.V.	100.00 %	December 2000
International Fast Food Polska Sp. z o.o.	Wroclaw, Poland	No current activities	American Restaurants Sp. z o.o.	100.00 %	January 2001
Pizza Hut s.r.o.	Prague, Czech Republic	No current activities	American Restaurants s.r.o. American Restaurants Sp. z o.o.	99.973% 0.027%	December 2000
American Restaurants Kft	Budapest, Hungary	Operating Pizza Hut and KFC restaurants in Hungary	American Restaurants Sp. z o.o.	100.00 %	June 2006
Fried Chicken s.r.o.	Prague, Czech Republic	No current activities	Pizza Hut s.r.o.	100.00%	May 2005
Grifex I Sp. z o.o. *	Wroclaw, Poland	No current activities	American Restaurants Sp. z o.o.	48.00 %	September 2003
Galeria Arka Sp. z o.o.	Warsaw, Poland	Lessee of location where a restaurant is planned to be open	American Restaurants Sp. z o.o.	100.00 %	March 2005
AmRest Ukraina t.o.w.	Kiev, Ukraine	No current activities	American Restaurants Sp. z o.o.	100.00 %	December 2005
Doris 2006 Sp. z o.o.	Warsaw, Poland	Lessee of location where a restaurant is planned to be open	American Restaurants Sp. z o.o.	100.00 %	October 2006
AmRest Coffee Sp. z .o.o.	Wroclaw, Poland	Established to operate Starbucks stores	American Restaurants Sp. z o.o.	100.00 %	March 2007
Bécsi út.13. Kft	Budapest, Hungary	Owner of the building with office space	American Restaurants Kft	100.00 %	April 2007
American Restaurants EOOD	Sofia Bulgaria	Established to operate restaurants in Bulgaria	American Restaurants Sp. z o.o.	100.00 %	April 2007
AmRest Acquisition Subsidiary Inc.	Wilmington USA	Established to acquire OOO Pizza Nord (Note 3)	AmRest Holdings N.V.	100.00 %	May 2007

* Despite the fact that the Group holds a 48% of voting rights and ownership interest it consolidates the Company as a subsidiary, since on the basis of agreements with the main shareholder, it has the right to control the Company's operating and financial activities.

In the current period a subsidiary Bécsi út.13. Kft of Hungary was acquired. At the same time new subsidiaries were established, these are: American Restaurants EOOD of Bulgaria, AmRest Coffee Sp. z .o.o. of Poland and American Acquisition Subsidiary Inc. of USA (See Note 3).

The Group's associated companies at 30 June 2007 accounted for under the equity method are as follows:

Name of company	City and country of incorporation	Principal activity	Parent company	Ownership interest and voting rights	Date of initial investment
Worldwide Communication Services LLC	Nevada, USA	Marketing activity for the Group	American Restaurants Sp. z o.o.	33.33 %	October 2003
Global Communication Services Sp. z o.o. in liquidation	Warsaw, Poland	No current activities	Worldwide Communication Services LLC	33.33 %	May 2002
Synergy Marketing Partners Sp. z o.o. in liquidation	Warsaw, Poland	Marketing activity for the Group	Worldwide Communication Services LLC.	26.66%	May 2002
Red 8 Communications Group Sp. z o.o.*	Warsaw, Poland	Marketing activity for the Group	Worldwide Communication Services LLC	17.33%	May 2002
Synergy Marketing Partners s.r.o. in liquidation	Prague, Czech Republic	Marketing activity for the Group	Synergy Marketing Partners Sp. z o.o.	24.00%	February 2005
SCM Sp. z o.o.	Chotomow, Poland	Restaurant supply services provided for the Group	American Restaurants Sp. z o.o.	45.00%	April 2005
SCM s.r.o.	Prague, Czech Republic	Restaurant supply services provided for the Group	SCM Sp. z o.o.	40.50%	March 2007

* The Group holds a 17,33% of voting rights and ownership interest in Red 8 Communications Group Sp. z o.o. The Group has the right to influence the company's operations siginificantly, as it is a subsidiary of an associated entity - Worldwide Communication Services LLC, which holds 52% of voting rights.

(b) Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union applicable to interim financial reporting, issued and effective as at June 30, 2007. As at June 30, 2007 there are no differences with regards to policies adopted by the Amrest Group between these standards and the International Financial Reporting Standards, as issued by the International Accounting Standards Board. The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended December 31, 2006, except for the new accounting standards adopted as of January 1, 2007. These interim consolidated financial statements are not statutory financial statements and were prepared for purposes of Warsaw Stock Exchange S.A., Warsaw.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2007:

- IFRIC 7, 'Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflatory Economies', effective for annual periods beginning on or after 1 March 2006. The interpretation has no material impact on the Group's operations and its consolidated financial statements;
- IFRIC 8, 'Scope of IFRS 2', effective for annual periods beginning on or after 1 May 2006. The interpretation has no material impact on the Group's operations and its consolidated financial statements;
- IFRIC 9, 'Reassessment of Embedded Derivatives', effective for annual periods beginning on or after 1 June 2006. The interpretation has no material impact on the Group's operations and its consolidated financial statements;
- IFRIC 10, 'Interim Financial Reporting and Impairment', effective for annual periods beginning on or after 1 November 2006. The interpretation has no material impact on the Group's operations and its consolidated financial statements;
- IFRS 7, 'Financial instruments: Disclosures', effective for annual periods beginning on or after January 1, 2007 and the complementary Amendments to IAS 1, 'Amendments to capital disclosures', effectie for annual periods beginning on or after 1 January 2007. The adoption of IFRS 7 and amendment to IAS 1 had an impact on the extent of disclosures presented in the consolidated financial statements.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2007 and have not been early adopted:

- IFRIC 11, 'Group and Treasury Share Transactions', effective for annual periods beginning on or after 1 March 2007. IFRIC 11 addresses application of IFRS 2 in case of emission equity instruments by the Company as a payment for received goods or services or when emitted are equity instrument by any other entity from the Group. The management is already assessing impact of IFRIC 11 on Group's operations but do not expect the interpretation to have material impact on the financial statements;
- IFRIC 12, 'Service Concession Arrangements', effective for annual periods beginning on or after 1 January 2008. IFRIC 12 gives guidance on the accounting by operators for public-to-private service concession arrangements. Management do not expect the interpretation to be relevant for the Group;

- IFRIC 13, 'Customer Loyalty Programmes", effective for annual periods beginning on or after July 1, 2008. IFRIC 13 addresses accounting by entities that grant loyaty award credits (such as 'points') to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem award credits. Management is currently assessing the the impact of this interpretation on the Group's;
- IFRIC 14, 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', effective for annual periods beginning on or after January 1, 2008. IFRIC 14 added the interaction between a minimum funding requirements and the limit placed by paragraph 58 of IAS 19 'Employee Benefits' on the measurement of the defined benefit asset or liability. Management expects the new standard to have no impact on the Group's operations and consolidated financial statements;
- IFRS 8, 'Operating Segments', effective for annual periods beginning on or after January 1, 2009. IFRS replaces IAS 14 "Segment Reporting' and adopts a management approach to segment reporting. Management expects the new standard to have a significant impact on the Group's operations and consolidated financial statements. Adoption of IFRS 8 will require redefining of segments, which will be identified on the basis on internal reports regularly reviewed by the Group's chief operating decision makers. Therefore, management expect identification of, apart from geographical segments, also segment based on key Group's brands.
- Revised IAS 23, 'Borrowing costs', effective for annual periods beginning on or after January 1, 2009. The main change from the previous version is the removal of the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise borrowing costs as part of the cost of such assets. The revised IAS 23 does not require the capitalisation of borrowing costs relating to assets measured at fair value, and inventories that are manufactured or produced in large quantities on a repetitive basis, even if they take a substantial period of time to get ready for use or sale. Management do not expect the amendment to have a significant impact on the Group's operations.

(c) Basis of preparation

The consolidated financial statements are presented in Polish Zloty (PLN), rounded to the nearest thousand (TPLN).

The Consolidated Financial Statements are prepared on the historical cost basis. Non-current assets held for sale are stated at the lower of the carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 31.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The accounting policies have been applied consistently by Group entities.

(d) Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Foreign currency

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Polish operations is the Polish Zloty (PLN), the functional currency of the Czech operations is the Czech Crown (CZK), while the functional currency of the Hungarian operations is the Hungarian Forint (HUF).

As the majority of its operations and transactions are PLN denominated, the consolidated financial statements are presented in PLN..

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in such currencies at the balance sheet date are translated to the applicable functional currency at the foreign exchange rate prevailing at that date. All differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost, are translated at the foreign exchange rate as of the date of the transaction.

Financial statements of foreign operations

The results and financial position of all Group entities, which have a functional currency different from the presentation currency, are translated into the presentation currency as follows:

- the assets and liabilities, including goodwill and fair value adjustments arising on consolidation, are translated into PLN at exchange rates ruling at the balance sheet date,
- the revenues and expenses of foreign operations are translated at average rates in the period, which approximate the foreign exchange rates ruling at the dates of the transactions,
- all resulting foreign exchange differences arising on translation are recognised directly in equity.

