AmRest Holdings SE
Consolidated annual financial statements as at and for the twelve months ended December 31, 2013

Contents

Consolidated annual income statement
for the period ended December 31, 2013

In thousands of Polish Zloty

	Notes	For the 12 months ended December 31, 2013	For the 12 months ended December 31, 2012 (after adjustments)*
Continuing operations			
Restaurant sales		2 522 119	2 195 838
Franchise and other sales		178 779	160 417
Total sales	2	2 700 898	2 356 255
Company operated restaurant expenses:			
Food and material		(819 199)	(705 735)
Payroll and employee benefits		(547 787)	(467 761)
Royalties		(127 978)	(118 721)
Occupancy and other operating expenses		(802 442)	(684 591)
Franchise and other expenses		(129 993)	(116 474)
General and administrative (G&A) expenses		(216 823)	(156 898)
Profit from sold assets in USA	8,9	-	67 621
Impairment losses	2, 9,11	(67 526)	(21 305)
Other operating income	4	28 267	23 272
Total operating costs and losses	3	(2 683 481)	(2 180 592)
Profit from operations		**17 417**	**175 663**
Finance costs	2,6	(54 479)	(57 571)
Cost from put option valuation	2,6,34	63 482	(8 572)
Finance income	2,5	3 257	4 203
Income from associates	2,32	182	39
Profit before tax		**29 859**	**113 762**
Income tax expense	2,7	(11 144)	(26 753)
Profit for the period from continuing operations		**18 715**	**87 009**
Discontinued operations			
Profit(loss) on discontinued operations	8	(12 884)	10 884
Profit for the period		**5 831**	**97 893**
Profit attributable to:			
Non-controlling interests		(4 114)	6 966
Equity holders of the parent		9 945	90 927
Profit for the period		**5 831**	**97 893**
Basic earnings per share in Polish zloty	30	0.47	4.29
Diluted earnings per share in Polish zloty	30	0.46	4.25
Continuing operations			
Basic earnings/(loss) per share in Polish zloty	30	1.08	3.77
Diluted earnings/(loss) per share in Polish zloty	30	1.06	3.74
Discontinued operations			
Basic earnings per share in Polish zloty	30	(0.61)	0.52
Diluted earnings per share in Polish zloty	30	(0.60)	0.51

** Adjustments are the result of change in presentation of income statement presented in note 1cc).*

The consolidated income statement has to be analyzed jointly with the notes which constitute an integral part of these consolidated financial statements.

Consolidated annual comprehensive income statement
for the period ended December 31, 2013

In thousands of Polish Zloty	Notes	For the 12 months ended December 31, 2013	For the 12 months ended December 31, 2012
Profit for the period		5 831	97 893
Other comprehensive income:			
Currency translation differences from conversion of foreign Entities		(23 600)	(129 642)
Valuation of PUT option liability	20	(11 233)	14 781
Net investment hedges	20	(4 962)	20 028
Cash flow hedges	20	(272)	7 754
Income tax concerning net investment hedges	20	994	(5 279)
Total items that may be reclassified subsequently to profit or loss		(39 073)	(92 358)
Total items that will not be reclassified to income statement		-	-
Other comprehensive income for the period, net of tax		**(39 073)**	**(92 358)**
Total comprehensive income for the period		**(33 242)**	**5 535**
Total comprehensive income/(loss) attributable to:			
Equity holders of the parent		(35 362)	9 954
Non-controlling interests		2 120	(4 419)

Consolidated annual statement of financial position
as at December 31, 2013

In thousands of Polish Zloty	Notes	31.12.2013	31.12.2012 (afer adjustments)*
Assets			
Property, plant and equipment	9	1 005 709	961 204
Goodwill	12	601 344	610 987
Other intangible assets	11	519 732	522 082
Investment properties	10	22 152	22 152
Investments in associates	32	320	434
Finance lease receivables	16	-	163
Other non-current assets	13	44 572	42 338
Deferred tax assets	7	21 796	16 457
Total non-current assets		2 215 625	2 175 994
Inventories	0	47 197	42 036
Trade and other receivables	15	83 115	90 983
Corporate income tax receivables	7	4 062	5 191
Finance lease receivables	16	150	154
Other current assets	17	21 518	24 345
Other financial assets	19	272	681
Cash and cash equivalents	18	259 510	207 079
Total current assets		415 824	370 469
Total assets	2	**2 631 449**	**2 546 463**
Equity			
Share capital		714	714
Reserves	20	738 029	610 764
Retained earnings		252 753	242 805
Translation reserve	20	(11 718)	18 116
Equity attributable to shareholders of the parent		979 778	872 399
Non-controlling interests		64 746	197 367
Total equity		1 044 524	1 069 766
Liabilities			
Interest-bearing loans and borrowings	21	923 228	611 107
Finance lease liabilities	27	7 913	4 476
Employee benefit liability	23	3 930	8 916
Provisions	24	8 306	7 087
Deferred tax liability	7	120 375	126 789
Put option liability	2,34	-	189 382
Other non-current liabilities	25	22 670	9 675
Total non-current liabilities		1 086 422	957 432
Interest-bearing loans and borrowings	21	152 469	181 975
Finance lease liabilities	27	670	372
Trade and other accounts payable	26	335 979	320 485
Corporate income tax liabilities	7	11 220	16 209
Other financial liabilities	22	165	224
Total current liabilities		500 503	519 265
Total liabilities	2	1 586 925	1 476 697
Total equity and liabilities		**2 631 449**	**2 546 463**

** Adjustments are the result of change in presentation of consolidated annual statement of financial position presented in note 1cc).*
The consolidated statement of financial position has to be analyzed jointly with the notes which constitute an integral part of these consolidated financial statements.

Consolidated annual cash flow statement
for period ended December 31, 2013

In thousands of Polish Zloty	Notes	For the 12 months ended December 31, 2013	For the 12 months ended December 31, 2012
Cash flows from operating activities			
Profit before tax from continued operations	2,7	29 859	113 762
Profit/(loss) before tax from discontinued operations	7,8	(12 884)	11 870
Adjustments for:			
Share of profit of associates	32	(182)	(39)
Amortization	2,11	21 744	21 074
Depreciation	2,9	168 084	167 670
Interest expense, net	5,6	39 394	45 495
Put option valuation	2,34	(63 482)	8 572
Foreign exchange result	5,6	3 855	551
Loss on disposal of property, plant and equipment and intangibles	9	7 644	6 402
Profit from sold assets in USA	8,9	-	(67 621)
Impairment of property, plant and equipment and intangibles	9,11	61 763	20 241
Equity-settled share-based payments expenses	23	7 624	5 668
Working capital changes:			
Change in receivables		6 660	660
Change in inventories		(5 529)	(7 612)
Change in other assets		(808)	(31 058)
Change in payables and other liabilities		33 963	(2 770)
Change in other provisions and employee benefits		(3 557)	2 485
Income tax paid		(5 523)	(17 068)
Income tax paid/(returned) from discontinued operation	8	-	(986)
Interest paid	5,6	(42 677)	(45 383)
Interest received		3 283	3 807
Dividends received from associates		87	58
Other		(3 374)	4 437
Net cash provided by operating activities		**245 939**	**236 408**
Cash flows from investing activities			
Proceeds from transactions with non-controlling interests		3 210	3 179
Proceeds from the sale of property, plant and equipment, and intangible assets	9,11	418	296 417
Acquisition of property, plant and equipment	9	(308 589)	(315 519)
Acquisition of intangible assets	11	(18 121)	(18 722)
Expenses on acquisition of subsidiaries, decreased by cash	2	1 553	(54 761)
Expenses for the settlement of the put option		(136 720)	-
Expense on loans given to other entities		(3 639)	-
Net cash fow with subsidiaries and other entities		-	(455)
Net cash used in investing activities		**(461 888)**	**(89 861)**
Cash flows from financing activities			
Proceeds from share issuance (employees options)		-	571
Expense on acquisition of own shares (employees options)		(2 105)	(1 014)
Proceeds from loans and borrowings		1 159 603	167 248
Repayment of loans and borrowings		(890 403)	(242 559)
Dividends paid to non-controlling interest owners		(588)	(1 663)
Proceeds/(repayment) of finance lease payables		(843)	(44)
Proceeds of finance lease receivables		167	146
Net cash provided by/(used in) financing activities		**265 831**	**(77 199)**
Net change in cash and cash equivalents		**49 887**	**69 232**
Balance sheet change of cash and cash equivalents		52 431	63 119
Cash and cash equivalents, beginning of period		207 079	143 960
Effect of foreign exchange rate movements		2 544	(6 113)
Cash and cash equivalents, end of period		**259 510**	**207 079**

The consolidated cash flow statement has to be analyzed jointly with the notes which constitute an integral part of these consolidated financial statements.

AmRest Holdings SE

Consolidated annual statement of changes in equity for the 12 months ended December 31, 2013

	Attributable to equity holders						
	Issued capital	Reserved capital	Retained Earnings	Cumulative translation adjustments	**Total equity attribu-table to equity hol-ders of the parent**	Non-controlling interest	**Total Equity**
As at January 1, 2012	714	568 254	151 878	136 373	**857 219**	155 527	**1 012 746**
COMPREHENSIVE INCOME							
Income for the period	-	-	90 927	-	**90 927**	6 966	**97 893**
Currency translation differences (note 20)	-	-	-	(118 257)	**(118 257)**	(11 385)	**(129 642)**
Impact of put option valuation as net investment hedges (note 2,34)	-	14 781	-	-	**14 781**	-	**14 781**
Impact of net investment hedging	-	20 028	-	-	**20 028**	-	**20 028**
Impact of cash flow hedging	-	7 754	-	-	**7 754**	-	**7 754**
Deferred income tax concerning net investment hedges	-	(5 279)	-	-	**(5 279)**	-	**(5 279)**
Total Comprehensive Income	**-**	**37 284**	**90 927**	**(118 257)**	**9 954**	**(4 419)**	**5 535**
TRANSACTION WITH NON-CONTROLLING SHAREHOLDERS							
Equity attributable to non-controlling interests	-	-	-	-	**-**	3 179	**3 179**
Equity attributable to non-controlling interests- Acquisition of Blue Horizon (note2)	-	-	-	-	**-**	44 685	**44 685**
Dividends paid to non-controlling shareholders	-	-	-	-	**-**	(1 605)	**(1 605)**
Total transaction with non-controlling shareholders	**-**	**-**	**-**	**-**	**-**	**46 259**	**46 259**
TRANSACTION WITH SHAREHOLDERS							
Employees share option scheme – value of employee services	-	5 668	-	-	**5 668**	-	**5 668**
Purchase of treasury shares	-	(442)	-	-	**(442)**	-	**(442)**
Total transaction with shareholders	**-**	**5 226**	**-**	**-**	**5 226**	**-**	**5 226**
As at December 31, 2012	**714**	**610 764**	**242 805**	**18 116**	**872 399**	**197 367**	**1 069 766**
As at January 1, 2013	714	610 764	242 805	18 116	**872 399**	197 367	**1 069 766**
COMPREHENSIVE INCOME							
Income for the period	-	-	9 945	-	**9 945**	(4 114)	**5 832**
Currency translation differences (note 20)	-	-	-	(29 834)	**(29 834)**	6 234	**(23 600)**
Impact of put option valuation as net investment hedges (note 2,34)	-	(11 233)	-	-	**(11 233)**	-	**(11 233)**
Impact of net investment hedging	-	(4 962)	-	-	**(4 962)**	-	**(4 962)**
Impact of cash flow hedging	-	(272)	-		**(272)**		**(272)**
Deferred income tax concerning net investment hedges	-	994	-	-	**994**	-	**994**
Total Comprehensive Income	**-**	**(15 473)**	**9 945**	**(29 834)**	**(35 362)**	**2 120**	**(33 242)**
TRANSACTION WITH NON-CONTROLLING SHAREHOLDERS							
Equity attributable to non-controlling interests	-	-	-	-	**-**	3 210	**3 210**
Put option recognition	-	137 447	-	-	**137 447**	(137 447)	**-**
Dividends paid to non-controlling shareholders	-	-	-	-	**-**	(501)	**(501)**
Total transaction with non-controlling shareholders	**-**	**137 447**	**-**	**-**	**137 447**	**(134 738)**	**2 709**
TRANSACTION WITH SHAREHOLDERS							
Employees share option scheme – value of employee services	-	7 624	-	-	**7 624**	-	**7 624**
Net result on treasury share transaction	-	(2 106)	-	-	**(2 106)**	-	**(2 106)**
Purchase of treasury shares	-	(227)	-	-	**(227)**	-	**(227)**
Total transaction with shareholders	**-**	**5 291**	**-**	**-**	**5 291**	**-**	**5 291**
As at December 31, 2013	**714**	**738 029**	**252 753**	**(11 718)**	**979 778**	**64 746**	**1 044 524**

The statement of changes in consolidated equity has to be analyzed jointly with the notes which constitute an integral part of these consolidated financial statements.

1. Information on the Group and significant accounting policies

a) General information

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

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

Hereafter, the Company and its subsidiaries shall be referred to as "the Group". The Group's consolidated financial statements for the 12-month period ended December 31, 2013 cover the Company, its subsidiaries and the Group's shares in associates. AmRest, LLC entities are preparing financial statements for the period of twelve months ending December 29, 2013.

These consolidated financial statements were approved by the Company's Management Board on March 14, 2014.

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

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

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

IRI was a company controlled by American Retail Concepts, Inc. with its registered office in the United States of America ("ARC"), and KFC BV was a company controlled by YUM! Brands, Inc. ("YUM!") with its registered office in the USA.

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

On April 22, 2010 share subscription agreement was signed between AmRest Holdings S.E, and WP Holdings VII B.V., following which on May 24, 2010 WP Holdings VII B.V. obtained 4.726.263 shares of the Company from new emission at emission price of PLN 65 for total value of PLN 307,2 million. On June 10, 2010 the increase in the share capital of the Company by the amount of EUR 47.262,63 (PLN 195.374,26) was registered by the registry court in Wroclaw. Additionally, during 12 months from the date on which the described above emission shares were registered by the registry court proper for the Company's registered office, the WP Holdings VII B.V. will have an option to subscribe for additional shares in up to two instalments to the extent that its shareholding does not exceed 33% of the post-issuance share capital. The issuance price for the additional shares subscription was PLN 75 per share. On March 25, 2011, WP subscribed for 2.271.590 shares with the issuance price of PLN 75 per share. After decrease by all costs concerning capital issue the growth was PLN 168.926 thousand.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

As at December 31, 2013, WP Holdings VII B.V. was the largest shareholder of AmRest and held 32.9999% of its shares and voting rights.

Pursuant to the information available to the Company, as at the date of release of this annual report, that is March 14, 2014 the following shareholders submitted information on holding directly or indirectly (through subsidiaries) 5% or more of the total vote at the General Shareholders Meeting of AmRest Holdings SE:

Shareholders	Shares amount	Share in Equity%	Shares amount at AGM	Share at AGM%
WP Holdings VII B.V.*	6 997 853	32.99%	6 997 853	32.99%
ING OFE	4 100 000	19.33%	4 100 000	19.33%
PZU PTE**	2 779 734	13.10%	2 779 734	13.10%
Aviva OFE	1 600 000	7.54%	1 600 000	7.54%
Other shareholders	5 736 306	27. 04%	5 736 306	27.04%

* WP Holdings owns directly 32.9999% shares in Equity and at AGM.
** PTE PZU S.A. manages assets which include the funds of OFE PZU "Złota Jesień" and DFE PZU

Pizza Hut and KFC restaurants operate on the basis of franchise agreements signed with YUM! and YUM! Restaurants International Switzerland, Sarl ("YRIS") which is a subsidiary of YUM! Each of the franchise agreements covers a period of 10 years, with the possibility of extending it for a further 10-year period, which is conditional to meeting operating terms and conditions specified in the agreements.

On March 8, 2007, the Company signed a "Development Agreement" with Burger King Europe GmbH ("BKE"), relating to opening and operating Burger King restaurants in Poland on a franchise basis. Burger King restaurants operate on the basis of franchise agreements signed with Burger King Europe GmbH with its registered office in Zug, Switzerland. Each of the franchise agreements covers a period of 10 years, with the possibility of extending it for a further 10-year period, which is conditional to meeting specific terms and conditions specified in the agreements. For restaurants opened between March 01, 2009 and June 30, 2010 and after this period the franchise agreement was prolonged from 10 to 20 years from the opening date of new restaurants, but without possibility to prolong this period for next 10 years.

The main terms and conditions of the signed "Development Agreement" are as follows:

- During the first two years after opening the first Burger King restaurant by the Group, BKE will pay to the advertising and sales promotion fund an amount equal to 2.5% of the monthly sales of all Burger King restaurants operated by the Group. During the third year of opening the first Burger King restaurant by the Group, BKE will pay to the advertising and sales promotion fund an amount equal to 2.0% of the monthly sales of all Burger King restaurants operated by the Group.
- During the first five years, the preliminary fee paid by the Group in respect of franchise agreements concluded for each Burger King restaurant for a period of 10 years will amount to USD 25.000 (should the Group extend the franchise period for a further 10 years, the fee for renewing the franchise will amount to another USD 25.000). Upon opening each consecutive Burger King restaurant exceeding the number of restaurants specified in the development plan, the preliminary fee will be reduced by 50%.

As at August 10, 2010 between BKE, AmRest sp. z o.o., AmRest BK s.r.o.(present AmRest s.r.o. after the merger as at December 28, 2011) and Company "Strategic Development Agreement" was signed partially amending "Development Agreement" and franchise agreement was signed with AmRest Sp. z o.o. and AmRest BK s.r.o., considering opening and running Burger King restaurants, in Poland and Czech, respectively.

Agreement describes terms of opening and operating new Burger King restaurant in Poland and Czech. In this agreement were agreed amounts of new Burger King restaurants, that AmRest Sp. z o.o. in Poland and AmRest s.r.o. in Czech is obliged to open in agreed timeframe. In this agreement were also agreed rules of modification in agreed chain development schedules for given year. It was also established in agreement that if AmRest Sp. z o.o. or AmRest s.r.o. will not fulfill their obligations from development agreements concerning amount of new openings, each side of agreement (Group and BKE) will have right to cancel development agreement according to rules described in development agreement.

Validity period of franchisee agreement, therefore licenses for Burger King restaurants opened in Poland in period from March 1, 2009 till June 30, 2010, and also for newly opened restaurants in Poland was extended from 10 to 20 years since date of restaurant opening, however without option of prolongation for next 10 years, what was provided in original development agreement with AmRest sp. z o.o. In relation to restaurants opened in Poland in the period from March 1, 2009 to June 30, 2010 and in relation to restaurants opened in after this period (for franchise agreements for 20 years) was increased also amount of initial franchise payment from 25.000 USD to 50.000 USD.

According to „Strategic development agreement", Companies of the Group guaranteed to BKE fulfilling of AmRest sp. z o.o. and AmRest s.r.o obligations resulting from development agreements. Companies of the Group are committed to cover any damages to BKE caused by the developers actions, that is AmRest sp. z o.o. and AmRest s.r.o. Agreement was signed for agreed period of time till June 30, 2015 with qualification, that period of agreement effectiveness will be extended till end of development agreement validity period for AmRest sp. z o.o. and AmRest s.r.o.

On January 31st, 2014 between Burger King Europe GmbH (BKE), AmRest sp. z o.o., and AmRest Holding SE the amendment to "Strategic Development Agreement" was signed partially amending "Development Agreement" and franchise agreement was signed with AmRest Sp. z o.o., considering opening and running Burger King restaurants in Poland in 2013-2015 years. Do doprecyzowania co ten aneks daje, do uzgodnienia z Mateuszem.

On May 25, 2007, the Group signed agreements with Starbucks Coffee International, Inc. ("Starbucks") relating to the development of Starbucks cafés in Poland, the Czech and Hungary. The agreement covers a period to May 31, 2022 and provides for an option to extend it for another 5 years, after specific terms and conditions have been met.

The Parties established three separate companies in each of the 3 countries: Poland, the Czech and Hungary. On March 27, 2007, a new company was established in Poland – AmRest Coffee Sp. z o.o. The Czech AmRest Coffee s.r.o. was established on August 14, 2007, and the Hungarian AmRest Kávézó Kft on August 31, 2007. These companies are the only entities authorized to develop and run Starbucks cafés in Poland, the Czech and Hungary, without exclusivity rights to some of the institutional locations.

The Group took up 82%, and Starbucks 18% of the share capital in the newly established companies. In the ninth year Starbucks will have an unconditional option to increase its shares to a maximum of 50%. In the event of a disputed take-over or change of control over the Company and/or its shareholders, Starbucks will be entitled to increase its share to 100% by purchasing shares from the Group. According to Company's Management assessment as at the day of this financial statement issuance, there are no material indicators making mentioned above options realizable.

The Group will be obliged to develop and run Starbucks cafés in accordance with the development plan which stipulates the minimum number of cafés to be opened each year in the period of the agreements being in force. Should the Group not discharge the duties following from the development plan, Starbucks will be entitled to charge it contractual penalty or terminate the agreements. The Agreements also include provisions relating to deliveries of coffee and other basic raw materials from Starbucks or other approved or determined suppliers.

Group is running proprietary brands from La Tagliatella group since April 28th, 2011, when controlling interests of Spanish AmRestTAG S.L. were acquired, and Blue Frog and KABB since December 21st, 2012, when Group acquired controlling interests in Blue Horizon Hospitality PTE Ltd. Group.

La Tagliatella proprietary brands are run as equity stores mostly on Spanish market and heavily developed new markets, additionally in Spain are present frichise activities together with well developed supply chain managements processes. In franchise activities entities within Spanish Group are signing agreements with third parties to run restaurant under proprietary brand of AmRest, according to agreement terms they are expected to follow set standards, use common supply chain and pay agreed intital fee and monthly franchise fee based as percentage of net sales. This agreeemnts are long term with restricted terms of notice. La Tagliatella restaurants are places with unique décor serving Italian food, based on fresh, high quality and original ingridients, served in fast casual form.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Proprietary brands of Blue Frog and KABB are only located within China. In modern interriors dishes from contemporary western quisine are served meeting high demand from mid and upper class. KABB brand is perceived as premium one with high quality of service and food offered.

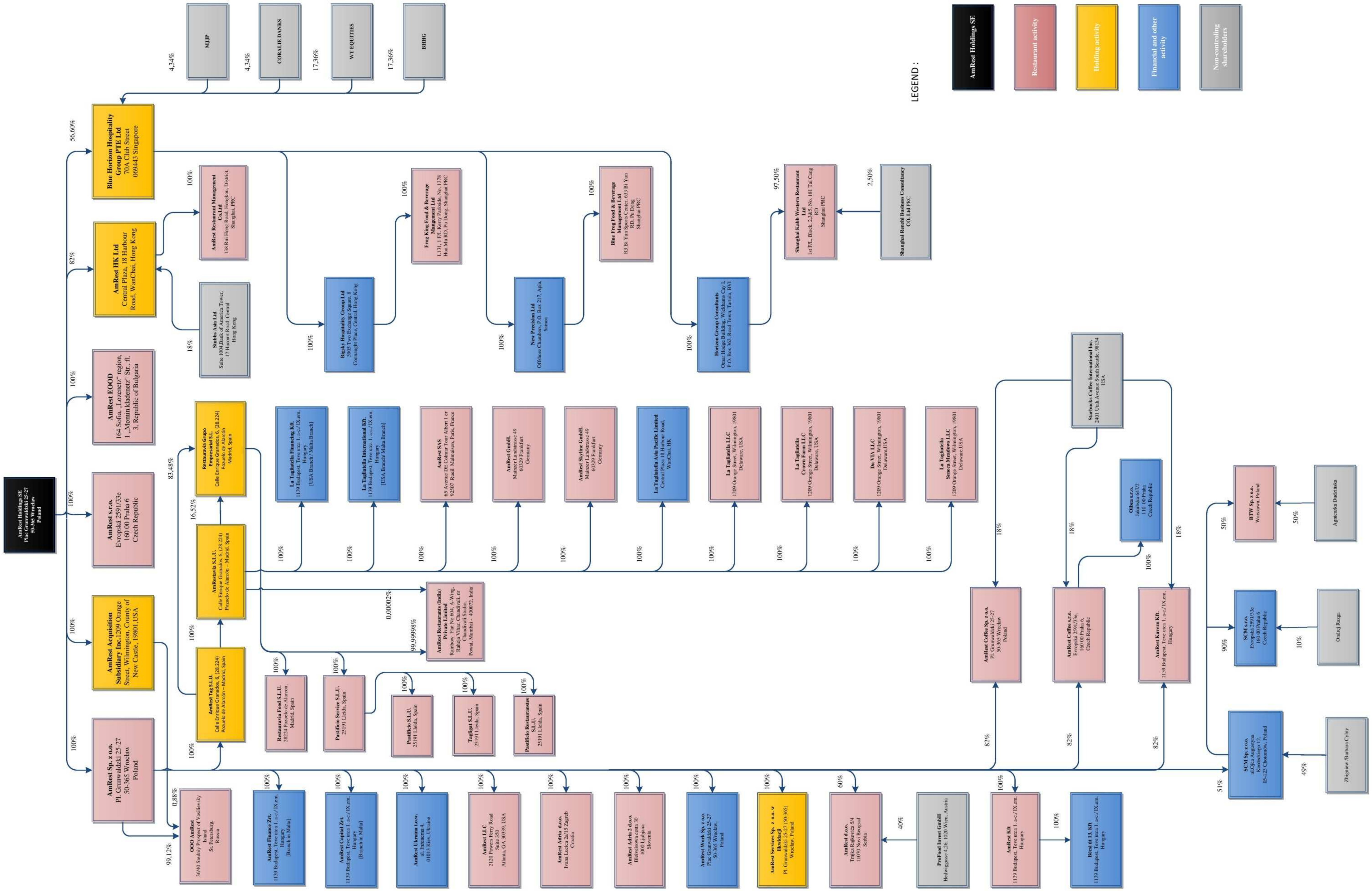
As at December 31, 2013 , the Group comprised the following subsidiaries:

Company name	Seat	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
		Holding activity		
AmRest Acquisition Subsidiary Inc.	Wilmington, USA	AmRest Holdings SE	100.00%	May 2007
AmRest TAG S.L.	Madrid, Spain	AmRest Sp. z o.o.	100.00%	March 2011
AmRestavia S.L.U.	Madrid, Spain	AmRest TAG S.L.	100.00%	April 2011
Restauravia Grupo Empresarial S.L.	Madrid, Spain	AmRestavia S.L.U.	16.52%	
		AmRest TAG S.L.	83.48%	April 2011
AmRest Services Sp. z o.o. pending	Wroclaw, Poland	AmRest Sp. z o.o.	100.00%	
liquidation *	Wroclaw, Poland			April 2011
AmRest HK Ltd	Hong Kong, China	AmRest Holdings SE	81.90%	
		Stubbs Asia Limited	18.10%	November 2011
Blue Horizon Hospitality Group PTE Ltd	Singapore, China	AmRest Holdings SE	56.60%	
		WT Equities	17.36%	
		BHHG	17.36%	
		MJJP	4.34%	
		Coralie Danks	4.34%	December 2012
		Restaurant activity		
AmRest Sp. z o.o.	Wroclaw, Poland	AmRest Holdings SE	100.00%	December 2000
AmRest s.r.o.	Prague, Czech	AmRest Holdings SE	100.00%	December 2000
AmRest Kft	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	June 2006
AmRest Coffee Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o.	82.00%	March 2007
		Starbucks Coffee International, Inc.	18.00%	
AmRest EOOD	Sofia, Bulgaria	AmRest Holdings SE	100.00%	April 2007
OOO AmRest	Petersburg, Russia	AmRest Acquisition Subsidiary Inc.	0.88%	July 2007
		AmRest Sp. z o.o.	99.12%	
AmRest Coffee s.r.o.	Prague, Czech	AmRest Sp. z o.o.	82.00%	August 2007
		Starbucks Coffee International, Inc.	18.00%	
AmRest Kávézó Kft	Budapest, Hungary	AmRest Sp. z o.o.	82.00%	August 2007
		Starbucks Coffee International, Inc.	18.00%	
AmRest d.o.o.	Belgrad, Serbia	AmRest Sp. z o.o.	60.00%	October 2007
		ProFood Invest GmbH	40.00%	
AmRest LLC	Wilmington, USA	AmRest Sp. z o.o.	100.00%	July 2008
Restauravia Food S.L.U.	Madrid, Spain	Restauravia Grupo Empresarial S.L.	100.00%	April 2011
Pastificio Service S.L.U.	Lleida, Spain	Restauravia Grupo Empresarial S.L.	100.00%	April 2011
Pastificio Restaurantes S.L.U.	Lleida, Spain	Pastificio Service S.L.U.	100.00%	April 2011
Tagligat S.L.U.	Lleida, Spain	Pastificio Service S.L.U.	100.00%	April 2011