Foreign exchange differences are released to the income statement upon disposal.

None of the foreign operations' currency is as at 30 June 2007 a currency of a hyperinflationary economy.

(f) Franchise, license and other fees

As noted in Note 1(a) above, restaurants are operated in accordance with franchise agreements with YUM! and subsidiaries of YUM!. The franchise agreements typically require that the Group pay an initial, non-refundable fee upon the opening of each new restaurant, pay continuing fees of 6% percent of revenues and commit 5% percent of revenue to advertising as specified in the relevant agreement. In addition, at the conclusion of the initial term of the franchise agreement, the Group may renew the franchise agreement, subject to a renewal fee.

The initial, non-refundable fees constitute in substance rights to use Pizza Hut and KFC trademarks and are included in 'intangible assets' and amortized over the period of the agreement (usually ten years). Continuing fees are expensed as incurred. Renewal fees are amortized over the renewal period when a renewal agreement becomes effective.

The initial fees paid are approximately 40.9 TUSD per restaurant and renewal fees are 50% of the initial fees, adjusted to reflect changes in the US Consumer Price Index during the term of the relevant franchise.

The most significant conditions relating to franchise agreements to be concluded with Burger King (Note 1(a)) are as follows:

- The license is granted for 10 years period commencing from the date the franchised restaurant opens for business. The Franchisee has the right to renew the term of the agreement for immediate subsequent second term of 10 years upon the fulfillment of certain pre-conditions.
- Franchisee must pay monthly continuing fees to the franchisor equal to 5% of the Gross Sales of the Burger King restaurant operated by Franchisee.
- Franchisee must pay monthly continuing advertising and sales promotion fees equal to 5% of the Gross Sales of the Burger King restaurant operated by franchisee.

The key fees and costs to be borne by the Group relating to agreements with Starbucks (Note 1(a)) will be as follows:

- The development and service fees for initial operation support equal to an amount USD 950 TUSD.
- The initial franchise fee of 25 TUSD for each Starbucks store.
- The continuing licensing and service fee equal to 6% of sales revenues of each Starbucks store.
- A local marketing spend obligation is to be mutually agreed annually.

(g) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at historical cost, less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located.

Borrowing costs incurred for the construction of any qualifying asset are expensed and presented as interest costs.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement and presented as “Gain (loss) on disposal of property, plant and equipment and intangibles”.

Restaurant development assets

Direct costs associated with site acquisition and the construction of a restaurant on that site, including direct internal payroll and payroll-related costs are capitalized. Only those site-specific costs incurred subsequent to the time that the site acquisition is considered probable are capitalized and included in restaurant development assets (“Property pland and equipment”). If subsequently it is determined that a site for which development costs have been capitalized will not be acquired or developed, any previously capitalized development costs are expensed. Restaurant development assets are amortized over their estimated useful life.

Leased assets

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease’s commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in the balance sheet as finance lease liabilities. The

interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, and major components that are accounted for separately. Land and assets under construction are not depreciated.

The estimated useful lives are as follows:

- Buildings 30 – 40 years
- Restaurant development assets (including leasehold improvements) 10 years*
- Machinery and equipment 4 – 8 years
- Vehicles 5 years
- Other tangible assets 4 – 8 years

* the lesser of 10 years or the length of the respective lease.

The assets' residual values, method of depreciation and useful lives are reassessed annually.

(h) Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Favourable leases

Favourable leases represent restaurant location lease contracts acquired on acquisition of subsidiaries with below-market lease payments. Favourable lease intangible assets are recognised initially at fair value and subsequently stated at cost less accumulated amortization and impairment losses (see accounting policy (n) below).

Trademark

Trademarks are shown at historical cost. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives.

Rights to use Pizza Hut and KFC trademarks

See accounting policy (f) above.

Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and potential impairment losses (see accounting policy (n) below).

Amortization

Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date (see accounting policy (n) below) and are not subject to amortization. Other intangible assets are amortized from the date they are available for use.

The estimated useful lives of other intangible assets are as follows:

• Software licenses	4 - 5 years
• Favourable leases	2 – 10 years*
• Trademark	5 years
• Rights to use Pizza Hut and KFC trademarks	10 years
• Other intangible assets	5 - 10 years

* Favourable lease intangible assets are amortised over the remaining lease term of the respective lease agreement.

(i) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill on acquisitions of subsidiaries/businesses is included in intangible assets and stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortized but is tested annually for impairment (see accounting policy (n)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Costs incurred to create self-generated goodwill and trademarks are expensed in the income statement as incurred.

j) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting 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 Group does not have any investments classified as available-for-sale financial assets at the balance sheet dates.

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 categorised 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 realised within 12 months of the balance sheet date. The Group does not have any investments classified as financial assets at fair value profit or loss at the balance sheet dates.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group’s management has the positive intention and ability to hold to maturity.

If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date, which are classified as current assets.

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 (k) below).

Regular purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised 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 recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group 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 amortised cost using the effective interest method.

(k) 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 recognised initially at fair value and subsequently measured at amortized cost less impairment losses (see accounting policy (n)).

(l) Inventories

Inventories comprise mainly materials and are stated at the lower of purchase price and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(m) 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.

(n) Impairment

The carrying amount of the Group's assets, except for inventories (see accounting policy (l)) and deferred tax assets (see accounting policy (v)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. For goodwill, intangible assets that have an indefinite useful life and assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment of trade and other receivables is recorded when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. If there is objective evidence that an impairment loss on receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying value and the present value of estimated future cash flows discounted at the effective interest rate. The amount of the loss is recognised in the income statement.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset which does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. In such cases as cash generating units the Group recognises separate restaurants.

Restaurants are evaluated using a "one year history of operating losses" as the primary indicator of potential impairment. For restaurants for which there is an indicator of potential impairment, discounted estimated cash flows are used to assess the recoverable amount of the related assets. The impairment evaluation is based on the estimated cash flows from continuing operation of the restaurant and takin into account the expected terminal value.

In addition, when a decision is made to close a restaurant, the restaurant is reviewed for impairment and depreciable lives are adjusted accordingly. Likewise, a liability is recorded for any lease termination costs associated with the closing of the restaurant.

Reversals of impairment

An impairment loss in respect of receivables carried at amortized cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

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

(o) Interest bearing loans and borrowings

Interest-bearing loans borrowings are recognised 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 recognised 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 recognised in the income statement.

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

(p) Share capital

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.

(q) Employee benefits

Share-based compensation

The Group operates two equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised 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 recognises 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.

Long-term service benefits

The Company's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation represents the Group's estimate of future benefits that employees have earned in return for their service in the current and prior periods, discounted to its present value.

Pension accounting

The Group makes contributions to the government's retirement benefit scheme at the applicable rate during the period based on gross salary payment). This plan is funded on a pay-as-you-go basis, i.e. the Group is only obliged to pay the contributions as they fall due based upon a percentage of salary and if the Group ceases to employ members of the plan, it will have no obligation to pay any additional benefits. The plan is a defined contribution plan. The expense for the contributions is charged to the income statement in the same period as the related salary expense and presented in Profit and Loss Account in the line "Payroll and employee benefits".

(r) Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

Site restoration

Management analyses potential site restoration costs and recognise provision if these costs are material.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(s) Trade and other payables

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

(t) Revenue recognition

Revenues comprise the fair value of the sale of goods, net of value-added tax. Sales of goods are recognised when a Group entity sells a product to the customer. Sales are typically in cash.

(u) Operating lease, occupancy cost

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Operating lease relates mainly to the premises in which restaurants operate. Lease costs are recognised in the income statement as „Occupancy and other operating expenses".

(v) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Income tax is recognised in the income statement except when it relates to items recognised directly in equity, in which case it is also recognised in equity.

Deferred tax is provided in full using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, the deferred tax is not accounted for if it arises form initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred 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 tax asset is realized or the deferred tax liability is settled. No taxable temporary differences are recognized on the initial recognition of goodwill.

Deferred 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 tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(w) Derivative Financial Instruments

The Group periodically uses derivative financial instruments to hedge its exposure to foreign exchange rate risks arising from operational and financing activities. Derivative financial instruments are recognised initially at fair value and subsequently remeasured at their fair value.

Derivatives used by the Group do not qualify for hedge accounting. Financial instruments are recognised initially at fair value. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

As at the balance sheet dates, the Group did not have any derivative financial instruments.

(x) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(y) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

(z) Business combinations involving entities under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses ultimately are controlled by the same party or parties both before and after the business combination, and that control is not transitory. This business combination is recognised using pooling of interest method. When this method is used there are no fair value adjustments to assets and liabilities and no goodwill is recognised.

2 Segment reporting

Geographical segments

Even though the Group is managed on a worldwide basis, its business activities operate mainly in two geographical areas, that is in Poland and the Czech Republic.

The division of Group's revenue into geographical segments is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

The Group's restaurant operations constitute one business segment given the similar nature of products, customers, business risks and returns.