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Company name	Seat	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
Pastificio S.L.U.	Lleida, Spain	Pastificio Service S.L.U.	100.00%	April 2011
AmRest Restaurants (India) Private Ltd	Bombai, India	Restauravia Grupo Empresarial S.L.	100.00%	October 2011
AmRest Adria d.o.o.	Zagreb, Croatia	AmRest Sp. z o.o	100.00%	October 2011
AmRest GmbH	Fraknfurt, Germany	AmRestavia S.L.U.	100.00%	March 2012
AmRest SAS	Paris, France	AmRestavia S.L.U.	100.00%	April 2012
La Tagliatella LLC	Wilmington, USA	AmRestavia S.L.U.	100.00%	April 2012
AmRest Adria 2 d.o.o.	Ljubljana, Slovenia	AmRest Sp. z o.o	100.00%	August 2012
La Tagliatella Asia Pacific Ltd	Hong Kong, China	AmRestavia S.L.U.	100.00%	November 2012
AmRest Restaurant Management Co. Ltd	Shanghai, China	AmRest HK Ltd	100.00%	November 2012
Blue Frog Food&Beverage Management Ltd	Shanghai, China	New Precision Ltd	100.00%	December 2012
Shanghai Kabb Western Restaurant Ltd	Shanghai, China	Horizon Group Consultants (BVI)	97.50%	December 2012
		Shanghai Renzi Business Consultancy Co. Ltd	2.50%	
Da Via, LLC	Wilmington, USA	AmRestavia S.L.U.	100.00%	June 2013
La Tagliatella - Crown Farm, LLC	Wilmington, USA	AmRestavia S.L.U.	100.00%	June 2013
La Tagliatella - Seneca Meadows, LLC	Wilmington, USA	AmRestavia S.L.U.	100.00%	June 2013
AmRest SkylineGmbH	Frankfurt, Germany	AmRestavia S.L.U.	100.00%	October 2013
Financial services for the Group				
AmRest Capital Zrt	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	November 2011
AmRest Finance Zrt	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	November 2011
La Tagliatella International Kft	Budapest, Hungary	AmRestavia S.L.U.	100.00%	November 2012
La Tagliatella Financing Kft	Budapest, Hungary	AmRestavia S.L.U.	100.00%	November 2012
Bigsky Hospitality Group Ltd	Hong Kong, China	Blue Horizon Hospitality Group PTE Ltd	100.00%	December 2012
New Precision Ltd	Apia, Samoa	Blue Horizon Hospitality Group PTE Ltd	100.00%	December 2012
Horizon Group Consultants (BVI)	Road Town, Tortola, British Virgin Islands	Blue Horizon Hospitality Group PTE Ltd	100.00%	December 2012
Frog King Food&Beverage Management Ltd	Shanghai, China	Bigsky Hospitality Group Ltd.	100.00%	December 2012
Olbea s.r.o.**	Prague, Czech	AmRest Coffee s.r.o.	100.00%	June 2013
Delivery services for restaurants operated by the Group				
SCM Sp. z o.o.	Warsaw, Poland	AmRest Sp. z o.o.	51.00%	October 2008
		Zbigniew Cylny	44.00%	
		Beata Szafarczyk-Cylny	5.00%	
Lack of running activity				
AmRest Ukraina t.o.w.	Kiev, Ukraine	AmRest Sp. z o.o.	100.00%	December 2005
Bécsi út.13. Kft***	Budapest, Hungary	AmRest Kft	100.00%	April 2007
AmRest Work Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o	100.00%	March 2012

* On March st, 2012 the name of Rodeo Drive Sp. z o.o. was changed into AmRest Services Sp. z o.o . On November 6th, 2013 resolution on entity liquidation was taken.
** From January 1st, 2015 Amrest Coffee s.r.o. will merge with Olbea s.r.o.
***As a consequence of sale transaction of building owned by Bécsi út.13. Kft, Grou[has started subsidiary liquidation process.


LEGEND :
AmRest Holdings SE
Restaurant activity
Holding activity
Financial and other activity
Non-controlling shareholders

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

As at December 31, 2013 the Group posses the following associated entities included in the financial statements under the equity method:

Company name	Seat	Core business	Parent/ non-controlling undertaking	Owner-ship interest and total Group vote	Date of acquisition
SCM s.r.o.	Prague, Czech	Delivery services for restaurants provided to the Group	SCM Sp. z o.o.	45.90%	March 2007
BTW Sp. z o.o.	Warsaw, Poland	Restaurant activity	SCM Sp. z o.o.	25.50%	March 2012

The Group's office is in Wroclaw, Poland. At December 31, 2013 the restaurants operated by the Group are located in Poland, the Czech Republic, Hungary, Russia, Bulgaria, Serbia, Croatia, the United States of America, Spain, Germany, France, India and China.

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

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and adopted by the European Union for annual financial reporting, in force as at December 31, 2013. As at December 31, 2013, there are no discrepancies between the accounting policies adopted by the Group and the standards referred to above. The accounting policies which have been applied in the preparation of the annual consolidated financial statements comply with those used in preparing the annual consolidated financial statements for the year December 31, 2012, with the exception of the new standards binding as of January 1, 2013.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2013:

- IFRS 13 "Fair Value Measurement" – Group has added required by standard disclosures in annual condensed financial statements. See note 34.
- Assets value - ammendments to IAS 12 - Group has applied the amendment from January 1st, 2013. The amendment has no material effect on annual consolidated financial statements of the Group.
- Presentation of comprehensive income statement – ammendments to IAS 1 – Group has included required by standard changes in presentation of comprehensive income statement items in below annual condensed consolidated financial statements.
- Ammendments to IAS 19 "Employee benefits" – Group applied change from January 1st, 2013. Management estimated the effect on annual condensed consolidated financial statements. Due to the fact that, value of employee benefits, which were subject of the changes is immaterial from the perspective of roczne skonsolidowane, Group withdrew from restrospective adjustments
- Disclosures – netting of assets and financial liabilities – ammendments to IFRS 7 – Group applied change from January 1st 2013, change has no material effect on annual condensed financial statements.
- Ammendments to IFRS 2009-2011 – Group applied ammendments since January 1st, 2013. Amendmends have no material effect on annual condensed financial statements.

Above mentioned amendments to standards and interpretations were approved for use by the European Commission before issuance of this financial statements. The Management Board believes that the changes and improvements will not have a material effect on the Company's financial statements.

Before the issuance date of this financial statements numerous standards and interpretations were published by IASB, which haven't entered into force, but some of them were approved for use by the European Commission. The Company did not decide for early adoption of any of these standards.

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

- IFRS 9 „Financial Instruments Part 1: classification and measurement"
  IFRS 9 Financial Instruments was published by IASB on November 12, 2009 and replaces those parts of IAS 39 that cover classification and measurement of financial assets. In October 2010 IFRS 9 was amended for classification and valuation of financial liabilities. New standard is applicable for annual periods starting January 1, 2013 or later. Standard introduces one model providing only two classification categories for financial assets: amortized cost and fair value. Classification is made on initial recognition and depends on applied by entity model for managing financial instruments and characteristic of agreed cash flows for given instruments. Most of IAS 39 requirements regarding classification and measurement of financial liabilities were moved to IFRS 9 in unchanged form. Key amendment is imposition on entities requirement for presentation in comprehensive income effects of changes in own credit risk from financial liabilities indicated to be valued in fair value through income statement.
  Group will apply amendment to IFRS 9 after its approvement by the European Board. Management Board is during verification of above amendments influence on financial statements.
  As at the date of this financial statement issuance, IFRS 9 has not been approved by the European Union.
- IFRS 10, „Consolidated Financial Statements"
  IFRS 10 "Consolidated Financial Statements" was published by IASB in May 2011. New standard is applicable for annual periods starting January 1, 2013 or later. New standard replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance.
  Group will apply amendment to IFRS 10 beginning on January 1, 2014. Management Board is during verification of above amendments influence on financial statements.
  As at the date of this financial statement issuance, IFRS 10 has not been approved by the European Union.
- IFRS 11, „Joint Arrangements"
  IFRS 11 „Joint Arrangements" was published by IASB in May 2011. New standard is applicable for annual periods starting January 1, 2013 or later. New standard replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities - Non-Monetary Contributions by Ventures".
  Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures.
  Group will apply amendment to IFRS 11 beginning on January 1, 2014. Management Board is during verification of above amendments influence on financial statements.
  As at the date of this financial statement issuance, IFRS 11 has not been approved by the European Union.
- IFRS 12, „Disclosure of Interest in Other Entities"
  IFRS 12 „Disclosure of Interest in Other Entities" was published by IASB in May 2011. New standard is applicable for annual periods starting January 1, 2013 or later. New standard applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities.

Group will apply amendment to IFRS 12 beginning on January 1, 2014. Management Board is during verification of above amendments influence on financial statements.

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

- Revised IAS 27, „Separate Financial Statements"

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

  Group will apply amendment to revised IFRS 27 beginning on January 1, 2014. Management Board is during verification of above amendments influence on financial statements.

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

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

  Revised IAS 28, „Investments in Associates and Joint Ventures" was published by IASB in May 2011. New standard is applicable for annual periods starting January 1, 2014 or later. The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged.

  Group will apply amendment to revised IFRS 28 beginning on January 1, 2014. Management Board is during verification of above amendments influence on financial statements.

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

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

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

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

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

- Amendments to IFRS 10, IFRS 11 and IFRS 12

  Amendments to IFRS 10, IFRS 11 and IFRS 12 were issued by the International Accounting Standards Board in June 2012 and are effective for annual periods beginning on or after 1 January 2014 or ealier - if the underlying standards (IFRSs 10, 11 and 12) are early-adopted. The amendments clarify the transition guidance in IFRS 10 Consolidated Financial Statements. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11 and IFRS 12 by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied.

  Group will apply Amendments to IFRS 10, IFRS 11 and IFRS 12 beginning on January 1, 2014. Management Board is during verification of the above amendments influence on financial statements.

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

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

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

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

- IFRIC 21 „Taxes and Levies” - was issued by the International Accounting Standards Board in May 2013 and is effective for annual periods beginning on or after 1 January 2014. The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional.

  Group will apply amendment to IFRIC 21 beginning on January 1, 2014. Management Board is during verification of the above amendments influence on financial statements.

  As at the date of this financial statement issuance, IFRIC 21 has not been approved by the European Union.
- Recoverable amount disclosures for non-financial assets – Amendments to IAS 36 - „Impairment” concerning disclose the recoverable amount was issued by the International Accounting Standards Board in May 2013 and is effective for annual periods beginning on or after 1 January 2014. The amendments remove the requirement to disclose of the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment (issued on 29 May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period).

  Group will apply amendment to IAS 36 beginning on January 1, 2014. The Management Board is during verification of the above amendments influence on financial statements.
- Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39 - „Financial instruments” concerning hegde accounting were issued by the International Accounting Standards Board in June 2013 and is effective for annual periods beginning on or after 1 January 2014. The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.

  Group will apply amendment to IAS 39 beginning on January 1, 2014. Management Board is during verification of the above amendments influence on financial statements.
- Defined benefit plans: Employee contributions – Amendments to IAS 19 - Amendments to IAS 19 „Employee contributions” was issued by the International Accounting Standards Board in November 2013 and effective for annual periods beginning on or after 1 January 2014. The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. Group will apply amendment to IAS 19 beginning on January 1, 2015.

Management Board is during verification of the above amendments influence on financial statements, Amendments to IAS 19 has not been approved by the European Union.

- Improvements to IFRSs 2010-2012 - were issued by the International Accounting Standards Board in December 2013 “Annual Improvements to IFRSs 2010-2012”. The improvements consist of changes to seven standards. The improvements contain changes in presentation, recognition and valuation and terminology and edition changes. The amendments are effective for annual periods beginning on or after 1 July 2014. Group will apply amendment to IFRSs beginning on January 1, 2015.
  Management Board is during verification of the above amendments influence on financial statements, Improvements to IFRSs has not been approved by the European Union.
- Improvements to IFRSs 2011-2013 - were issued by the International Accounting Standards Board in December 2013 “Annual Improvements to IFRSs 2011-2013”. The improvements consist of changes to four standards. The improvements contain changes in presentation, recognition and valuation and terminology and edition changes. The amendments are effective for annual periods beginning on or after 1 July 2014. Group will apply amendment to IFRSs beginning on January 1, 2015.
  Management Board is during verification of the above amendments influence on financial statements, Improvements to IFRSs has not been approved by the European Union.

c) Form of presentation of the consolidated financial statements

The consolidated financial statements are presented in Polish zloty (PLN), rounded up/down to full thousands.

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

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

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

Note 34 describes the assessments made by the Management Board in connection with the use of IFRSs which have a significant impact on the financial statements and the estimates which are at risk of significant adjustments in the following period.

The accounting policies described above have been applied consistently in all the financial years covered by the consolidated financial statements, except for those instances were changes were made in connection to new standards and interpretations were applied. These policies have been applied consistently by all the entities constituting the Group.

d) Basis of preparation of the consolidated financial statements

Subsidiaries

Subsidiaries are entities in respect of which the Group is able to govern their financial and operating policies, which usually accompanies holding the majority of the total number of votes in an entity’s decision-making body. In assessing whether the Group controls a given entity, the existence and impact of potential voting rights which may at a given time be exercised or exchanged is taken into account. Subsidiaries are consolidated under the acquisition method from the moment the Group takes full control over them. The entities cease to be consolidated when control ceases.

The acquisition of subsidiaries by the Group is accounted for under the purchase method. The acquisition cost is determined as the fair value of the assets transferred, the equity instruments issued and the liabilities incurred or transferred as at the exchange date, plus the cost directly related to the acquisition. Identifiable assets and liabilities, and contingent liabilities acquired under the business combination are initially measured at fair value as at the acquisition date, irrespective of the amount of the potential non controlling interests.

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

Transactions, settlements and unrealized gains on intercompany transactions are eliminated. Unrealized losses are also eliminated unless the transaction proves the impairment of the given asset transferred. Accounting policies used by subsidiaries were changed where necessary to ensure compliance with the Group accounting policies.

Non-controlling interests and transactions with non-controlling interests

The Group accounted for transactions with non-controlling interests as for transactions with owners. Sales to non-controlling interests lead to recognizing the Group's gains or losses in the equity. Purchases from non-controlling interests don't lead to goodwill arising: the difference between the acquisition price and the respective share in the acquired net assets at their carrying amounts is presented also in equity.