Geographical segment data as at and for the six months ended 30 June 2007 and comparable period ended 30 June 2006 (for profit and loss account items) and 31 December 2006 (for balance sheet items) is as follows:

	Poland	***Czech Republic***	***Unallocated***	***Total***
2007				
Revenue from external customers	250 021	91 915	22 724	364 660
Inter-segment revenue	-	-	-	-
Operating profit	22 778	10 304	(852)	32 230
Finance income				321
Finance cost				(2 310)
Share of profit of associates (Note 29)	482	-	-	482
Income tax				(5 364)
Profit for the period				24 829
Segment assets	212 669	93 452		306 121
Investments in associates (Note 29)	1 703	-	-	1 703
Unallocated assets	-	-	32 038	32 038
Total assets				339 862
Segment liabilities	51 986	23 027	-	75 013
Unallocated liabilities	-	-	80 758	80 758
Total liabilities				155 771
Pension contributions	7 842	5 575	435	13 852
Depreciation (Note 9)	13 428	4 898	808	19 134
Amortization (Note 10)	2 575	328	261	3 164
Capital investments (Note 9, 10, 11)	27 071	6 534	19 531	53 136
Impairment of fixed assets (Note 9)	-	-	-	-
Impairment of fixed assets held for sale	-	-	235	235
Impairment of inventories	-	-	-	-
Impairment of trade receivables (Note 14)	14	-	-	14

	Poland	*Czech Republic*	*Unallocated*	*Total*
2006				
Revenue from external customers	200 530	79 479	-	280 009
Inter-segment revenue	-	-	-	-
Segment operating profit	13 978	5 694	(1 260)	18 412
Finance income				6 149
Finance cost				(2 825)
Share of profit of associates (Note 29)	346	-	-	346
Income tax				(3 131)
Profit for the period				18 909
Segment assets	208 200	90 921	-	299 121
Investments in associates (Note 29)	1 221	-	-	1 221
Unallocated assets	-	-	20 647	20 647
Total assets				320 989
Segment liabilities	55 639	20 263	-	75 902
Unallocated liabilities	-	-	87 223	87 223
Total liabilities				163 125
Pension contributions	6 064	3 432	-	9 496
Depreciation (Note 9)	11 246	5 391	-	16 637
Amortization (Note 10)	2 488	327	-	2 815
Capital investments (Note 9, 10, 11)	14 365	6 011	24 957	45 333
Impairment of fixed assets (Note 9)	611	493	-	1 104
Impairment of fixed assets held for sale	300	-	-	300
Impairment of inventories	91	-	-	91
Impairment of trade receivables (Note 14)	-	-	-	-

Capital investment comprises additions of property, plant and equipment (Note 9), additions of intangible assets (Note 10) and additions of goodwill (Note 11).

The unallocated column relates to corporate assets, liabilities (mainly borrowings) and transactions of AmRest Holdings N.V, and subsidiaries located in Hungary, Bulgaria and Ukraine.

3 Establishment and acquisition of subsidiaries and associates

Establishment of AmRest Coffee Sp. z o.o.

On the 27th of March 2007 American Restaurants Sp. z o.o. and Doris 2006 Sp. z o.o. signed the article of association of AmRest Coffee Sp. z o.o.

American Restaurants Sp. z o.o. subscribed 499 shares of the new company - AmRest Coffeee Sp. z o.o., which constitute 99.8% of its share capital and voting rights (nominal and issue value of one share is PLN 100). Doris 2006 Sp. z o.o. subscribed 1 share. The total equity of the new company amounts to 50 TPLN. On 25 June 2007 Doris 2006 Sp. z o.o. sold its share in AmRest Coffee Sp. z o.o. to American Restaurants Sp. z o.o.

AmRest Coffee Sp. z o.o. has been established in relation to the agreement with Starbucks Coffee International, Inc. described in Note 1a and 28. As at 30 June 2006 the company had virtually no operations.

Acquisition of Bécsi út.13.Kft

On 19 April 2007 American Restaurants Kft. acquired 100% of share capital and voting rights of Bécsi út 13. Kft. based in Budapest, Hungary.

Bécsi út 13. Kft. is the owner of the office building located at Bécsi út 13, Budapest. Acquisition of the above mentioned building is aimed to facilitate the extension of American Restaurants Kft.'s office in Budapest.

The fair value of assets acquired and liabilites assumed was as follows (in thousands of Polish zloty):

Cash	3
Property, plant and equipment	1 935
Receivables	5
Other non-current assets	9
Payables and accruals	(6)
Net assets acquired	1 946
Recognised in the income statement negative difference between acquisition price and assets acquired	(43)
Total purchase consideration	1 903
Cash paid on acquisition	1 903
Net cash and Cash equivalents in subsidiary acquired	(3)
Cash outflow on acquisition	1 900

The principal activity of the acquired business was to lease office building to American Restaurants Kft and the acquisition had no material impact on the Group's financial position and performance as at and for the period ended 30 June 2007.

Establishment of American Restaurants EOOD

On 27 April 2007 American Restaurants Sp. z o.o., signed the Articles of Association of the company - American Restaurants EOOD based in Sofia, Bulgaria. American Restaurants Sp. z o.o. subscribed 2 500 shares of the new company which constitute 100% of its equity and voting rights. American Restaurants EOOD has been established to open and operate restaurants in Bulgaria, what was preliminary approved by YUM! – a future franchisor of KFC and Pizza Hut brands.

4 Operating expenses

Operating expenses are as follows:

	06'2007	06'2006
Depreciation (Note 9)	19 134	16 637
Amortisation (Note 10)	3 164	2 815
Food and materials	128 631	101 239
Utilities	12 568	10 590
External services	22 391	17 005
Payroll	67 522	47 878
Social security and other employee benefits	15 372	12 328
Operating leases (occupancy costs) (Note 25)	25 125	21 157
Marketing expenses	15 662	14 411
Continuing franchise fees	21 463	16 602
Insurance	382	788
Business travel	1 572	1 155
Onerous contracts	515	14
Other	1 649	1 596
	335 150	264 215
Total restaurant expenses	311 916	246 020
Depreciation and amortisation expenses (G&A)	1 182	1 004
Other general and administrative expenses	22 052	17 191
	335 150	264 215

Impairment costs are as follows:	06'2007	06'2006
Impairment of inventory (Note 13)	-	91
Impairment of receivables	14	-
Total impairment of current assets	14	91
Impairment of assets held for sale	-	300
Impairment of property, plant and equipment (Note 9)	235	1 104
Total impairment of non-current assets	235	1 404
Total	249	1 495

Notes to the Consolidated Financial Statements
(in thousands of Polish zloty unless otherwise stated)

5 Other operating income

	06'2007	06'2006
Management fee	63	174
Sublease income (Note 25)	884	1 005
Marketing income	1 282	254
Other operating income	1 222	467
	3 451	1 900

6 Finance income

	06'2007	06'2006
Interest income	321	209
Foreign exchange gain, net	-	2 544
Waiver of loan from related party (Note 30)	-	3 396
	321	6 149

7 Finance cost

	06'2007	06'2006
Interest expense	(1 415)	(2 218)
Foreign exchange loss, net	(497)	-
Other	(398)	(607)
	(2 310)	(2 825)

8 Taxation

	2007	2006
Current tax	(4 880)	(2 200)
Change in deferred tax	(484)	(931)
Tax presented in profit and loss account	(5 364)	(3 131)

Tax rates applicable to the Company and its subsidiaries are as follows:

	Holland	Poland	Czech Republic	Hungary	Ukraine
2007	29,6%	19%	24%	20%	20%
2006	29,6%	19%	24%	16%	20%

The deferred tax assets and liabilities were calculated using tax rates as follows:

	Holland	Poland	Czech Republic	Hungary	Ukraine
2007	29,6%	19%	24%	20%	20%
2006	29,6%	19%	24%	16%	20%

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	6 months ended 30 June 2007	6 months ended 30 June 2006
Profit before tax	30 723	22 082
Tax calculated at domestic tax rates applicable to profits in the respective countries	6 201	5 131
Permanent differences	196	498
Utilisation of previously unrecognised tax losses	(148)	(1 840)
Deferred tax asset recognised in the period for previously unrecognised tax losses	127	(826)
Other differences	(1 012)	168
Tax presented in the profit and loss account	5 364	3 131

The weighted average applicable tax rate was 20,8% (for the period ended 30.06.2006: 23%). The decrease is caused by a change in the profitability of the Group's subsidiaries in the respective countries.

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. The offset amounts are as follows:

	30.06.2007	31.12.2006
Deferred tax asset:		
Deferred tax asset to be recovered after more than 12 months	6 292	350
Deferred tax asset to be recovered within 12 months	3 277	8 986
	9 569	9 336
Deferred tax liability:		
Deferred tax liability to be recovered after more than 12 months	40	40
Deferred tax liability to be recovered within 12 months	469	720
	509	760

Temporary differences after offsetting included in the calculation of deferred tax asset and liability are as follows:

	Deferred tax asset		Deferred tax liability	
	30.06.2007	31.12 2006	30.06.2007	31.12 2006
Tangible fixed assets (depreciation)	4 737	6 867	509	760
Receivables	536	540	-	-
Provisions and other write downs	754	423	-	-
Tax losses	966	899	-	-
Other differences	2 576	607	-	-
	9 569	9 336	509	760

Temporary differences before offsetting are as follows:

	Deferred tax asset		Deferred tax liability	
	30.06.2007	31.12.2006	30.06.2007	31.12.2006
Tangible fixed assets (depreciation)	5 481	6 355	1 254	1 182
Receivables	536	540		
Provisions and other write downs	754	423		
Tax losses	966	899		
Other differences	3 303	1 629	727	88
	11 040	9 846	1 981	1 270

Tax losses carried forward as at 30 June 2007 are as follows:

Poland	858
Czech Republic	2 857
Holland	1 769
Hungary	7 703
Ukraine	1 973
	15 160

Year of expiry	Tax losses total value	Tax losses included in deferred tax asset	Tax losses for which no deferred tax asset was recognised
2007	2 779	-	2 779
2008	3 377	-	3 377
2009	1 698	-	1 698
2010	1 419	-	1 419
2011	183	-	183
Without limits	5 704	966	4 738
	15 160	966	14 194

At 30 June 2007, the Group has not recognized a deferred tax asset relating to all tax losses incurred in previous years. From total tax losses carried forward of 15 160 TPLN, the Group recognised deferred tax asset of TPLN 966. The reason for not recognising the remaining part of deferred tax asset was, among the others, lack of possibility to utilize part of tax losses due to planned restructuring of the Group as well as lack of current operations activities in certain entities of the Group.

Tax authorities may investigate tax returns (not closed by these authorities so far) of companies within the group in 5 years since the end of the period covered by these financial statements.

9 Property, plant and equipment

Movements in property, plant and equipment in 2007 and 2006 can be presented as follows:

2007	Land	Buildings & restaurant development assets	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	Total
Acquisition cost							
Balance at 1/1/2007	946	247 874	135 451	940	9 435	20 883	415 529
Acquisitions (Note 3)	-	1 932	-	-	3	-	1 935
Additions	-	1 918	7 465	-	681	33 180	43 244
Disposals	-	(7 382)	(4 814)	-	(378)	(2 944)	(15 518)
Transfers	-	20 349	7 512	-	1 004	(28 865)	-
Exchange rate differences	(49)	(3 007)	(2 506)	(18)	(145)	(467)	(6 192)
Balance at 30/06/2007	897	261 684	143 108	922	10 600	21 787	438 998
Accumulated depreciation							
Balance at 1/1/2007	-	126 525	85 688	518	4 314	-	217 045
Additions	-	11 026	7 432	82	594	-	19 134
Disposals	-	(4 134)	(3 693)	-	(187)	-	(8 014))
Exchange rate differences	-	(1 107)	(1 429)	(9)	(109)	-	(2 654)
Balance at 30/06/2007	-	132 310	87 998	591	4 612	-	225 511
Impairment losses							
Balance at 1/1/2007	-	5 541	14	-	33	1 191	6 779
Additions	-	217	8	-	10	-	235
Disposals	-	(1 361)	(19)	-	(31)	(1 009)	(2 420)
Exchange rate differences	-	(39)	(3)	-	(6)	(8)	(56)
Balance at 30/06/2007	-	4 358	-	-	6	174	4 538
Net book value 1/1/2007	**946**	**115 808**	**49 749**	**422**	**5 008**	**19 692**	**191 705**
Net book value 30/06/2007	**897**	**125 016**	**55 110**	**331**	**5 982**	**21 613**	**208 949**

2006	Land	Buildings & restaurant development assets	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	Total
Acquisition cost							
Balance at 1/1/2006	1 912	228 478	119 480	688	5 388	6 354	362 300
Acquisitions	-	3 565	1 064	113	837	-	5 579
Additions	-	1 330	5 206	-	503	12 851	19 890
Disposals	-	(3 759)	-	(139)	(579)	(1 044)	(5 521)
Transfers	-	6 747	2 172	-	38	(9 226)	(269)
Exchange rate differences	56	3 129	2 844	-	3	240	6 272
Balance at 30/06/2006	1 968	239 490	130 766	662	6 190	9 175	388 251
Accumulated depreciation							
Balance at 1/1/2006	-	104 643	72 209	523	3 606	-	180 981
Additions	-	9 931	6 506	40	160	-	16 637
Disposals	-	(3 338)	-	(63)	(179)	-	(3 580)
Exchange rate differences	-	1 170	1 534	-	3	-	2 707
Balance at 30/06/2006	-	112 406	80 249	500	3 590	-	196 745
Impairment losses							
Balance at 1/1/2006	-	5 450	-	-	-	1 728	7 178
Additions	-	1 104	-	-	-	-	1 104
Disposals	-	(693)	-	-	-	(728)	(1 421)
Transfers	-	32	-	-	-	(32)	-
Exchange rate differences	-	11	-	-	-	8	19
Balance at 30/06/2006	-	5 904	-	-	-	976	6 880
Net book value 1/1/2006	**1 912**	**118 385**	**47 271**	**165**	**1 782**	**4 626**	**174 141**
Net book value 30/06/2006	**1 968**	**121 180**	**50 517**	**162**	**2 600**	**8 199**	**184 626**

Property, plant and equipment presented below comprise items under finance lease, were the Group is the lessee:

	Land	Buildings	Other tangible assets	Total
Acquisition cost 30/06/2007	778	2 577	49	3 404
Accumulated depreciation at 30/06/2007	-	805	49	854
Net book value 30/06/2007	778	1 772	-	2 550
Acquisition cost 30/06/2006	844	2 793	53	3 690
Accumulated depreciation 30/06/2006	-	733	53	786
Net book value 30/06/2006	844	2 060	-	2 904

A calculation of the loss on the disposal of fixed assets and a summary of impairment losses incurred during the period of six months ended 30 June 2007 and 2006 are presented in the table below:

	2007	2006
Proceeds from the sale of property, plant and equipment and intangible assets	4 581	652
Net book value of property, plant and equipment and intangible assets disposed	(5 202)	(520)
Gain/(Loss) on disposal of property, plant and equipment and intangibles	(621)	132
Gain on disposal of assets held for sale (Note 18)	139	2 081
Gain/(Loss) on disposal of property, plant and equipment, intangible assets and non-current assets held for sale	(482)	2 213

According to loan agreement with ABN Amro Bank N.V. the property, plant and equipment of American Restaurants Sp. z o.o. and American Restaurants s.r.o. are used as collateral. The net book value of these assets amounted to 171 609 TPLN (31 December 2006: 164 152 TPLN).

Depreciation expense has been charged in ‘restaurant expenses’ – 18 183 TPLN (previous period: 15 811 TPLN) and in general and administrative (G&A) expenses – 951 TPLN (previous period: 826 TPLN).

10 Other intangible assets

Intangible assets movements in 2007 and 2006 can be presented as follows:

2007	Favorable leases	Rights to use Pizza Hut , KFC and Burger King trademarks	Other intangible assets	Total
Acquisition cost				
Balance at 1/1/2007	9 465	16 315	9 058	34 838
Acquisitions (Note 3)	-	-	-	-
Additions	-	1 063	2 910	3 973
Disposals	-	(285)	(223)	(508)
Exchange rate differences	-	(343)	(47)	(390)
Balance at 30/06/2007	9 465	16 750	11 698	37 913
Accumulated amortisation				
Balance at 1/1/2007	4 238	11 410	6 260	21 908
Additions	1 552	782	830	3 164
Disposals	-	(223)	(167)	(390)
Exchange rate differences	-	(197)	(35)	(232)
Balance at 30/06/2007	5 790	11 772	6 888	24 450
Impairment losses				
Balance at 1/1/2007	-	101		101
Additions	-	-	-	-
Disposals	-	-		-
Exchange rate differences	-	-	-	-
Balance at 30/06/2007	-	101	-	101
Net book value 1/1/2007	**5 227**	**4 804**	**2 798**	**12 829**
Net book value 30/06/2007	**3 675**	**4 877**	**4 810**	**13 362**

2006	Trademarks	Favourable leases	Rights to use Pizza Hut and KFC trademarks	Other intangible assets	Total
Acquisition cost					
Balance at 1/1/2006	338	8 389	14 851	8 843	32 421
Acquisitions (Note 4)	-	-	128	584	712
Additions	-	-	253	233	486
Disposals	-	-	-	(22)	(22)
Transfers	-	-	250	19	269
Exchange rate differences	23	-	368	70	461
Balance at 30/06/2006	361	8 389	15 850	9 727	34 327
Accumulated amortisation					
Balance at 1/1/2006	39	1 377	9 642	4 979	16 037
Additions	35	1 324	803	653	2 815
Disposals	-	-	-	(22)	(22)
Exchange rate differences	4	-	179	9	192
Balance at 30/06/2006	78	2 701	10 624	5 619	19 022
Impairment losses					
Balance at 1/1/2006	-	-	62	42	104
Additions	-	-	-	-	-
Disposals	-	-	(4)	-	(4)
Exchange rate differences	-	-	-	-	-
Balance at 30/06/2006	-	-	58	42	100
Net book value 1/1/2006	**299**	**7 012**	**5 147**	**3 822**	**16 280**
Net book value 30/06/2006	**283**	**5 688**	**5 168**	**4 066**	**15 205**

Other intangible assets comprise mainly software.