In the case of acquisition from 2011 the Group presents non-controlling interest value according to independent fair value valuation which influences goodwill.

Associates

Associates are entities on which the Group exerts significant influence but which it does not control, which usually accompanies holding 20% to 50% of the general number of votes in the decision-making body of the entity. Investments in associates are accounted for according to the equity method and are initially stated at cost. The Group's investment in associates includes goodwill (net of any potential accumulated impairment write-downs), determined as at the acquisition date.

The Group's share in the results of the associates from the date of purchase has been recorded in the income statement and its share in movements in other equity items from the date of purchase has been recorded in other comprehensive income. The carrying value of the investment is adjusted for the total movements from the date of purchase. When the Group's share in the losses of an associate becomes equal or higher than the book value of Group's share in the associate, which covers potential unsecured receivables, the Group discontinues recognizing further losses unless it has assumed the obligation or has made payments on behalf of the given associate.

Unrealized gains on transactions between the Group and its associates are eliminated in proportion to the Group's share in the said entities. Unrealized losses are also eliminated unless the transaction proves that the given asset transferred has been impaired. Accounting policies used by subsidiaries were changed where necessary to ensure compliance with the Group accounting policies.

e) Going concern assumption

Information presented below should be read together with information provided in note 36 and 21, describing accordingly: significant post balance sheet events after December 31, 2013 and borrowings.

Consolidated financial statements for the period of 12 months ended December 31, 2013 were prepared in accordance with going concern assumption by the Group in foreseeable future, what assumes realization of assets and liabilities throughout the normal terms of Group business operations. Annual consolidated financial statements do not account for adjustments, which would be essential in such events. As at the date of consolidated financial statement issuance in assessment made by Group Parent Entity, there are no circumstances indicating threats for Group business going concern.

As it was described in note 21 "borrowings", financial liabilities resulting from loan agreement signed September 10, 2013 between AmRest Holdings SE, AmRest Sp. z o.o. and AmRest s.r.o. and Bank Polska Kasa Opieki S.A., Bank Zachodni WBK S.A., Rabobank Polska S.A. and ING Bank Śląski Polska S.A. Based on this agreement capital repayments fall due beginning in 2016. In December 2014 first tranche of bonds in the amount of PLN 150m falls due. The settlement of these bonds may be from company resources, the resources available in undrawn revolving credit facility or from a new bond issue. The Management Board has not yet taken a decision which of the forms will be applied and is analyzing costs of available scenarios. Management of Group Parent Entity had analyzed cash-flows for 12 months since balance sheet date of December 31, 2013 and available financing scenarios. In note 35 Management presents analysis of liabilities repayment.

f) Foreign exchange trading

Functional currency and presentation currency

Each of the Group entities maintains financial reporting in the currency of the primary economic environment in which the entity operates (‘the functional currency’). The functional currency of the Group entities operating in Poland is the Polish zloty, the functional currency of the Group entities operating in Czech is the Czech koruna, the functional currency of the Group entities operating in Hungary is the Hungarian forint, the functional currency of the Group entity operating in Russia is the Russian ruble, the functional currency of the Group entity operating in Bulgaria is the Bulgarian lev, the functional currency of the Group entity operating in Serbia is the dinar, the functional currency of the Group entities operating in Spain, Germany and France is the euro, the functional currency of the Group entity operating in Croatia is the kuna, the functional currency of the Group entities operating in China and in Hong Kong is yuan, the functional currency of the Group entity operating in the India is rupee, and the functional currency of the Group entities operating in the USA is the American dollar.

The Group presented its consolidated financial statements in Polish zloty. Polish zloty is the currency of presentation of Group and it is the functional currency of Equity holders of the parent.

Transactions denominated in foreign currencies

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

Financial statements of foreign operations

The financial result and the financial position of all subsidiaries and associates whose functional currency is other than the presentation currency are translated to the presentation currency using the following procedures:

- assets and liabilities, including goodwill, and adjustments to fair value made during the consolidation are translated at the closing rate as at the balance sheet date;
- revenues and costs of foreign operations are translated at the mid exchange rate in the given period which approximately reflects translation at the exchange rates prevailing as at the transaction date;
- all the resulting foreign exchange differences are recognized in a separate item of equity.

Upon the disposal of the operations, foreign exchange differences are recognized in the income statement.

Foreign exchange differences arising on the measurement of net investments are recognized in other comprehensive income.

In the case of longterm financing based on intercompany loans with indefinite repayment date and with the lack of intention of Board of repayment the Group is classifying foreign exchange differences caused by them as part of equity concerning foreign exchange differences.

The functional currency of none of the subsidiaries is the currency of a hyperinflationary economy as at December 31, 2013.

g) Franchise, licence agreements and other fees

As described in note 1a), the Group operates restaurants on the basis of franchise agreements concluded with YUM! and its subsidiaries. In accordance with the franchise agreements, the Group is obliged to pay a non-reimbursable preliminary fee upon opening each new restaurant and further fees over the period of the agreement in the amount of 6% of sales revenues, and to allocate 5% of all revenues to advertising activities specified in the respective agreements. Moreover, after the end of the initial period of the franchise agreement, the Group may renew the franchise agreement after paying a renewal fee.

Non-reimbursable preliminary fees are in reality fees for the right to use the Pizza Hut and KFC trademark and are included in intangible assets and amortized over the period of the franchise (usually 10 years). Further payments made in the period of the agreement are disclosed in the income statement upon being made. Fees for extending the validity of the agreements are amortized as of the date of a given extension agreement coming into force.

Non-reimbursable preliminary fees currently amount to USD 47.7 thousand per each restaurant whereas the fees related to the renewal of an agreement were set at 50% of the preliminary fee for each of the restaurants, indexed over the period of a given franchise agreement being in force with the consumer Price Index in the USA ("US Consumer Price Index").

The key terms and conditions of the franchise agreements which will be concluded with Burger King (note 1a)) were specified as follows:

- The license is granted for a 10-year period from the date when the restaurant begins operating. It will be capitalized as intangible asset and amortized during the franchise agreement period. The franchisee is entitled to extend the agreement for a further 10 years after meeting specified terms and conditions. This conditions were described in initial development agreement with AmRest Sp. z o.o. For restaurants opened in Poland after March 1, 2009 the license was extended from 10 to 20 years without option of prolongation for next 10 years.
- The Franchisee will transfer to the Franchiser a monthly license fee (franchise fee) of 5% of the sales revenue of the Burger King restaurants operated by the Franchisee. The fee will be added to the income statement when it incurred in category continuing franchise fees.
- The Franchisee will pay to the Franchiser a monthly fee for sales advertising and promotion of 5% of the sales revenue of the Burger King restaurants operated by the Franchisee. The fee will be added to the income statement when it incurred in category direct marketing costs.

The main fees and the costs which will be incurred by the Group in connection with the agreements concluded with Starbucks Coffee International , Inc. (note 1a)) are as follows:

- The fee for development and the fee for providing services of USD 950 thousand, relating to the preliminary operating support (settled from other assets into general and admin expenses of Starbucks subsidiaries).
- The preliminary franchise fee of USD 25 thousand per each opened Starbucks café (capitalized as intangible asset and amortized during the franchise agreement period).
- A fixed licence fee equal to 6% of sales revenues of each of the Starbucks cafés (added to the income statement when it incurred in category continuing franchise fees).
- The local marketing fee the amount of which will be determined annually between the parties to the agreements (added to the income statement when it incurred in category direct marketing costs).

New operating activities of the Group required the determination of following accounting principles:

- Generally the franchise agreement covers a 10 year period and provides an option of extension for another 10 (for agreements signed after 2006) or 5 years (for agreements signed before 2006). Some franchise agreements were signed for the period from 9 to 20 years.

- Revenues of the Group consist of sales by Company operated restaurants and fees from franchisees and license are recognized when payment is rendered at the time of sale.
- Fees for using own brand paid by franchisees to the Group as a 6% from the sales (continued fees) are recognized as earned.
- Intangible assets, covering relationships with franchise clients, recognized during the acquisition process are amortized within the average period of the contractual relationship with franchise clients.
- Own brands systematically as at the purchase date are analysed from the point of depreciation and amortisation periods. Currently:
  - La Tagliatella brand is treated as not amortized asset due to indefinite useful life, as a consequence of successful franchise activity,
  - Blue Frog brand (note 2) is treated as amortized asset in 20-year period.

h) Property, plant and equipment

Property, plant and equipment owned by the Group

The initial value of the property, plant and equipment is recognized in the books of account at historical cost net of accumulated depreciation and potential impairment. The initial value of the property, plant and equipment manufactured internally covers the cost of materials, direct labour, and – if material – the initial estimate of the cost of disassembly and removal of the assets and of bringing the location to the condition it had been in before the lease agreement was signed.

The financial costs relating to the liabilities incurred to finance the purchase of property, plant and equipment are recognized in the income statement as interest expenses, due the fact that they don't meet criteria for qualified assets according to IAS 23 revised.

If the property, plant and equipment include material components with different useful lives, particular components are considered to be separate assets.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds from sale with carrying amounts and recognized in the income statement under „Gains/losses on disposal of property, plant and equipment".

Assets related to opening restaurants

Costs directly related to purchasing and manufacturing of assets („property, plant and equipment") connected with opening restaurants in given locations, including the costs of architecture design, legal assistance, wages and salaries, and benefits of employees directly involved in launching a given location are included in assets ("property, plant and equipment"). The Group includes in the value of restaurants costs mentioned above incurred from the moment when the completion of the project is considered likely. In the event of a later drop in the probability of launching the project at a given location, all the previously capitalized costs are transferred to the income statement. Costs directly related to purchasing and manufacturing of restaurants assets („property, plant and equipment") are depreciated over the expected useful life of the restaurant.

Those assets consider both costs incurred with use of leasehold improvements and in premises owned.

Group is not treating costs of external financing as element asset costs due the fact that mentioned assets are not qualified in accordance with IAS 23 revised.

Leased assets

The Group is a Lessee of property, plant and equipment. Leases of property, plant and equipment under which virtually all the risks and benefits in respect of the ownership are attributable to the Group are recognized as finance leases. The assets leased under finance leases are recognized in assets as at the date of commencement of the lease term at the lower of their fair values and present value of the minimum lease payments. Each lease payment is divided into the amount decreasing the balance of the liability and the amount of finance costs so as to maintain a fixed interest rate in respect of the remaining portion of the liability. The respective rental obligations net of finance costs are recognized in finance lease liabilities. The interest element of finance costs is charged to costs in the income statement over the period of the lease so as to obtain a fixed periodical interest rate in respect of the remaining portion of the liability. Property, plant and equipment acquired under financial leases are depreciated over the shorter of the economic useful life of the asset and the lease period.

Costs incurred after commissioning fixed assets

Subsequent costs are included in the asset's carrying amount or recognized 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.

Amortization and depreciation

Property, plant and equipment, including their material components, are depreciated on a straight-line basis over the expected useful life of the assets/components. Land and fixed assets under construction are not depreciated. The expected useful lives of assets are as follows:

• Buildings	30 – 40 years
• Costs incurred on the development of restaurants (including leasehold improvements and costs of development of the restaurants)	10 – 20 years*
• Plant and machinery	3–14 years
• Vehicles	4 –6 years
• Other property, plant and equipment	3–10 years

* shorter of 10 years and the lease term.

The residual value, depreciation method and economic useful lives are reassessed annually.

i) Investment Properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under point (i) up to the date of change in use.

j) Intangible assets

Computer software

Acquired licenses for computer software are capitalized on the basis of costs incurred to acquire and prepare specific software for use. These costs are amortized on the basis of the expected useful lives.

Favourable lease agreements

Favourable lease agreements were taken over in connection with the acquisition of subsidiaries and provide for lease fees lower than market fees. Favourable lease agreements are initially recognized at fair value and then at cost net of amortization and potential impairment (note 1p) of the accounting policies).

Trademark

Trademarks acquired in mergers or acquisitions are recognized in fair value as at the date of transaction. Trademarks have indefinite economic useful life and are not subject of amortization., but are subject to annual impairment tests individually or on cash generating unit level. Blue Frog brand has its useful life and is amortized.

Rights to the Pizza Hut, KFC, Burger King, Starbucks

See note 1g) of the accounting policies.

Other intangible assets

Other intangible assets are stated in the books of account at cost (purchase price or manufacturing cost) less accumulated amortization and potential impairment (See note 1p) of the accounting policies below).

Amortization

Intangible assets are amortized on a straight-line basis over the expected useful life of the assets if it is determined. Goodwill and other intangible assets whose expected useful lives cannot be specified are assessed annually for potential impairment (See note 1p) of the accounting policies below) and are not amortized. Other intangible assets are amortized as of the date of their availability for use.

The expected useful lives of assets are as follows:

• Computer software	3 -5 years
• Favourable lease agreements	2 - 10 years*
• Trademark	5-10 years
• Own mark Blue Frog	20 years
• Rights to the Pizza Hut , KFC, Burger King and	10 years
• Relations with franchisees	20 - 24 years**
• Other intangible assets	5 -10 years

* favorable agreements are amortized over the period to the end of the agreement
**average period of franchise agreement

k) Goodwill

Business combinations are accounted for under the purchase method. Goodwill on consolidation represents the excess of the acquisition price of shares over the fair value of the corresponding portion of the net assets.

Goodwill on consolidation is disclosed in the books of account as intangible assets and measured at cost net of accumulated impairment write-downs. Goodwill is not amortized. Instead, it is allocated to cash generating units and checked annually for potential impairment of the asset (note 1p) of the accounting policies). Goodwill arising upon the acquisition of associates is recognized in the total carrying amount of the investments in associates.

In the case of acquisition from 2011 the Group presents non-controlling interest value according to independent fair value valuation which influence goodwill.

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

Expenses incurred to increase the goodwill created internally and trademarks created internally are recognized in the income statement upon being incurred.

l) Financial assets

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

Available-for-sale financial assets

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

Financial assets at fair value through profit or loss

This category comprises two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. Financial assets are classified to this category if acquired principally for selling in the short term or if so designated by the Management Board. Derivative financial instruments are also classified as “assets held for trading” unless they are designated as hedges. Assets in this category are classified as current assets if they are held for trading or if their realization is expected within 12 months from the balance sheet date. The Group does not maintain any investments classified as financial assets at fair value through profit or loss as at the end of each of the periods covered by these consolidated financial statements.

Financial assets held to maturity

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

Group does not have any financial assets held to maturity as at the balance sheet date.