There are no intangible assets self-generated and capitalised by the Group.

Amortisation expense has been charged in ‘restaurant expenses’ – 2 933 TPLN (previous period: 2 637 TPLN) and in general and administrative (G&A) expenses - 231 TPLN (previous period: 178 TPLN).

11 Goodwill

Changes in goodwill can be presented as follows:

	6 months ended 30 June 2007	6 months ended 30 June 2006
Acquisition cost		
Balance at the beginning of period	23 516	4 765
Additions (Note 3)	-	18 666
Disposals	-	-
Exchange rate differences	(294)	326
Balance at the end of period	23 222	23 757
Impairment losses		
Balance at the beginning of period	-	-
Additions	-	-
Disposals	-	-
Exchange rate differences	-	-
Balance at the end of period	-	-
Net book value, beginning of period	**23 516**	**4 765**
Net book value, end of period	**23 222**	**23 757**

Goodwill in the amount of 18 666 TPLN (18 524 TPLN as at 30 June 2007 after adjustment for negative foreign exchange differences of 142 TPLN) relates to the acquisition of Kentucky System Kft. in June 2006, whereas goodwill in the amount of 4 819 TPLN (4 697 TPLN as at 30 June 2007 after adjustment for negative foreign exchange differences of 122 TPLN) relates to the acquisition of miklik's food s.r.o. in May 2005.

Impairment tests for goodwill

The Group performs tests for impairment of goodwill annually. Results of test will be described and reflected in the annual consolidated financial statement for the year 2007. See also Note 31.

12 Other non-current assets

The other non-current assets balance at 30 June 2007 and 31 December 2006 are summarized in the table below:

	06'2007	12'2006
Rent prepayments	12 173	13 308
Rent deposits	4 957	3 869
Other	697	549
	17 827	17 726

13 Inventories

Inventories at 30 June 2007 and 31 December 2006 comprise primarily food and packaging materials used in restaurant operations. Inventories are stated net of provisions. The balance of provisions amounted to 795 TPLN as at 30 June 2007 and 31 December 2006. In the 6 months period ended 30 June 2007 there were no additions of provisions. The amount of provisions created in the corresponding period amounted to 91 TPLN.

Inventories with a value of 6 732 TPLN (7 416 TPLN as at 30 June 2006.) are pledged as security for loan received from ABN Amro Bank Polska (Note 19).

14 Trade and other receivables

	06'2007	12'2006
Trade receivables - third party	8 069	9 805
Trade receivables - related parties (Note 30)	41	93
Other taxes receivable	4 855	3 853
Other receivables	1 072	1 379
Provisions for receivables	(3 625)	(3 670)
	10 412	11 460

15 Other current assets

	06'2007	12'2006
Prepaid utilities	1 279	2 420
Prepaid rent	3 825	1 926
Prepaid insurance	370	293
Other	1 605	1 337
	7 079	5 976

16 Cash and cash equivalents

The cash and cash equivalents balance at 30 June 2007 and 31 December 2006 are summarized in the table below:

	06'2007	12'2006
Cash at bank	31 561	14 344
Cash in hand	7 507	10 897
	39 068	25 241

17 Assets held for sale

In May 2007 a transaction of selling a restaurant building located in Poland for 4 000 TPLN was concluded.

The calculation of gain on disposal of non-current assets classified as assets held for sale is as follows:

	06'2007	06'2006
Revenue from disposals of assets held for sale	4 000	3 300
Net book value of assets held for sale	(3 861)	(1 219)
Profit from disposal of assets held for sale	139	2 081

Non-current assets held for sale belonged to the geographical segment „Poland".

As at 30 June 2007 the Group does not have any assets held for sale (31 December 2006: 3 861 TPLN).

18 Equity

Share capital

As stated in Note 1(a), on 27 April 2005 r. the shares of Amrest Holding N. V. commenced trading on the Warsaw Stock Exchange in Poland.

As of 30 June 2007, there are 13 500 000 shares issued and outstanding. All issued shares are fully paid. The authorized shares is 15 000 000 shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings of the Company.

Other reserves

Other reserves of 6 191 TPLN relates to the non-refundable contribution, without the issuance of new shares, made by the shareholders of the Group before the IPO on WSE.

Translation Reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations of the Company into PLN.

19 Interest bearing loans and borrowings

The table below presents interest-bearing loans and borrowings at 30 June 2007 and 31 December 2006:

Non-current	06'2007	12'2006
Bank loans	61 428	72 140
	61 428	72 140

Current	06'2007	12'2006
Bank loans	6 466	918
	6 466	918

Bank loans

		Effective interest rate	06'2007	12'2006
PLN	BPH-PBK	6,62 %	-	918
CZK	ABN Amro	3,42 %	67 894	72 140
			67 894	73 058

Bank loans comprise mainly investments loans bearing floating interest rates based on PRIBOR and WIBOR. Contractual reprising of bank loans and interest rate risk is on a monthly basis (changes in WIBOR and PRIBOR).

According to the loan agreement with ABN Amro Bank N.V. ("ABN Amro") dated 4 April 2005, the Group is required to maintain certain financial ratios as specified in the agreement. These include net debt index, (the ratio of net debt to EBITDA), interest coverage and the balance sheet structure (the net fixed assets defined as total consolidated equity less net intangible assets and the net goodwill to total assets). As at 30 June 2007, the Group maintained all financial ratios described above.

Please refer to Note 9 and 13 for details regarding security pledged for the above loans.

Effective interest rates are similar to market rates for given types of loans. Therefore fair value of presented above liabilities is not significantly different from carrying amounts.

Maturity of long term and short term loans as at 30 June 2007 and 31 December 2006 are presented below:

	06'2007	12'2006
Less than 1 year	6 466	918
Between 1-2 years	12 932	13 741
Between 2-5 year	25 864	41 223
Over 5 years	22 632	17 176
	67 894	73 058

The Group has the following undrawn borrowing facilities as at 30 June 2007 and 31 December 2006:

	06'2007	12'2006
Floating rates		
- expiring within one year	10 000	10 202
- expiring after one year	23 766	23 831
	33 766	34 033

20 Employee benefits

Employee benefits consist of long term service benefits and two share option plans.

Long term service employee benefits

In accordance with the Company's employment regulations, certain employees have the right to jubilee payments for long-term employment in accordance with the Group's employment regulations. These employees receive a lump sum in local currency equivalent to USD 300 after the completion of 5 years of employment and a lump sum in local currency equivalent to USD 1 000 after the completion of 10 years of employment. The Group has made an accrual of 1 145 TPLN for the jubilee obligation as of 30 June 2007 and 913 TPLN as of 31 December 2006. The accrual for the jubilee obligation related to the management amounted as at 30 June 2007 5 TPLN. Actuarial assumptions: discount rate: 5.00% and expected turnover % per year: 40.

Share option plan 1

The Plan was set up in 1999 and initially settled in cash. It related to the Group's key employees. Upon the Group's IPO on 27 April 2005, the plan was converted to settled in shares instead of cash. Additionally all obligations under the plan were assumed by ARC (See Note 1a). ARC assumed responsibility for the option settlements with employees (vested and not vested upon IPO). The value of liability in the amount of 1 944 TPLN was transferred to the equity.

Share option plan 2

In April 2005, the Group established an employee stock option plan for key employees, settled in shares. The total number of shares to which options are granted is determined by the Board but cannot exceed 3% of the total outstanding shares. In addition, the number of shares acquired by employees from options exercised is limited to 200,000 annually. Under the plan, the Company, upon prior Board approval, is entitled to determine among other matters, participating employees, number of options granted and the grant date. The option price and the vesting period will generally be the closing share price at the option grant date and carry either a 3 or 5 year vesting period. The stock option plan was approved by the Board of Directors.

The terms and conditions of the grants are as follows:

Grant date	Number of options granted	Vesting conditions	Excercise price in PLN	Contractual life of options
Plan 1				
at 30 April 1999	75 250	5 years, graded, 20% per year	6,4	10 years
at 30 April 2000	53 750	5 years, graded, 20% per year	25,6	10 years
at 30 April 2001	76 300	5 years, graded, 20% per year	25,6	10 years
at 30 April 2002	74 600	5 years, graded, 20% per year	16,0	10 years
at 30 April 2003	55 100	5 years, graded, 20% per year	16,0	10 years
at 30 April 2004	77 800	5 years, graded, 20% per year	19,2	10 years
Total	412 800			
Plan 2				
At 30 April 2005	79 300	5 years, graded, 20% per year	24,0	10 years
At 30 April 2006	75 000	5 years, graded, 20% per year	48,4	10 years
At 30 April 2007	89 500	5 years, graded, 20% per year	96,50	10 years
Total	243 800			

The number and weighted average exercise prices of share options for the 6 months period ended 30 June 2007 and for the year ended 31 December 2006 are as follows:

	2007			2006		
	Weighted average exercise price	Number of options Plan 2	Number of options Plan 1	Weighted average exercise price	Number of options Plan 2	Number of options Plan 1
Outstanding at the beginning of the period	PLN 26,9	151 400	182 200	PLN 20,6	79 300	203 900
Exercised during the period	-	-	-	PLN 18,3	-	(9 140)
Forfeited during the period	PLN 29,4	(17 510)	(6 600)	PLN 19,7	(2 900)	(12 560)
Granted during the period	PLN 96,5	89 150	-	PLN 48,4	75 000	-
Outstanding, end of the period	PLN 42,3	223 040	175 600	PLN 26,9	151 400	182 200
Exercisable at the end of the period	PLN 22,2	47 170	166 380	PLN 20,0	15 760	146 660

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a trinominal tree model and Monte-Carlo model. The contractual life of the option (10 years) is used as an input into this model. Expectations of early exercise are incorporated into the trinominal tree model.

Fair value of stock options and performance participation plan units and related assumptions are summarised below:

	Granted in the period from 1/1/2007 to 30/06/2007	Granted in the period from 1/1/2006 to 31/12/2006	Granted in the period from 1/1/2005 to 31/12/2005		Granted till the end of 2004
	Plan 2	Plan 2	Plan 2	Plan 1	Plan 1
Average fair value at grant date	PLN 27,2	PLN 15,5	PLN 8,9	PLN 6,8	PLN 6,6
Average share price at grant date/date of valuation	PLN 96,5	PLN 48,3	PLN 25,7	n/a	n/a
Average exercise price	PLN 96,5	PLN 48,3	PLN 24,0	PLN 18,6	PLN 18,6
Expected volatility (expressed as weighted average volatility used in the modeling under the trinomial tree model)*	31%	31%	40%	40%	40%
Expected option life (expressed as weighted average life used in the modeling under the trinomial tree model	9,9 years	9,9 years	9,9 years	7,0 years	7,5 years
Expected dividends (commencing 2008)	18,8%	18,8%	18,8%	19,4%	19,4%
Risk free interest rate (based on interbank interest rates)	4,98%	4,98%	4,5%	4,5%	5,8%

* Prior to 2006 the Copmany had no history of public quotations on WSE and the expected volatility for options granted before 2006 was based on the historic volatility of comparable companies operating on the WSE (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. For options granted in 2006 fair value at grant date was based on actual volatility of quotations of the Copmany. The high volatility of the share price is an effect of a significant increase in the share price since the initial issue.

Share options are granted under a service condition. There are no market conditions associated with the share option grants.

Expenses recognized related to share-based payments plans in 6 months period ended 30 June 2007 and 30 June 2006 respectively, can be summarized as follows:

	2007	2006
Value of employee services	502	194
	502	194

Pensions contributions

Expenses of pension contributions for the six months period ended 30 June 2007 and 30 June 2006 respectively, are as follows:

	2007	2006
Pension contributions	13 852	9 496
	13 852	9 496

There are no other compensation benefits (apart from these mentioned above) such as post-employment benefits (other than required by law in particular countries) or termination benefits.

21 Provisions

The table below presents a roll forward of provisions:

30 June 2007	01.01.2007	Additions	Used	Released	Translation reserve	30.06.2007
Onerous lease contracts	3 322	515	(947)	(661)	(44)	2 185
Provision for legal claims	2 243	-	(1 418)	(128)	-	697
	5 565	515	(2 365)	(789)	(44)	2 882

30 June 2006	01.01.2006	Additions	Used	Released	Translation reserve	30.06.2006
Onerous lease contracts	3 150	-	(199)	-	50	3 001
Provision for legal claims	1 540	6	-	-	-	1 546
	4 690	6	(199)	-	50	4 547

Provision for onerous contracts

As at the balance sheet date the Group recognised provision for loss making lease contracts. The contracts are mainly related to locations, where the Group does not operate restaurants but subleases locations to other entities at unfavourable conditions. Provision was calculated using 10.90% discount rate. The

increase of discount rate by 10.00% (from 10.90% to 12.00%) would result in a decrease of provision by 54 TPLN.

Reserve for legal claims

From time to time, the Group is involved in routine litigation and proceedings during the current course of business. As of the balance sheet date, the Group has recorded the provision for legal claims detailed above, which represents the Group's best estimate of the probable loss expected to result from such litigations or proceedings.

22 Other non-current liabilities

Other non-current liabilities comprise mainly non-current portion of deferred income from advertising services provided to one of the Group's suppliers (non-related party). For information on non-current portion please refer to Note 24. The Group has received in advance a cash remuneration of 750 TUSD for advertising services which are to be rendered over 5 years period, starting 1 January 2006. Non-current portion of deferred income in relation to that amounted to 1 267 TPLN and 1 521 TPLN at 30 June 2007 and 31 December 2006, respectively.

23 Trade and other accounts payable

Trade and other accounts payable balance at 30 June 2007 and 31 December 2006 is summarized in the table below:

	06'2007	12'2006
Accounts payable to third parties:	62 632	60 947
Trade payables	40 515	43 119
Uninvoiced rent and deliveries for restaurants	9 883	7 428
Payables to employees	5 950	5 162
Social insurance liability	4 131	3 447
Other taxes payable	2 122	1 711
Deposit received	31	80
Accounts payable to related parties (Note 30)	952	3 404
Accruals:	6 842	7 335
Bonuses to employees	3 433	3 669
Marketing services	111	-
Unused holidays	1 470	1 362
Professional services	1 779	2 255
Other	49	49
Deferred income - current portion (Note 22)	1 442	800
Social Fund	468	481
Other accounts payable to third parties	3 343	2 481
	75 679	75 448

24 Finance lease liabilities

Finance lease liability – present value of liability:

	2007	2006
No later than 1 year	70	68
Later than 1 year, no later than 5 years	553	413
Later than 5 years	2 541	2 913
	3 164	3 394

Finance lease liabilities – minimum lease payments:

	2007	2006
No later than 1 year	629	669
Later than 1 year, no later than 5 years	3 098	2 657
Later than 5 years	4 709	5 972
Total minimum lease payments	8 436	9 298
Future finance charges on finance leases	(5 272)	(5 904)
Present value of finance lease liabilities	3 164	3 394

25 Operating leases

The Group has numerous operating leases, primarily for the rental of restaurant locations. Rental contracts for restaurant locations are typically concluded for a period of ten years, subject to certain minimum notice periods for cancellation.

Future minimum payments relating to non-cancelable operating leases are as follows:

Estimated minimum lease payments related to non-cancellable operating lease agreements are as follows:

	2007	2006
No later than 1 year	43 929	37 801
Later than 1 year, no later than 5 years	152 044	123 595
Later than 5 years	84 647	98 209
Total minimum lease payments	280 620	259 605

For numerous restaurants (mainly for those located in shopping malls) the rental fees are composed of a fixed fee and a fee contingent on the revenues of the restaurant. The contingent fee typically represents 2.5% to 9% of restaurant sales. Operating lease expenses (divided into fixed and contingent part) for the 6 months period ended 30 June 2007 and 2006 are as follows:

	2007			2006		
	Fixed part	Contingent part	Total	Fixed part	Contingent part	Total
Czech Republic	6 347	1 103	7 450	5 475	1 515	6 990
Hungary	1 758	127	1 885	-	-	-
Poland	11 006	4 784	15 790	10 536	3 631	14 167
	19 111	6 014	25 125	16 011	5 146	21 157

The Group also is also a party of sub-operating leases. Revenues from such contracts for the 6 months period ended 30 June 2007 and 2006 are as follows:

	2007	2006
Czech Republic	40	42
Hungary	27	-
Poland	817	963
	884	1 005

26 Loan security

Loans are secured by various means of pledge and mortgage on tangible fixed assets – see Note 9 and 13.

27 Earnings per share

Basic and diluted earnings per ordinary share for the six months ended 30 June 2007 and 30 June 2006 are calculated as follows:

	2007	2006
Net profit attributable to shareholders of the parent	24 829	18 909
Ordinary shares at 1 January	13 500 000	13 500 000
Effect of shares issued	-	-
Effect of stock options granted in 2005	50 626	25 399
Effect of stock options granted in 2006	19 517	-
Effect of stock options granted in 2007	-	-
Weighted average number of ordinary shares	13 570 143	13 525 399
Basic earnings per share	1,84	1,40
Diluted earnings per share	1,83	1,40

The effect of potential ordinary shares resulting from stock options granted is slightly dilutive.

28 Commitments and contingencies

Franchise contracts for Pizza Hut and KFC

Under the signed franchise agreements, the Group must from time to time upgrade, modify, renovate or replace all or part of its restaurants or any of their fittings, fixtures or signage or any of the equipment, systems or inventory used in the restaurant in order to maintain compliance with the relevant franchisor's then current standards. During each of the initial term and the renewal term, if any, the franchisor may not require more than two comprehensive refurbishments of all fittings, fixtures, signage, equipment, systems and inventory in the "front-of-house" area of each restaurant to then current standards and more than one comprehensive refurbishment of all fittings, fixtures, signage, equipment, systems and inventory in the "back-of-house" area of each restaurant. The Group estimates the cost of upgrades at 1.5 percent of annual restaurant sales in future periods.