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 recognized at amortized cost net of impairment write-downs and recognized as current assets in the balance sheet, under “Trade and other receivables” (See note (m) of accounting policies below), if they mature within 12 months of the balance sheet date.

Regular investment purchase and sale transactions are recognized as at the transaction date – the date on which the Group commits to purchase or sell a given asset. Investments are initially recognized at fair value plus transaction costs. This relates to all financial assets not measured at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognized at fair value, and the transaction costs are recognized in the income statement. Financial assets recognized at fair value through profit or loss are derecognized when the rights to receive cash flows from the financial assets have expired or were transferred and the Company 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 adjusted purchase price (amortized cost using the effective interest method).

m) Trade and other receivables

Trade and other receivables include non-derivative financial assets not traded on an active market with fixed or determinable amounts to be repaid. These assets are initially recognized at fair value and then at amortized cost net of impairment (note 1p) of the accounting policies).

n) Inventories

Inventories include mainly materials and are stated at the lower of cost and net realizable value. The net selling price that can be obtained is construed as the estimated selling price achieved in the course of normal business activities, less estimated costs necessary to effect the sale. Inventory issues are accounted for on the FIFO basis. The cost of purchase of inventories includes costs directly related to purchasing and preparing the given asset for sale.

o) 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.

p) Impairment

As at each balance sheet date the Group verifies the carrying amount of assets other than inventories (See note (m) of the accounting policies) and deferred income tax assets (note 1x) of the accounting policies), to determine whether the assets do not show signs of impairment. If there are signs of impairment, the recoverable value of the assets is determined. In respect of assets whose economic useful life is not determined and assets which were not commissioned for use, and goodwill, the recoverable amount is determined as at each balance sheet date. Impairment write-downs are recognized in the books of account in the event that the present value of an asset or a group of assets generating specific cash flows exceeds their recoverable value. Impairment losses are recognized in the income statement.

Impairment write-downs of trade and other receivables are recognized when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables. If there is such evidence, the impairment write-downs recognized in amortized cost of the receivables are determined as the difference between the value of the assets following from the books of account as at the measurement date and the present value of the expected future cash flows discounted using the effective interest rate of the financial instrument. Impairment losses are recognized in the income statement.

The recoverable amount of the remaining assets is estimated at the higher of the fair value net of costs to sell and the value in use. Value in use is deemed to be the sum of discounted future cash flows which will be generated from the asset using the market discount rate before tax reflecting the time value of money and the risks characteristic for the given asset. If it is not possible to determine the future cash flows from a given asset, for the purpose of determining the value in use, a group of assets which includes the given asset, which generate specific cash flows, are taken into account. In such events, groups of cash-generating assets are deemed to be single restaurants. In case of Spain, the Group, due to ongoing integration, treats as cash-generating assets following operating activities: operating franchised KFC restaurants, operating proprietary brands restaurants and franchise and other activity.

Potential impairment of a restaurant is considered to be the fact of its incurring an operating loss during the financial year. In such an event, the discounted future economic benefits which the given facility will generate are determined. Potential impairment is determined on the basis of discounted cash flows from core activities until the date of closing the facility, in consideration of the residual value.

Moreover, upon taking a decision to close a restaurant, the value of appropriate assets is reviewed for potential impairment, and the period in use of the assets is changed. At the same time, the Group recognizes potential liabilities related to the costs of giving notice of the lease of premises in the books of account.

In case of renovation, negotiation concerning change in location or other not typical events, the Group uses specific rules dependent on situation with specific treatment of particular restaurant.

Reversal of impairment write-downs

Impairment write-downs in respect of receivables recognized at amortized cost are reversed if the later increase in their recoverable value may be objectively attributed to an event which arose after the impairment was recognized.

Impairment write-downs in respect of goodwill cannot be reversed. In respect of other assets, impairment write-downs are reversible if there are premises indicating that the impairment has ceased to exist or decreased. Reversal of impairment should be made if estimates used to determine the recoverable value are changed.

Impairment write-downs are reversed only to the extent to which the carrying amount of an asset does not exceed the carrying amount it would be recognized at, net of depreciation, had the impairment not been recognized.

q) Loans and borrowings

Initially, borrowings are recognized in the books of account at the fair value net of transaction costs. Subsequently, borrowings are recognized in the books of account at amortized cost using the effective interest rate.

If borrowings are repaid before maturity, the resulting differences between (i) the determined costs and (ii) the present costs are recognized 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.

r) Share capital

Ordinary shares are included in equity.

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

s) Employee benefits

Share-based payments

The Group has three share-based payment plans. The fair value of work performed by the employees for a consideration payable in options increases costs. The total amount which has to be taken to the income statements over the vesting period is based on the fair value of options received. As at each balance-sheet date entity verifies its estimates connected with number of options expected to vest. The impact of the potential verification of initial estimates is recognized by the Group in the income statement, in correspondence with equity. The proceeds from the exercise of options (net of transaction costs directly related to the exercise) are recognized in share capital (at nominal value) and in supplementary capital, in share premium.

Long-term employee benefits dependent on their years in service

The net value of liabilities related to long-term employee benefits is the amount of future benefits which were vested in the employees in connection with the work performed by them in the current and past periods. The liability was accounted for based on the estimated future cash outflows, and as at the balance sheet date, the amounts take into consideration the rights vested in the employees relating to past years and to the current year.

Retirement benefit contributions

During the financial period, the Group pays mandatory pension plan contributions dependent on the amount of gross wages and salaries payable, in accordance with the binding legal regulations. The public pension plan is based on the pay-as-you-go principle, i.e. the Group has to pay contributions in an amount comprising a percentage part of the remuneration when they mature, and no additional contributions will be due if the Company ceases to employ the respective staff. The public plan is a defined contribution pension plan. The contributions to the public plan are disclosed in the income statement in the same period as the related remuneration, under “Payroll and employee benefits”.

Management incentive program for Group employees in Spain

During acquisition of the Spanish business, AmRest Group has issued management incentive program towards employees of Spanish group based on financial result for Spanish, Portugal and France markets. This plan provides minimal hurdle rate of Spanish business economic value increase, which surplus in comparison to reference value at acquisition date (April 28, 2011) in the moment of plan reconciliation, will be subject of benefit settlement. However the maximum value cannot exceed 10% of Spanish business value increase. As at the date of financial statement issuance the benefit plan pull was allocated in 44%. Management of the Group values this program according to best estimates, including forecasts Spanish business value and evaluation of plan settlement dates.

t) Provisions

Provisions are recorded in the balance sheet if the Group has a legal or constructive obligation arising from past events, and if it is probable that the discharge of this obligation will result in an outflow of economic benefits. If the effect of the time value of money is material, the amount of the provision is determined as the expected future cash flows discounted using the discount rate before tax which reflects the time value of money and the potential risks related to a given obligation.

Provisions for liabilities caused by restructuring are set up when the Group has a detailed, official restructuring plan and the restructuring has already started or information on it was published. No provisions are set up for future operating expenses.

Costs of bringing the location to the condition it had been in before the lease agreement was signed

If the Group is obliged to bringing the location to the condition it had been in before the lease agreement was signed, the Company's Management Board analyzes this future costs and sets up provisions if the costs are material.

Onerous contracts

Provisions for onerous contracts are set up if the expected revenues of the Group resulting from the contracts are lower than the unavoidable costs resulting from obligations under the contracts. Unavoidable costs are lower amount from: penalty in the event of breaking the agreement and costs of contract realization.

u) Trade and other payables

These payables are initially recognized in the books of account at fair value, and subsequently at amortized cost.

v) Revenues

Restaurant sales, franchise sales and other sales constitute Goup revenues. Sales revenues comprise the fair value of the economic benefits received for the sale of goods, net of value-added tax. Sales of finished goods are recognized by the Group upon issuing them to the purchaser. Consideration for the goods is mainly in cash form.

w) Finance and operating leases

Operational leasing, rent costs

Leases whereby the major part of the risks and benefits from ownership remains with the lessor comprise operating leases. All the lease payments paid under the operating lease agreements are charged to costs on a straight-line basis over the period of the lease. The discounts received from lessors are recognized in the income statement in the same manner, as an integral part of lease fees.

Operating leases relate mainly to leases of premises where the restaurants operate. The respective costs are recognized in the income statement under “Lease costs and other operating expenses”.

Finance lease

Leasing is classified as financial leasing, when according to signed agreement in overall all potential benefits and risk from ownership are passed towards leasee.

Amount due from finance leasing are presented in receivables position finance lease receivables in net value of investment. Incomes from finance lease are allocated to appropriate periods according to stable annual rate of return from Group investment due from finance lease.

Group as a leaseholder – please refer to point 1h) of accounting policies.

x) Income tax expense

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

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

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

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

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

y) Derivative financial instruments and hedge accounting

The Group sporadically uses derivative financial instruments to hedge against foreign exchange risk in operating and financing transactions.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The group designates certain derivatives as either:

- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- hedges of a net investment in a foreign operation (net investment hedge).

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing quarterly basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 19,22. Movements on the hedging reserve in other comprehensive income are shown in note 20.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within ‘other financial income or costs – net’.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other financial income or costs – net'.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

Financial derivative included in non-financial host contract which meets criteria of embedded derivative is accounted as a separate derivative instrument and as such can be used as hedging instrument in cash flow or net investment hedge relationship.

z) Segment reporting

Business segments were set on the basis of internal managerial reports that are used by the Executive Committee while making strategic decisions. The Executive Committee analyze performance of the Group allocating owned resources according to given restaurants.

aa) Non-current assets held for sale

Non-current assets (or groups of assets) are classified as 'held for sale' and disclosed at the lower of: the carrying amount and the fair value net of the costs of preparing the asset for sale, if the carrying amount is realized mainly through the sale and not through on-going use.

bb) Business combinations of entities under joint control

Business combinations of entities or operations under joint control constitute business combinations under which all the combining businesses or operations ultimately come under the control of the same party or parties as they had been before the combination, and that control is not temporary. Such business combinations are accounted for under the pooling of interests method, i.e. they do not lead to adjustments to the fair values of particular assets or liabilities and in goodwill arising.

cc) Adjustments

Comparable data were restated as a consequence of following adjustments:

I. Fair value on net assets in annual consolidated financial statements for the period of 12 months ending December 31, 2012 presented in value of PLN 26.700 thousands was adjusted for provisional accounting at value of PLN 540 thousand. This adjustment consisted of increased value of property, plant and equipment by PLN 363 thousand (CNY 730 Thousand) and increased deferred tax asset in value of PLN 177 thousand (CNY 356 thousand).
II. Based on increasing income of investment property rent, Group has taken a decision about change of presentation for this position.

Below are presented schedules reconciling effect of mentioned above adjustments and reconciliations between data published for period of 12 months ended December 31, 2012 and reported in current period statements as data for period ended December 31, 2012.

Consolidated annual income statement for the period ended December 31, 2012

	For the 12 months ended December 31, 2012			
In thousands of Polish Zloty	**According to the published financial statement**	**Adjustment I**	**Adjustment II**	**After adjustments**
Continuing operations				
Restaurant sales	2 195 838	-	-	2 195 838
Franchise and other sales	157 515	-	2 902	160 417
Total sales	2 353 353	-	2 902	2 356 255
Direct operating restaurant expenses:				
Food and material	(705 735)	-	-	(705 735)
Payroll and employee benefits	(467 761)	-	-	(467 761)
Royalties	(118 721)	-	-	(118 721)
Occupancy and other operating expenses	(685 568)	-	977	(684 591)
Franchise and other expenses	(114 445)	-	(2 029)	(116 474)
General and administrative (G&A) expenses	(157 843)	-	945	(156 898)
Profit from sold assets in USA	67 621			67 621
Impairment losses	(21 305)	-	-	(21 305)
Other operating income	26 067	-	(2 795)	23 272
Total operating costs and losses	(2 177 690)	-	(2 902)	(2 180 592)
Profit from operations	**175 663**	**-**	**-**	**175 663**
Finance costs	(57 571)	-	-	(57 571)
Cost from put option valuation	(8 572)	-	-	(8 572)
Finance income	4 203	-	-	4 203
Income from associates	39	-	-	39
Profit before tax	**113 762**	**-**	**-**	**113 762**
Income tax expense	(26 753)	-	-	(26 753)
Profit for the period from continuing operations	**87 009**	**-**	**-**	**87 009**
Discontinued operations				
Profit on discontinued operations	10 884	-	-	10 884
Profit for the period	**97 893**	**-**	**-**	**97 893**
Profit attributable to:				
Non controlling interests	6 966	-	-	6 966
Equity holders of the parent	90 927	-	-	90 927
Profit for the period	**97 893**	**-**	**-**	**97 893**

Consolidated annual statement of financial position as at December 31, 2012

	As at December 31, 2012			
In thousands of Polish Zloty	**According to the published financial statement**	**Adjustment I**	**Adjustment II**	**After adjustments**
Assets				
Property, plant and equipment	960 841	363	-	961 204
Goodwill	611 527	(540)	-	610 987
Other intangible assets	522 082	-	-	522 082
Investment property	22 152	-	-	22 152
Investment in associates	434	-	-	434
Leasing receivables	163	-	-	163
Other non-current assets	42 338	-	-	42 338
Deferred tax assets	16 457	177	-	16 634
Total non-current assets	2 175 994	-	-	2 175 994
Inventories	42 036	-	-	42 036
Trade and other receivables	90 983	-	-	90 983
Corporate income tax receivables	5 191	-	-	5 191
Leasing receivables	154	-	-	154
Other current assets	24 345	-	-	24 345
Other financial assets	681	-	-	681
Cash and cash equivalents	207 079	-	-	207 079
Total current assets	370 469	-	-	370 469
Total assets	**2 546 463**	**-**	**-**	**2 546 463**
Equity				
Share capital	714	-	-	714
Reserves	610 764	-	-	610 764
Retained earnings	242 805	-	-	242 805
Translation reserve	18 116	-	-	18 116
Equity attributable to shareholders of the parent	872 399	-	-	872 399
Non - controlling interests	197 367	-	-	197 367
Total equity	1 069 766	-	-	1 069 766
Liabilities				
Interest-bearing loans and borrowings	611 107	-	-	611 107
Finance lease liabilities	4 476	-	-	4 476
Employee benefits	8 916	-	-	8 916
Provisions	7 087	-	-	7 087
Deferred tax liability	126 789	-	-	126 789
Put option liability	189 382	-	-	189 382
Other non-current liabilities	9 675	-	-	9 675
Total non-current liabilities	957 432	-	-	957 432
Interest-bearing loans and borrowing	181 975	-	-	181 975
Finance lease liabilities	372	-	-	372
Trade and other payables	320 485	-	-	320 485
Income tax liabilities	16 209	-	-	16 209
Other financial liabilities	224	-	-	224
Total current liabilities	519 265	-	-	519 265
Total liabilities	1 476 697	-	-	1 476 697
Total equity and liabilities	**2 546 463**	**-**	**-**	**2 546 463**

dd) Seasonal fluctuations in production and sales

The seasonal fluctuations in sales and inventory of the Group are not significant which is characteristic for the entire restaurant industry.

The lowest sales are recorded in the first quarter of the year, which is attributable primarily to fewer operating days in February and fewer people dining out. The next quarter in terms of sales is the second quarter, in which the restaurants achieve better results thanks to improving weather and a positive effect of the beginning of the holiday season in June. The highest sales are achieved at the end of the third and at the beginning of the fourth quarter. Very good performance in the third quarter is attributable to the increased tourist traffic. Autumn is traditionally a season when people tend to dine out more frequently, which translates into higher sales. An important time in the last three months of the year is the pre-Christmas period, when particularly high sales are reported by the restaurants situated in shopping malls.

2. Segment reporting

Operating segments were set on the basis of management reports used by the Executive Committee during making strategic decisions. Executive committee verifies group performance while deciding of owned resources allocations in breakdown for each restaurant in entire AmRest.

AmRest as a Group of dynamic developing entities running operations at many markets and various restaurant business segments is under constant analysis of the Executive Committee. This Committee is also constantly reviewing the way how business is analysed and adjust it accordingly to changing Group Structure as a consequence of strategic decisions. Operating segments are set on the basis of management reports used by the Executive Committee during making strategic decisions. The Executive Committee verifies group performance while deciding of owned resources allocations in breakdown AmRest Group for divisions.

Divisional approach is currently valid solution for strategic analysis and capital allocation decision making process by the Executive Committee. This breakdown is mainly a consequence of material Group development by acquisition of Restauravia Group in Spain, start of La Tagliatella proprietary brand development in new markets and acquisition of Blue Horizon Group in China. As for the balance sheet date the Executivee Committee defines segments in presented below layout.

Segment	Description
CEE	Poland, Czech, Hungary, Bulgaria, Croatia and Serbia.
USA*	Discontinued operations of Applebee's restaurants.
Spain	KFC and La Tagliatella restaurant operations, together with suply chain and franchise activity in Spain territory.
New markets	La Tagliatella activitiy in China, India, France, Germany and USA; Stubbs in China; Blue Frog and KABB restaurants in China.
Russia	KFC and Pizza Hut activity in Russia.
Unallocated	Consolidation adjsutments, asset and liability balances non-allocated to segments (covering borrowings and lease liabilities) and transactions of AmRest Holdings SE and subsidiary located in the Ukraine and following companies AmRest Capital Zrt, AmRest Finance Zrt and AmRest Finance S.L. and financial costs and incomes, share profit of associates, income tax, net income from continued operation, total net income.

Below are presented data relating to operating segments for the 12 months period ended December 31, 2013 and for the comparative period ended Decmeber 31, 2012.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

		USA*	Spain	New Markets	Russia	Unallo-cated	Total
12 months ended December 31, 2013							
Revenue from external customers	1 609 939	-	569 147	133 607	388 205	-	2 700 898
Inter- segment revenue	-	-	-	-	-	-	-
Operating profit/ (loss)	56 869	-	72 959	(128 644)	23 693	(7 460)	17 417
Finance income (incl.income from put option valuation)	-	-	-	-	-	66 739	66 739
Finance costs	-	-	-	-	-	(54 479)	(54 479)
Share of profit of associates	182	-	-	-	-	-	182
Income tax	-	-	-	-	-	(11 144)	(11 144)
Deferred tax assets	21 077	-	-	-	-	719	21 796
Profit for the period from continuing operations	-	-	-	-	-	18 715	18 715
Profit/(loss) for the period from discontinued operations	-	(12 884)	-	-	-	-	(12 884)
Profit/(loss) for the period	-	(12 884)	-	-	-	18 715	5 831
Segment assets	920 499	-	1 073 028	236 912	332 940	67 751	2 631 130
Investments in associates	320	-	-	-	-	-	320
Total assets	920 819	-	1 073 028	236 912	332 940	67 751	2 631 449
Goodwill	23 655	-	371 512	77 346	128 831	-	601 345
Segment liabilities	231 202	-	76 110	49 802	23 421	1 206 390	1 586 925
Pension, health care, sickness fund state contributions (note 23)	67 347	-	19 387	8 598	17 415	2 960	115 707
Depreciation	105 494	-	29 513	11 910	21 167	-	168 084
Amortization	8 413	-	10 886	1 359	1 086	-	21 744
Capital investment	146 360	-	36 788	72 929	70 171	462	326 710
Impairment of fixed assets (note 9,11)	4 016	-	1 326	54 870	235	-	60 447
Impairment of trade receivables	726	-	454	(7)	645	-	1 818
Impairment of inventories	234	-	32	321	961	-	1 548
Impairment of other assets	254	-	-	3 431	-	-	3 685
Impairment of goodwill	-	-	-	-	28	-	28

	CEE	USA*	Spain	New Markets	Russia	Unallo-cated	Total
12 months ended December 31, 2012							
Revenue from external customers	1 504 510	-	534 207	2 395	315 143	-	2 356 255
Inter- segment revenue	-	-	-	-	-	-	-
Operating profit/ (loss)	48 501	68 124	72 134	(25 107)	17 005	(4 994)	175 663
Finance income	-	-	-	-	-	4 203	4 203
Finance costs (incl.cost from put option valuation)	-	-	-	-	-	(66 143)	(66 143)
Share of profit of associates	39	-	-	-	-	-	39
Income tax	-	-	-	-	-	(26 753)	(26 753)
Deferred tax assets	16 457	-	-	-	-	-	16 457
Profit/(loss) for the period from continuing operations	-	-	-	-	-	87 009	87 009
Profit/Loss for the period from discontinuing operations	-	10 884	-	-	-	-	10 884
Profit for the period	-	10 884	-	-	-	87 009	97 893

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Segment assets	891 173	-	1 063 682	246 002	300 854	44 318	2 546 029
Investments in associates	434	-	-	-	-	-	434
Total assets	891 607	-	1 063 682	246 002	300 854	44 318	2 546 463
Goodwill	24 084	-	366 225	77 300	143 348	-	610 987
Segment liabilities	214 382	-	255 726	47 574	21 703	937 312	1 476 697
Pension, health care, sickness fund state contributions (note 23)	62 188	-	20 918	333	14 047	-	97 486
Depreciation	101 813	-	29 074	304	17 802	-	148 993
Amortization	8 913	-	10 699	-	474	-	20 086
Capital investment	169 400	-	67 146	77 058	51 552	-	365 156
Impairment of fixed assets (note 9,11)	13 858	-	3 254	-	-	-	17 112
Impairment of trade receivables	503	-	407	-	(692)	-	218
Impairment of inventories	28	-	-	-	1 337	-	1 365
Impairment of other assets	674	-	-	-	-	-	674
Impairment of goodwill	890	-	-	-	1 046	-	1 936

** significant assets concerning USA segment were classified as assets held for sale and its results for the period from January 1, 2012 to December 31, 2012 and comparable period were classified as discontinued according to IFRS 5.*

Capital expenditure comprises increases in property, plant and equipment (note 9), intangible assets (note 11).

The "CEE" column relates to companies located in Poland, Czech, Bulgaria, Serbia, Croatia and Hungary. Poland as significant geographical region has the following key values:

	For the 12 months ended December 31, 2013	**For the 12 months ended December 31, 2012**
Revenue from external customers	1 100 499	1 040 123
	31.12.2013	**31.12.2012**
Total of non-current assets other than financial instruments, deferred tax assets (employment benefit asset and rights under insurance contracts are not recorded)	499 240	489 326

Value of assets and liabilities and results of given reporting segments have been established on the basis of Group accounting policies, compliant with policies applied for preparation of this financial statements.

Goodwill was allocated to given reporting segments.

Establishment and acquisition of subsidiaries

<u>Entry to the restaurant market in China</u>

Acquisition of Blue Horizon Hospitality PTE Ltd

<u>DESCRIPTION OF ACQUISITION</u>

On December 21, 2012 year AmRest Group acquired 51.2% share in Blue Horizon Hospitality Group PTE Ltd from Wintrust New Zeland, Blue Horizon Hospitality Ltd, Macau Jiu Jia Partners LP and Mrs. Coralie Danks and Mr. Robert Boyce. The transaction value was PLN 61.438 thousand (USD 20 million) and consisted of payment PLN 58.366 thousand (USD 19 million) for 50% shares and PLN 3.072 thousand (USD 1 million) direct share increase giving additional 1.2% of shares. Transaction was based on agreement signed December 14, 2012 year.

Blue Horizon Hospitality Group PTE Ltd through subsidiaries as at the acquisition date operated 11 equity owned restaurants in Chin: 10 Blue Frog restaurants and 1 KABB restaurant in three cities Beijing, Shanghai and Nanjing.

As a result of the above mentioned transaction, Group has become owner of Blue Frog and KABB restaurant brands, which have significant growth potential in China and other countries. Additionally, experienced management team has joined Group, that will support Group expansion on this market, also regarding development of other proprietary brand La Tagliatella.

The above transactions were the next step for the Group to realize strategy of global development.

ALLOCATION OF THE ACQUISITION PRICE

Details of the fair value of the acquired net assets, goodwill and acquisition price as at the acquisition date are presented below:

In thousands of Polish Zloty	**Carrying amount**	**Adjustment of fair value and other adjustments**	**Fair value**
Cash and cash equivalents	6 677	-	6 677
Property, plant and equipment	12 519	-	12 519
Other intangible assets	53	-	53
Blue Frog brand	-	18 706	18 706
Other non-current assets	9	-	9
Inventories	1 311	-	1 311
Trade and other receivables	9 242	-	9 242
Other current assets	393	-	393
Deferred tax assets	1 417	-	1 417
Loans and borrowings	(874)	-	(874)
Trade and other payables	(6 982)	-	(6 982)
Corporate income tax liabilities	(2 203)	-	(2 203)
Other Liabilities	(8 351)	-	(8 351)
Deferred tax liabilities	-	(4 677)	(4 677)
Net assets acquired	13 211	14 029	27 240
Amount paid in cash			58 366
Amount paid in cash for new shares			3 072
Purchase price adjustment			(1 553)
Non controlling interests (48.8%)			44 685
Total payment for acquisition			104 570
The fair value of net assets			(27 240)
Goodwill			77 330
Amount paid in cash			61 438
Acquired cash and cash equivalents			(6 677)
Cash outflows on acquisition as at December 31, 2012			54 761
Cash inflows as a consequence of purchase price adjustment in period for the 12 months ended December 31, 2013			(1 553)
Total cash outflow on acquisition			53 208

All purchase price and the fair value of net assets adjustments are the result of specific arrangements with the seller in agreement mentioned above.

Purchase price adjustment in the value of PLN 1.553 thousand was included as for financial statement requirements. On February 5 – 7, 2013 the Group received money transfer in the value of USD 501 thousand according to the agreement from February 19, 2013.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Fair value adjustment are:

	Title	Methods/key assumptions
Blue Frog brand	Registered proprietary brand of Blue Frog together with know-how	Relief from royalty method / 3% royalty rate at discount rate 28.8%
Deferred tax liabilities	Deferred tax on assets fair value	25% income tax rate

The process of allocating the acquisition price to the purchased assets and acquired liabilities wasn't completed, due the ongoing process of integration and verification of certain risk, especially tax settlements and owned business asset portfolio. Above presented price adjustment reflects current status of allocation process. Due to this fact fair values of assets and liabilities, purchase price and goodwill were presented temporarly.

The fair value and the other adjustments presented in the table above relate mainly to:

- fair value measurement of property, plant and equipment;
- fair value measurement of deferred tax liabilities;

Goodwill was calculated on the basis of the fair value of acquired net assets and refers mainly to benefits from access to Chinese restaurant market clients, potential of acquired business concept of the own brand, experienced management team and the opportunity to develop other business concepts on the Chinese market. Non-controlling interest were valued at fair value.

Fair value of non- controlling interests in acquired Spanish business was valued on the basis of two methods: comparable quoted companies (market approach) and discounted cash flow (income approach). Spanish group has not been listed on stock exchange therefore there were not available market based data. Fair value was based on:

- 25% non-controlling interests discount assumption with EV/EBITDA and EV/revenues ratio analysis for comparable companies in market approach,
- 27.8% discount rate assumption and residual value calculated based on 2% long-term growth rate in income approach.

IMPORTANT TERMS OF ACQUISITION AGREEMENT

Blue Horizon Hospitality PTE Ltd Group share purchase agreement provides price adjustment mechanism for not fulfilling agreed opening plan for 2013 year, with grace period in 2014. From Group Management point of view, based on best available information at the balance sheet date, there is no evidence to recognize effect of this purchase price adjustment in the above purchase allocation.