Commitments arose on concluded agreements with Burger King and Starbucks as well as main conditions of current and future franchise agreements are described in Note 1(a) and 1(f).

29 Investments in associates

Changes in investments in associates can be presented as follows:

	6 months ended 30 June 2007	6 months ended 30 June 2006	12 months ended 31 December 2006
At the beginning of the period	1 221	574	574
Acquisition of shares	-	10	10
Share of profit of associates	482	346	637
Exchange differences	-	10	-
Other changes	1 703	940	1 221

The Group's investments in associates, all of which are unlisted, and their main financial data are as follows:

Name of associate	Country of incorporation	Assets	Liabilities	Revenues	Profit/ (loss)	% of interest held
30 June 2007						
Worldwide Communication Services LLC	USA	145	79	-	(6)	33,33
Global Communication Services Sp. z o.o. w likwidacji	Poland	31	107	-	(19)	33,33
Synergy Marketing Partners Sp. z o.o	Poland	157	92	2 660	15	26,66
Red 8 Communications Group Sp. z o.o.	Poland	2 641	992	7 037	419	17,33
Synergy Marketing Partners s.r.o.	Czech Republic	22	1	168	11	24,00
SCM Sp. z o.o	Poland	3 344	285	2 557	842	45,00
SCM s.r.o.	Czech Republic	76	-	171	76	40,50

Name of associate	Country of incorporation	Assets	Liabilities	Revenues	Profit/ (loss)	% of interest held
30 June 2006						
Worldwide Communication Services LLC	USA	291	89	-	(82)	33,33
Global Communication Services Sp. z o.o. w likwidacji	Poland	48	104	-	(6)	33,33
Synergy Marketing Partners Sp. z o.o	Poland	2 912	2 966	9 944	(29)	26,66
Red 8 Communications Group Sp. z o.o.	Poland	2 011	629	4 878	299	17,33
Synergy Marketing Partners s.r.o.	Czech Republic	974	874	-	67	24,00
SCM Sp. z o.o	Poland	1 709	251	2 096	722	35,00

30 Related parties

Trade and other receivables from related parties:

	30 June 2007	31 December 2006
MPI Sp.z o.o.	30	26
American Retail Concepts	-	11
American Retail Systems Sp.z o.o.	-	-
Associates	11	56
	41	93

Trade and other payables to related parties:

	31 December 2007	31 December 2006
American Retail Concepts	834	556
American Retail Systems Sp.z o.o	116	161
Associates	2	2 687
	952	3 404

Sales of goods and services:

	6 months ended 30 June 2007	6 months ended 30 June 2006
MPI Sp.z o.o.	8	11
American Retail Systems Sp.z o.o.	62	-
Associates	21	15
	91	26

Purchases of goods and services:

	6 months ended 30 June 2007	6 months ended 30 June 2006
MPI Sp.z o.o.	154	138
American Retail Concepts	1 032	1 592
American Retail Systems Sp. z o.o.	646	799
Associates	3 839	11 364
	5 671	13 893

Key shareholder and its related parties

ARC

As described in the note 1 (a) at 30 June 2007 the Group's largest and key shareholder remains IRI of the United States with a 35,24% ownership interest. IRI is a wholly-owned subsidiary of ARC of the United States.

ARC was founded by Donald M. Kendall, Sr., Donald M. Kendall, Jr. and Christian R. Eisenbeiss, who served as Supervisory Board members of the Group as at 30 June 2007 and Henry J. McGovern who is a

Management Board member and the senior executive managing the operating businesses in Poland and the Czech Republic.

The ownership structure of ARC as at 30 June 2007 is shown in the table below:

	Percent Ownership
Donald M. Kendall, Sr.	30,00%
Donald M. Kendall, Jr.	18,25%
Christian R. Eisenbeiss	28,36%
Henry J. McGovern	22,49%
David A. Bobilya	0,90%

The Group also received management and consultancy services provided by ARC for the Group's Czech and Polish operating entities. The major obligation is for ARC to provide management services including paying the salaries and certain other expenses of certain members of the Group's management team. These salaries and services are invoiced to the Group's subsidiaries monthly. The professional fees paid by the Company and its subsidiaries to ARC amounted to 1 032 TPLN and 1 592 TPLN for the six months ended 30 June 2007 and 30 June 2006, respectively.

Additionally, in the first quarter of 2007 the Group created a provision for unexpected costs related to management services provided by ARC in the amount of 202 TPLN (31 December 2006: 1 611 TPLN).

Starting from 27 April 2005, ARC assumed obligations for the settlement of Stock Option Plan 1 (See Note 20).

ARS, MPI

In addition to its ownership interest in the Group, ARC conducts real estate operations through its wholly-owned subsidiary, American Retail Systems Sp. z o.o. (ARS). The Group leases three restaurant properties from ARS at market rates consistent with the lease terms and conditions in its restaurant leases with third parties.

As at 30 June 2007 r. the Group recognised in its consolidated balance sheet prepayments for rent amounting to 10 500 TPLN) made on behalf of ARS in connection with concluded lease contracts for 4 restaurants for ten-year period starting in 2007.

The Group's offices in Wroclaw are also located in a building owned by ARS and Metropolitan Properties International Sp. z o.o. (MPI), a company owned by Henry McGovern.

The rent and other costs paid by the Group and its subsidiaries to ARS was 646 TPLN and 799 TPLN for the six months ended 30 June 2007 and 30 June 2006, respectively.

The rent and other costs paid to the company owned by Henry McGovern – MPI was 154 TPLN and 136 TPLN for the six months ended 30 June 2007 and 30 June 2006, respectively.

The Group payables in respect of the above mentioned transactions amounted to 116 TPLN and 161 TPLN as at 30 June 2007 and at 31 December 2006, respectively.

Associates

Worldwide Communication Services LLS

Worldwide Communication Services LLS (WCS) and its subsidiaries provided the Group with marketing services until the end of March 2007. It is related to the beginning of the work on the internal Marketing Department creation. Amounts billed by WCS to the Group (mainly through its subsidiary – Synergy Marketing Partners Sp. z o.o.) for the six months period ended 30 June 2007 and 30 June 2006 amounted to 3 839 TPLN and 11 363 TPLN, respectively.

Transactions with key management personnel

Key management remuneration (members of the Management Board of AmRest Holdings N.V.) paid by ARC and directly by the Group is as follows:

	6 months ended 30 June 2007	6 months ended 30 June 2006
Management Board remuneration paid by ARC	1 461	1 017
Including additional benefits	-	-
Management Board remuneration paid directly by the Group	214	182
Including additional benefits	-	-
Management Board remuneration, total	1 675	1 199
Including additional benefits	-	-

Key personnel of the Group receive also remuneration from ARC (apart from the management of the Company, subsequently recharged to the Group) Management remuneration paid by ARC amounted to 550 TPLN and 575 TPLN for the six months period ended 30 June 2007 and 30 June 2006, respectively.

Key management participates also in share option programs (see Note 20). Share based payment expense which relates to key management amounted to 22 TPLN and 11 TPLN in the six months period ended 30 June 2007 and the year ended 30 June 2006, respectively.

	30 June 2007	30 June 2006
Number of options granted	131 000	107 000
Number of options available	102 800	74 734
Fair value of options at the moment of grant	729 920 PLN	678 253 PLN

At 30 June 2007 there were no commitments to former employees.

31 Critical accounting estimates and assumptions

Key sources of estimation and uncertainty

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate mostly to goodwill impairment, tangible fixed assets impairment, depreciation and amortisation, provisions and deferred tax.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy presented in Note 1n. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations (see Note 11). No impairment was recognised in relation to goodwill existing at 31 December 2006 and 31 December 2005. No significant risk of impairment of goodwill was identified as at 30 June 2007. The test for impairment will be performed as of 31 December 2007.

Estimated impairment of tangible fixed assets

See Note 9.

Estimated depreciation rates

The increase of average useful lives by 10.00% would result in a decrease of depreciation expense for the six months period ended 30 June 2007 by approximately 1 780 TPLN.

Provisions

Uncertainty and estimates described in Note 21.

Judgements

The most critical judgements relate to lease classification – See Notes 24 and 25 and recognition of deferred tax asset on tax losses carry forward – Note 8.

32 Financial instruments

The Group's activities expose it to a variety of financial risks: market risk (including currency and interest rate risk), liquidity risk and to a limited degree credit risk. The Group's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse affects on the Group's financial performance.

Risk management is carried out under policies approved by the Board of Directors.

Credit risk

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and cash equivalents and receivables and held-to-maturity investments. The Group places its cash and cash equivalents in financial institutions with high credit ratings. There are no significant concentrations of credit risk with respect to trade and other receivables as sales are primarily made in cash or via major credit card. In the 6 months period 30 June 2007 the Group created an additional provision of 14 TPLN for receivables exposed to credit risk. Maximum amount exposed to credit risk is 14 037 TPLN.