INFLUENCE OF THE ACQUISITION ON THE CONSOLIDATED FINANCIAL STATEMENT

From the acquisition date to December 31, 2012, Group has not included results of Blue Horizon Hospitality PTE Ltd Group in consolidated income statement . It is consequence of ongoing integration process and immateriality of results for mentioned periods in comparison to total values of AmRest Group results. If acquisition mentioned above was dated at January 1, 2012, estimated consolidated revenues in the 2012 would increase by PLN 77.357 thousand and net income would increase by PLN 1.376 thousand. Calculated results of the Blue Horizon Group concerning the period from January 1, 2012 to December 31, 2012. Income statement for the year ended December 31, 2012 was included PLN 610 thousand of costs connected with this acquisition. Income statement for the year ended December 31, 2013 was included PLN 1.006 thousand of costs connected with this acquisition.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

3. Operating expenses

Operating expenses are as follows:

	For the 12 months ended December 31, 2013	**For the 12 months ended December 31, 2012**
Depreciation (note 9)	168 084	151 626
Amortization (note 11)	21 744	17 231
Food and materials	946 669	819 133
Utilities	109 333	92 727
External services, including marketing	237 956	210 669
Payroll	602 624	500 840
Social security and employee benefits	115 707	99 556
Operating leases (occupancy cost) (note 28)	250 989	203 684
Continuing franchise fees	127 978	118 721
Insurance	3 618	2 109
Business travel	17 594	12 973
Other	34 281	14 402
	2 636 577	**2 243 671**
Total restaurant expenses*	2 297 406	1 977 785
Exclusion of loss from fixed assets disposal (note 9)	(7 645)	(6 402)
Depreciation and amortization expenses (Franchise and other expenses)	11 490	10 626
Total Franchise and other expenses	118 503	103 819
Depreciation and amortization expenses (G&A)	10 947	9 605
Other general and administrative expenses	205 876	148 238
	2 636 577	**2 243 671**

* excluding profit from sold assets in USA

In current and previous period impairment costs were as follows:	**For the 12 months ended December 31, 2013**	**For the 12 months ended December 31, 2012**
Impairment on trade receivables (note 15, 35)	1 818	218
Impairment on inventory (note 14)	1 548	1 365
Impairment on goodwill (note 12)	28	1 936
Impairment on other assets (note 17)	3 685	674
Total impairment of non-current assets	7 079	**4 193**
Impairment of property, plant and equipment (note 9)	58 435	15 663
Impairment of intangible asset (note 11)	3 300	1 449
Total impairment of non-current assets	61 735	17 112
Total impairment of assets	**68 814**	**21 305**

In 2013 marketing costs were incurred in the value of PLN 111.235 thousand, in 2012 they were at the level of PLN 101.843 thousand.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

4. Other operating income

	For the 12 months ended December 31, 2013	For the 12 months ended December 31, 2012
Management fees	-	-
Sublease income (note 28)	761	944
Marketing income	7 809	5 861
Sales of logistics services	716	-
Reversal of cost accruals	3 249	714
Gift cards	-	23
Income from write off of liabilities	1 613	481
Income from recycling	1 698	2 523
Income from direct taxes correction	9 422	10 677
Other operating income	3000	2 049
	28 267	**23 272**

5. Finance income

	For the 12 months ended December 31, 2013	For the 12 months ended December 31, 2012
Income from bank interest	3 257	3 807
Net income from settlement / (cost from valuation) of put option	63 482	-
Other	-	396
	66 739	**4 203**

6. Finance costs

	For the 12 months ended December 31, 2013	For the 12 months ended December 31, 2012
Interest expense	(42 677)	(49 302)
Cost from put option valuation	-	(8 572)
Net foreign exchange losses	(3 855)	(551)
Cost from arrangement fee	(5 588)	(4 016)
Other	(2 359)	(3 702)
	(54 479)	**(66 143)**

7. Income tax expense

	For the 12 months ended December 31, 2013	For the 12 months ended December 31, 2012
Current tax	(21 726)	(24 951)
Change in deferred tax assets/liabilities	11 576	(7 081)
Change in deferred tax assets/liabilities directly reported in equity	(994)	5 279
Deferred tax recognized in the income statement	**11 144**	**(26 753)**
Including tax from sold assets in USA	-	(986)

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

	For the 12 months ended December 31, 2013	For the 12 months ended December 31, 2012
Deferred tax asset		
Opening balance	16 634	36 309
Closing balance	21 796	16 634
Deferred tax liability		
Opening balance	126 789	162 117
Adjsutment for goodwill recalcualtion	-	(20 715)
Opening balance adjusted	126 789	141 402
Closing balance	120 375	126 789
Change in deferred tax assets/liabilities	**11 576**	**(5 062)**
Of which		
Deffered income tax recognized in income statement	10 582	217
Deffered income tax regarding titles directly reported in equity	994	(5 279)

	The income tax rates in force in the Group are as follows:		Deferred income tax assets and liabilities for were calculated using the following rates:	
	2013	**2012**	**2013**	**2012**
Poland	19.00%	19.00%	19.00%	19.00%
Czech	19.00%	19.00%	19.00%	19.00%
Hungary	10.00%	10.00%	10.00%	10.00%
Ukraine	19.00%	21.00%	19.00%	21.00%
Russia	20.00%	20.00%	20.00%	20.00%
Serbia	15.00%	10,00%	15.00%	10,00%
Bulgaria	10.00%	10.00%	10.00%	10,00%
USA	37.40%	37.40%	37.40%	37.40%
Spain	30.00%	30.00%	30.00%	30.00%
Germany	15.00%	-	15.00%	-
France	33.33%	-	33.33%	-
Croatia	20.00%	20.00%	20.00%	20.00%
Hong Kong	16.50%	16.50%	16.50%	16.50%
India	40.00%	-	40.00%	-
China	25.00%	25.00%	25.00%	25.00%

In Hungary the base tax rate is 19%. The Group uses 10% tax rate due to a tax base up to HUF 500 million.

Income tax on the Group's profit before tax differs from the theoretical amount which would be obtained if the weighted average tax rate applicable to consolidated companies were applied:

	For the 12 months ended December 31, 2013	For the 12 months ended December 31, 2012
Profit before tax from continued operations	42 473	101 892
Profit before tax from discontinued operations (note 8)	(12 884)	11 870

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Profit/ (loss) before tax	29 859	113 762
Income tax calculated according to domestic tax rates applicable to income in particular countries	6 088	27 276
Effect of permanent differences non tax deductible	4 862	1 709
Utilization of tax losses not recognized in the prior periods	(2 350)	(2422)
Tax loss for the current period for which no deferred tax asset was recognized	1 742	2 362
Effect of the remaining differences	802	(2 172)
Corporate income tax in the income statement	**11 144**	**26 753**

The applicable weighted average tax rate amounted to 20.38% (for the period ended December 31, 2012: 23.98%).

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. Before the offset, the following amounts are disclosed in the consolidated financial statements:

	31.12.2012	**31.12.2012**
Deferred tax asset:		
Deferred tax asset to be recovered after more than 12 months	61 495	4 335
Deferred tax asset to be recovered within 12 months	12 631	12 122
	74 126	**16 457**
Deferred tax liability:		
Deferred tax liability to be used after more than 12 months	158 682	121 307
Deferred tax liability to be used within 12 months	14 023	5 482
	172 705	**126 789**

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

	Asset		Liability	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Property, plant and equipment and intangible assets	10 006	4	158 682	123 676
Receivables	-	-	205	(11)
Provisions, liability and impairments	7 591	11 770	-	1 177
Tax loss carryforwards	7 739	3 035	-	(1 910)
Other differences	48 790	1 648	13 818	3 857
	74 126	**16 457**	**172 705**	**126 789**

Temporary differences after the offset are as follows:

	Asset		Liability	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Property, plant and equipment and intangible assets	2 208	-	129 221	123 672
Receivables	(205)	11	-	-
Provisions, liability and impairments	7 543	9 862	(48)	(731)
Tax losses	3 767	4 945	(291)	-
Other differences	8 483	1 160	(8 506)	3 369

21 796	**15 978**	**120 375**	**126 310**

As at December 31, 2013, tax loss carry forwards are as follows:

Poland	24 148
Czech	4 289
Hungary	24 389
USA	10 826
Spain	26 824
Croatia	2 093
Ukraine	1 973
	94 543

Year of expiry of tax loss carryforwards	Value of tax losses	Tax losses in respect of which deferred tax assets were recognized	Tax losses in respect of which no deferred tax assets were recognized
2014	8 316	3 490	4 826
2015	6 047	-	6 047
2016	4 832	324	4 508
2017	4 969	46	4 923
2018	6 366	345	6 021
No time limit	64 013	23 907	40 105
	94 543	28 112	66 431

As at December 31, 2013 the Group recognized a deferred tax asset from tax losses in the amount PLN 4.058 thousand. The reason for not recognizing the remaining portion of the deferred tax asset was, among other things, the inability to utilize the losses.

A tax authority may control tax returns (if they have not already been controlled) of Group companies from 3 to 5 years of the date of their filing.

On June 28th, 2012 the inspection of corporate income tax for 2010 in AmRest Sp. z o.o. began and the report of control procedure is not completed until the publication date of financial statement.

8. Discontinued operation

a) Applebee's®

On June 7, 2012 the agreement concerning the sale of Applebee's brand assets was signed. On October 10, 2012 as a result of the agreement 99 from 102 Applebee's restaurants managed by the Group were sold. As at December 31, 2012 final settlement of the transaction was made based on the best estimation of the last 3 restaurants settlement.

According to the above approach all data for the 12-months period ended Decmeber 31, 2012 were adjusted by values concerned discontinued operation and differ from published data.
Results of brand Applebee's for the reporting years are presented below:

In thousands of Polish Zloty	**For the 12 months ended December 31, 2013**	**For the 12 months ended December 31, 2012**
Restaurant sales	5 699	640 445
Total sales	5 699	640 445

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Company operated restaurant expenses:		
Food and material	(1 684)	(175 288)
Payroll and employee benefits	(2 986)	(227 880)
Royalties	(232)	(26 351)
Occupancy and other operating expenses	(2 927)	(164 151)
General and administrative (G&A) expenses	(2 675)	(34 797)
Other operating costs	(7 999)	-
Other operating income	-	149
Total operating costs and losses	(18 503)	(628 318)
Profit from operation	(12 804)	**12 127**
Financial costs	(80)	(257)
Financial income	-	-
Profit before tax	**(12 884)**	**11 870**
Income tax	-	(986)
Profit from discontinued operations	**(12 884)**	**10 884**

	For the 12 months ended December 31, 2013	For the 12 months ended December 31, 2012
Other comprehensive income:		
Currency translation differences from conversion of foreign entities	2 291	(22 571)
Reclasiffication of profit from assets sold in USA into income statement	-	(40 719)
Net investment hedges	-	11 159
Cash flow hedges	-	7 754
Income tax concerning net investment and cash flow hedges	-	(3 594)
Other comprehensive income for the period, net of tax	**2 291**	**(47 970)**
Total comprehensive income for the period	**(10 593)**	**(37 086)**

Brand Applebee's operated fully in USA segment.

Brand approximately generated PLN 628 thousands of operating expenses in 12 months of 2013 and in 12 months of 2012 it was about PLN 18.5 thousand and PLN 628 thousand.

Profit from sold assets in USA is as follows:

	For the 12 months ended December 31, 2013
Profit from sold assets in USA	285 580
Costs concerned sale of assets in USA	(261 205)
Income from cash flow hedge	2 527
Foreign exchange differences	40 719
Profit from sale before tax	**67 621**
Income tax	(9 870)
Profit from sale afer tax	**57 751**

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

9. Property, plant and equipment

The table below presents changes in the value of property, plant and equipment in 2013 and 2012:

2013	Land	Buildings and expenditure on development of restaurants	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	**Total**
Gross value							
As at 1.01.2013	10 137	856 165	467 981	3 393	132 704	79 073	**1 549 453**
Acquisition (note 2)	-	363	-	-	-	-	**363**
As at 1.01.2013 after adjustment	10 137	856 528	467 981	3 393	132 704	79 073	**1 549 816**
Additions	13 495	143 019	112 837	979	13 113	25 146	**308 589**
Disposals	-	(35 939)	(21 049)	(942)	(2 083)	(1 026)	**(61 039)**
Foreign exchange differences	(712)	(21 214)	(15 078)	33	(3 580)	(2 784)	**(43 335)**
As at 31.12.2013	22 920	942 394	544 691	3 463	140 154	100 409	**1 754 031**
Accumulated depreciation							
As at 01.01.2013	-	293 635	206 641	1 455	49 451	-	**551 182**
Additions	-	83 882	62 666	705	21 030	**-**	**168 283**
Disposals	-	(17 433)	(14 826)	(862)	(10 510)	-	**(43 631)**
Foreign exchange differences	-	(7 758)	(7 388)	19	(3 918)	-	**(19 045)**
As at 31.12.2013	-	352 326	247 093	1 317	56 053	-	**656 789**
Impairment write-downs							
As at 01.01.2013	-	30 573	6 391	-	408	58	**37 430**
Additions	-	45 605	17 484	-	364	2 187	**65 640**
Disposals	-	(7 267)	(2 464)	-	(81)	-	**(9 812)**
Foreign exchange differences	-	(1 321)	(332)	-	(5)	(67)	**(1 725)**
As at 31.12.2013	-	30 573	6 391	-	408	58	**37 430**
	-	-	-	-	-	-	-
Net book valuet As at 01.01.2013	**10 137**	**531 957**	**254 949**	**1 938**	**82 845**	**79 015**	**960 841**
Adjustment (Note 2)	**-**	**363**	**-**	**-**	**-**	**-**	**363**
Net book value 01.01.2013 after adjustment	**10 137**	**532 320**	**254 949**	**1 938**	**82 845**	**79 015**	**961 204**
Net book value As at 31.12.2013	**22 920**	**522 478**	**276 519**	**2 146**	**83 415**	**98 231**	**1 005 709**

2012	Land	Buildings and expenditure on development of restaurants	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	**Total**
Gross value							
As at 1.01.2012	10 478	811 361	514 265	2 091	101 181	74 987	**1 514 363**
Acquisition (note 2)	-	7 144	3 418	397	-	1 197	**12 156**
Additions	10	148 319	102 336	1 025	46 154	17 675	**315 519**
Disposals	-	(85 502)	(133 757)	(68)	(10 108)	(12 347)	**(241 782)**
Foreign exchange differences	(351)	(25 157)	(18 281)	(52)	(4 523)	(2 439)	**(50 803)**
As at 31.12.2012	10 137	856 165	467 981	3 393	132 704	79 073	**1 549 453**
	-	-	-	-	-	-	-

Accumulated depreciation							
As at 1.01.2012	-	267 220	237 446	1 119	33 275	-	**539 060**
Additions	-	64 762	66 414	430	27 167	-	**158 773**
Disposals	-	(32 125)	(88 642)	(68)	(9 702)	-	**(130 537)**
Foreign exchange differences	-	(6 222)	(8 577)	(26)	(1 289)	-	**(16 114)**
As at 31.12.2012	-	293 635	206 641	1 455	49 451	-	**551 182**
	-	-	-	-	-	-	-
Impairment write-downs							
As at 1.01.2012	-	15 919	4 774	-	581	719	**21 993**
Additions	-	14 505	1 810	-	-	(652)	**15 663**
Disposals	-	414	(89)	-	(171)	-	**154**
Foreign exchange differences	-	(265)	(104)	-	(2)	(9)	**(380)**
As at 31.12.2012	-	30 573	6 391	-	408	58	**37 430**
	-	-	-	-	-	-	-
Net book value as at 1.01.2012	**10 478**	**528 222**	**272 045**	**972**	**67 325**	**74 268**	**953 310**
Net book value as at 31.12.2012	**10 137**	**531 957**	**254 949**	**1 938**	**82 845**	**79 015**	**960 841**

The property, plant and equipment listed below cover assets in finance lease, where the Group is the lessee:

	Land	Buildings	Machinery & equipment	Vehicles	Other tangible assets	**Total**
Gross value as at 31.12.2013	897	7 582	-	1 272	-	9 751
Accumulated depreciation As at 31.12.2013	-	(2 021)	-	(109)	-	(2 130)
Net value as at 31.12.2013	897	5 561	-	1 163	-	7 621
Gross value as at 31.12.2012	967	3 204	-	781	61	5 013
Accumulated depreciation As at 31.12.2012	-	(1 882)	-	(40)	(61)	(1 983)
Net value as at 31.12.2012	967	1 322	-	741	-	3 030

The table below presents the calculation of the loss on sale of property, plant and equipment and intangible assets in the period of 12 months ended December 31, 2013 and 2012:

	For the 12 months ended December 31, 2013	**For the 12 months ended December 31, 2012**
Proceeds from the sale of property, plant and equipment and intangible assets	418	190 124
Net cost of property, plant and equipment and intangible assets sold	(8 062)	(128 905)
Loss on sale of non-financial non-current assets and non-current assets held for sale	**(7 644)**	**61 219**

	For the 12 months ended December 31, 2013	**For the 12 months ended December 31, 2012**
Loss on disposal of non-financial non-current assets	(7 644)	(6 402)

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Gain on sale of non-financial non-current assets in USA	-	67 621
Gain/(loss) on disposal of non-financial non-current fixed and intangible assets	**(7 644)**	**61 219**

The depreciation was charged to the costs of restaurant operations – PLN 160.266 thousand (prior period: PLN 150.868 thousand), franchise expenses and other – PLN 2.119 thousand (prior period: PLN 3.089 thousand) and administrative expenses PLN 5.699 thousand (prior period: PLN 4.826 thousand). The depreciation increased discontinued operation costs by PLN 199 thousand (pror period: PLN 12.790 thousand).