The timing structure of receivables and bad debt allowances is as follows.

	current	past due in days				**Total**
		up to 90	91 - 180	181 - 365	over 365	
Trade and other receivables	9 508	457	98	399	3 575	**14 037**
Bad debt allowance	-	(85)	(38)	(55)	(3 447)	**(3 625)**
	9 508	372	60	344	128	**10 412**

The Group did not recognise impairment of past due trade and other receivables amounting to 904 TPLN because it believes that they will be recovered in a total amount.

Interest rate risk

The Group's interest-bearing borrowings typically bear floating interest rates (see Note 19). The exposure to interest rate cash flow risk is not hedged. The Group analyses current market situation regarding interest rates taking into consideration refinancing or renegotiating the terms of contracts. The impact on profit or loss is analysed on a quarterly basis.

If interest rates on the Czech crown-denominated borrowings in the 6 months period ended 30 June 2007 had been 30 basis points higher/lower, profit for the year would have been 105 TPLN lower/higher.

Foreign currency risk

The Group is exposed to foreign currency risk arising from various currency exposures other than currencies used in the relevant companies of the Group. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities. In addition, the rent due on a significant portion of the Group's restaurant leases is indexed to US dollar or euro exchange rates. Although the Group seeks where possible to agree rents in local currency, many lessors still require rents to be indexed to euro or US dollar exchange rates.

In order to minimize exposure to foreign currency risk, among other things, the Group aims to reduce the impact of short-term fluctuations. Over the long term, however, permanent changes in the foreign exchange and interest rates would have an impact on consolidated earnings.

As at the 30 June 2007, Group's assets and liabilities are denominated mainly in the functional currencies of its subsidiaries. The only one significant exception is the borrowing between AmRest Holdings N.V. and its subsidiary American Restaurants s.r.o. denominated in the Czech crown. As at 30 June 2007, if the Czech crown had strengthened/weakened by 10.00% against the US dollar, profit for the year would have been 787 TPLN higher/lower.

The Group currently does not use derivatives to manage currency risk.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and equivalents and the availability of funding from adequate amount of committed credit lines.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Maturity of long term and short term loans as at 30 June 2007 and 31 December 2006 is as follows:

	06'2007			12'2006		
	Capital installments	Interests and other costs	Total	Capital installments	Interests and other costs	Total
Less than 1 year	6 466	2 207	8 673	918	2 796	3 714
Between 1 - 2 year	12 932	2 235	15 167	13 741	2 491	15 314
Between 2 - 5 year	25 864	3 674	29 538	41 223	4 425	45 648
Over 5 years	22 632	203	22 835	17 176	489	17 665
	67 894	8 319	76 213	73 058	10 201	82 341

Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total engaged capital. Net debt is calculated as total borrowings (including borrowings and payables) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The gearing ratios at 30 June 2007 and 31 December 2006 were as follows:

	06'2007	12'2006
Bank loans total (note 20)	67 894	73 058
Less: cash and cash equivalent (note 16)	(39 068)	(25 241)
Net debt	28 826	47 817
Total equity	184 091	157 864
Capital involved	212 917	205 681
Gearing ratio	14 %	23%

The decrease in the gearing ratio at 30 June 2007 resulted primarily from the increased cash generated from operations and lower than expected investment expenditures.

Fair value of financial instruments

Details of the fair values of the financial instruments for which it is practicable to estimate such value are as follows:

- Cash and cash equivalents, short-term bank deposits and short-term bank credits. The carrying amounts approximate fair value because of the short maturity of these instruments.
- Trade accounts receivable, other accounts receivable, accounts payable and accrued liabilities. The carrying amounts approximate fair value because of the short-term nature of these instruments.
- Non-current interest bearing loans and borrowings. The carrying amounts approximate fair value due to the variable nature of the related interest rates, which are not substantially different from market conditions.

33 Subsequent events

- After the balance sheet date, the shareholders structure changed significantly comparing to this described in Note 1(a). As at 27 September 2007 the main shareholders were: investing funds and open pensions fund, a prior main shareholder (IRI LLC) and an independent individual – Michael Tseytin who acquired shares of the Company through an acquisition of the entity in Russia (see the last bullet of this Note).

Name of the shareholder	Number of shares	Share in equity %	Number of votes	Share in total number of votes %
BZ WBK AIB AM	1 685 913	12,49 %	1 685 913	12,49 %
BZ WBK AIB TFI	1 201 827	8,90 %	1 201 827	8,90 %
IRI LLC	1 199 420	8,88 %	1 199 420	8,88 %
ING Nationale – Nederlanden OFE	750 000	5,56 %	750 000	5,56 %
Michael Tseytin	720 016	5,33 %	720 016	5,33 %
CU OFE	678 075	5,02 %	678 075	5,02 %

- On 10 September 2007 the Group signed an agreement with Profood Invest Gmbh. The aim of the agreement is opening and operating restaurants in Serbia.
- On 14 September 2007 the Group and Starbucks Coffee International, Inc. established AmRest Coffee s.r.o., based in Prague, Czech Republic. The Group contributed 109 800 of shares, i.e. 82% of capital and voting rights of a new company. Starbucks Coffee International, Inc. contributed 24 120 of shares, i.e. 18% of capital and voting rights. The entire capital of Starbucks Coffee International, Inc. amounts to 18 117 TPLN. The company was established following the agreement with Starbucks Coffee International, Inc. (Note 1(a)).
- Entering the restaurant business in Russia

  On 15 May 2007 AmRest Holdings N.V. set up the new company - AmRest Acquisition Subsidiary, Inc., based in Delaware, USA.

  On 2 July 2007 AmRest Acquisition Subsidiary, Inc. acquired from an independent individual 100% of US Strategies, Inc., based in New Jersey, USA, which controlled 91% of shares and voting rights of OOO Pizza Nord - a franchisee of Pizza Hut and Rostic-KFC brands in Russia. In the same day, American Restaurants Sp. z o.o. acquired remaining 9% of shares and voting rights of OOO Pizza Nord owned by independent individuals. As a result of above transactions the Group effectively gained 100% control over OOO Pizza Nord operating 19 Pizza Hut restaurants and 22 Rostic-KFC restaurants, operating in Russia and located primarily in St. Petersburg and Moscow.

  On 2 July 2007 US Strategies, Inc. and AmRest Acquisition Subsidiary, Inc. merged together into one legal entity.

  The above acquisition was the next step in the Group's plans to become the dominate restaurant company in Central and Eastern Europe.

  The purchase price allocation process is not finalized yet as the acquisition took place after balance sheet date and there were no sufficient time to perform all necessary valuations till the date the following Consolidated Financial Statements have been approved by the Management Board.

Details of provisional fair values of net assets acquired, goodwill and purchase price as of the date of acquisition are as follows.

Cash and cash equivalents	999
Property, plant and equipment	49 208
Intangible assets	156
Inventories	2 772
Trade and other receivables	4 192
Other current assets	2 650
Other non-current assets	5 632
Trade and other payables	(34 506)
Net assets acquired	31 103
Goodwill	140 060
Total purchase consideration	171 163
Satisfied in cash	70 345
Satisfied in shares	99 987
Additional costs incremental to the acquisition (due diligence)	831
	171 163

The goodwill is based on provisional fair values of net assets acquired and relates mainly to benefits of getting access to the Russian restaurant market and its customers. The goodwill also relates to synergies expected to arise after the acquisition. Due to the characteristic of the Group's restaurant operations, it does not hold a register of its customers which are not bound by any contract and are not individually identified. Restaurants in Russia operate in accordance with franchise agreements similar to agreements concluded with restaurants in Poland, Hungary and the Czech Republic.

The provisional fair values of assets and liabilities acquired are based on the amounts from OOO Pizza Nord historical accounting records, preliminary adjusted to reflect some deviation from fair values. These values will be subject to further adjustments as additional information is obtained. Such additional information may include valuation reports. A detailed review of acquired assets and assumed liabilities and contingent liabilities will be performed during the course of the period ending 31 December 2007. These process may result in further adjustments to the carrying amounts of identifiable net assets as at the acquisition date.

The purchase consideration includes contingent element as it is based on expected OOO Pizza Nord future Earnings Before Interests, Taxes, Depreciation and Amortisation (EBITDA). Purchase price was determined as the expected EBITDA for the period from 2 July 2007 - 30 June 2008 multiplied by 7 and reduced by assumed liabilities of 34 506 TPLN. There are no caps or floors for subsequent adjustments of the purchase price therefore it is highly dependent on future performance of acquired restaurants till 30 June 2008.

Part of the purchase price was satisfied in the Company's own 670 606 shares. The fair value of shares transferred (99 987 TPLN) was determined based on the market price of one share (PLN 149.1) reported on the Warsaw Stock Exchange as at the 2 July 2007.

In order to satisfy the above consideration (shares), the Company borrowed own shares from its main shareholder – IRI and transferred them to the seller. On 27 July 2007 the Company issued 670 606 new shares to repay a loan from IRI.

In order to satisfy above consideration (cash) the Group signed the Annex to the bank loan agreement. The annex increases the total amount of the credit facility up to 210 000 TPLN.