The increases of impairment provisions both for continued and discontinued operations are fully for provisions created in 2013 (prior period: also only created). The decreases of impairment provisions are for provisions reversed in 2012 – PLN 8 587 thousands (prior period: PLN 154 thousands).

The recoverable amount of the cash generating unit was determined based on value in use calculation using the discount rate for each individual country.

10. Investment property

The table below presents changes in the value of investment property in 2013 and 2012:

	31.12.2013	**31.12.2012**
Gross value		
At the beginning of the period	22 152	22 081
Increases	-	71
At the end of the period	22 152	22 152
Impairment write-downs		
At the beginning of the period	-	-
At the end of the period	-	-
Net value at the beginning of the period	**22 152**	**22 081**
Net value at the end of the period	**22 152**	**22 152**

Results connected with investment properties are presented below:

	For the 12 months ended December 31, 2013	**For the 12 months ended December 31, 2012**
Sublease income (note 28)	2 635	1 907
Investment property costs	(1 188)	(923)
Operating profit	**1 447**	**984**

11. Other intangible assets

The table below presents changes in the value of intangible assets in 2013 and 2012:

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

2013	Proprietary brands	Favourable leases and licence agreements	Licenses for use of Pizza Hut, KFC, Burger King, Starbucks, La Tagliatella trademarks	Other intangible assets	Relations with franchisees	**Total**
Gross value						
As at 1.01.2013	284 488	6 404	54 383	77 536	175 793	**598 604**
Increases	50	-	6 778	11 293	-	**18 121**
Decreases	(3)	-	(850)	(1 880)	-	**(2 733)**
Foreign exchange differences	3 838	(18)	(1 461)	(83)	2 537	**4 813**
As at 31.12.2013	288 373	6 386	58 850	86 866	178 330	**618 805**
Accumulated amortization						
As at 1.01.2013	32	2 620	24 052	35 631	12 202	**74 537**
Increases	981	1 155	4 556	7 997	7 520	**22 209**
Decreases	(35)	(528)	(1 013)	(424)	-	**(2 000)**
Foreign exchange differences	(31)	(41)	(675)	(4)	92	**(659)**
As at 31.12.2013	947	3 206	26 920	43 200	19 814	**94 087**
Impairment write-downs						
As at 1.01.20123	101	-	1 128	756	-	**1 985**
Increases	-	-	398	3 000	-	**3 398**
Decreases	-	-	(306)	39	-	**(267)**
Foreign exchange differences	-	-	(13)	(117)	-	**(130)**
As at 31.12.20123	101	-	1 207	3 678	-	**4 986**
Net value as at 1.01.2013	**284 355**	**3 784**	**29 203**	**41 149**	**163 591**	522 082
Net value as at 31.12.2013	**287 325**	**3 180**	**30 723**	**39 988**	**158 516**	519 732

2012	Proprietary brands	Favourable leases and licence agreements	Licenses for use of Pizza Hut, KFC, Burger King, Starbucks, Applebee's, La Tagliatella trademarks	Other intangible assets	Relations with franchisees	**Total**
Gross value						
As at 1.01.2012	287 092	7 914	60 788	86 684	189 922	**632 400**
Acquisition (note 2)	18 755	-	-	4	-	**18 759**
Increases	-	240	8 920	9 562	-	**18 722**
Decreases	-	(1 240)	(13 387)	(14 787)	-	**(29 414)**
Foreign exchange differences	(21 359)	(510)	(1 938)	(3 927)	(14 129)	**(41 863)**
As at 31.12.2012	284 488	6 404	54 383	77 536	175 793	**598 604**

Accumulated amortization						
As at 1.01.2012	-	1 914	28 969	32 140	5 330	**68 353**
Increases	30	1 241	4 369	7 498	7 500	**20 638**
Decreases	-	(412)	(8 255)	(2 952)	-	**(11 619)**
Foreign exchange differences	2	(123)	(1 031)	(1 055)	(628)	**(2 835)**
As at 31.12.2012	32	2 620	24 052	35 631	12 202	**74 537**
Impairment write-downs						
As at 1.01.2012	-	-	837	17	-	**854**
Increases	102	-	586	761	-	**1 449**
Decreases	-	-	(289)	-	-	**(289)**
Foreign exchange differences	(1)	-	(6)	(22)	-	**(29)**
As at 31.12.2012	101	-	1 128	756	-	**1 985**
Net value as at 1.01.2012	**287 092**	**6 000**	**30 982**	**54 527**	**184 592**	**563 193**
Net value as at 31.12.2012	**284 355**	**3 784**	**29 203**	**41 149**	**163 591**	**522 082**

Other intangible assets cover mainly computer software.
Own brands value (La Tagliatella) with indefinite useful life as at December 31, 2013 was equal PLN 269.618 thousand and as at December 31, 2012 PLN 265.649 thousand.
The amortization was charged to the costs of restaurant operations – PLN 7.125 thousand (prior period: 7.709 PLN thousand), franchise expenses and other – PLN 9.370 thousand (prior period: PLN 7.537 thousand) and administrative expenses - PLN 5.249 thousand (prior period: PLN 5.392 thousand). The amortization increased discontinued operation costs by PLN 465 thousand (prior period: PLN 542 thousand).

Impairment testing of own brands

As at December 31, 2013, the Group conducted own brand value (La Tagliatella) impairment tests with respect to the acquisitions of businesses in Spain.

The cash generating units ia activity connected La Tagliatella brand. The recoverable amount of the cash generating unit was determined based on value in use calculation using the discount rate in Spain.

The recoverable value of the cash generating units is based on calculations of their value in use. The calculation uses expected future cash flows assessed on the basis of historical results and expectations as to the development of the market in the future included in the business plan.

Expected cash flows for identified cash generating units were prepared on the basis of assumptions made derived from historical experience adjusted for realized plans and undertaken actions together with adjustment for valid liabilities and assessments of changes in client behaviors.

Impairment testing was realized taking into consideration following assumptions:

	2013	2012
Discount rate before tax	13.61%	14.10%
Budgeted average EBITDA margin	19.86%	16.56%
Expected long-term growth rate used for the calculation of planned future results	12.02%	14.89%

If discount rates in period of 12 months ended December 31, 2013 were bigger/smaller by 3 percentage points, it would not result in recognition of additional impairment provision.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

If Ebitda in period of 12 months ended December 31, 2013 were bigger/smaller by 3 percentage points, it would not result in recognition of additional impairment provision.

12. Goodwill

The table below presents changes in the value of goodwill:

	31.12.2013	31.12.2012
Gross value		
At the beginning of the period	613 427	722 348
Adjustments	(540)	-
At the beginning of the period after adjustment	612 887	722 348
Acquisition (note 2)	-	77 870
Decreases (note 8)	-	(139 671)
Foreign exchange differences	(9 750)	(47 120)
At the end of the period	603 137	612 427
Impairment write-downs		
At the beginning of the period	1 900	-
Increases	-	1 936
Foreign exchange differences	(107)	(36)
At the end of the period	1 793	1 900
Net book value as at the beginning of the period	**610 987**	**722 348**
Net book value as at the end of the period	**601 344**	**611 527**
Adjustments	-	(540)
Net book value as at the end of the period after adjustment	**601 344**	**610 987**

Acquisitions in previous years

Below table presents changes of goodwill in division of particular acquisitions as at December 31, 2013 and December 31, 2012.

	Acquisition date	**As at 01.01.2013**	Increase (note 1cc))	**As at 01.01.2013**	Impairment	Foreign exchange differences	**As at 31.12.2013**
miklik's food s.r.o.	May 2005	5 839	-	5 839	-	(419)	5 420
AmRest Kft (previously: Kentucky System Kft)	June 2006	17 337	-	17 337	-	(13)	17 324
OOO AmRest (previously: OOO Pizza Nord)	July 2007	111 947	-	111 947	-	(11 336)	100 611
9 restaurants RostiksKFC	April 2008	27 805	-	27 805	-	(2 816)	24 989
5 restaurants RostiksKFC	June 2008	3 596	-	3 596	-	(364)	3 232
SCM Sp.z o.o.	October 2008	911	-	911	-	-	911
Restauravia Grupo Empresarial S.L.	April 2011	366 222	-	366 222	-	5 290	371 512
Blue Horizon Hospitality PTE Ltd.	December 2012	77 870	(540)	77 330	-	15	77 345
		611 527	**(540)**	**610 987**	**-**	**(9 643)**	**601 344**

	Acquisition date	**As at 01.01.2012**	Increase (note 2)	Decrease (note 8)	Impairment	Foreign exchange differences	**As at 31.12.2012**
miklik's food s.r.o.	May 2005	6 130	-	-	-	(291)	5 839
AmRest Kft (previously: Kentucky System Kft)	June 2006	18 476	-	-	(890)	(249)	17 337
OOO AmRest (previously: OOO Pizza Nord)	July 2007	117 878	-	-	(1 046)	(4 885)	111 947

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

9 restaurants RostiksKFC	April 2008	29 008	-	-	-	(1 203)	27 805
5 restaurants RostiksKFC	June 2008	3 752	-	-	-	(156)	3 596
AppleGrove Holdings LLC	July 2008	150 537	-	(139 671)	-	(10 866)	-
SCM Sp.z o.o.	October 2008	911	-	-	-	-	911
Restauravia Grupo Empresarial S.L.	April 2011	395 656	-	-	-	(29 434)	366 222
Blue Horizon Hospitality PTE Ltd.	December 2012	-	77 870	-	-	-	77 870
		722 348	**77 870**	**(139 671)**	**(1 936)**	**(47 084)**	**611 527**

Impairment testing

As at December 31, 2013, the Group conducted goodwill impairment tests with respect to the acquisitions of businesses in Hungary, Russia, Spain and China.

The cash generating units are the countries. The recoverable amount of the cash generating unit was determined based on value in use calculation using the discount rate for each individual country.

The recoverable value of the cash generating units is based on calculations of their value in use. The calculation uses expected future cash flows assessed on the basis of historical results and expectations as to the development of the market in the future included in the business plan.

Values of particular centers generating cash are combination of data described in current note together with information from note 2.

Expected cash flows for identified cash generating units were prepared on the basis of assumptions made derived from historical experience adjusted for realized plans and undertaken actions together with adjustment for valid liabilities and assessments of changes in client behaviors.

Impairment testing was realized taking into consideration following assumptions:

	Hungary	Russia	Spain	China
	Year 2013			
Discount rate before tax	13.63%	16.42%	13.61%	12.55%
Budgeted average EBITDA margin	14.67%	15.16%	19.86%	12.78%
Expected long-term growth rate used for the calculation of planned future results	21.44%	25.07%	12.02%	25.20%
	Year 2012			
Discount rate before tax	15.11%	15.31%	14.10%	-
Budgeted average EBITDA margin	12.78%	15.54%	16.56%	-
Expected long-term growth rate used for the calculation of planned future results	10.00%	12.00%	14.89%	-

Changes in key factors between 2013 and 2012 result mainly from change in definition of cash generating units. In 2012 there were individual restaurants in Hungary, Russia and Czech. In 2013 there were single countries. Therefore, the growth indexes for individual restaurants are lower than for all countries because it does not take into account the effect of new openings. Additionally, between 2013 and 2012 there was a substantial change in the income tax rate in Hungary, which significantly affected the change in the discount rate for the country.

In addition to this change, the key factors in comparison to 2012 are mainly due to influence of starting base decrease and interpretation of market trends. Expected future cash flows are analyzed in the perspective of the period settled in the lease agreement concerned tested cash generating units. The length of the period results mainly from the long-term nature of the franchise agreements and the long-term nature of investments in the restaurant business. Budgeted EBITDA margin is calculated based on actual forecasts and financial performance expectations regarding given cash generating unit and takes into account all applicable factors influencing this ratio.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

If discount rates in period of 12 months ended December 31, 2013 were bigger/smaller by 3 percentage points, it would not result in recognition of additional impairment provision.

If Ebitda in period of 12 months ended December 31, 2013 were bigger/smaller by 3 percentage points, it would not result in recognition of additional impairment provision.

13. Other non-current assets

As at December 31, 2013 and December 31, 2012, the balances of other non-current assets were as follows:

	31.12.2013	31.12.2012
Prepaid rental fees	3 396	3 616
Deposits in respect of rentals	34 145	29 933
Escrow funds	-	6 199
Other	7 031	2 590
	44 572	**42 338**

As at December 31, 2012 in other non-current assets were included escrow funds in amount PLN 6.199 thousand (USD 2.000 thousand).

14. Inventories

As at December 31, 2013 and December 31, 2012, inventories cover mainly food and packaging used in the restaurants and additionally finished goods and work in progress prepared by central kitchen for the sale of La Tagliatella restaurants purposes. Inventories are presented in net value including write-downs.

Value of impairment provisions for inventory as at December 31, 2013 and December 31, 2012 is presented in table below:	31.12.2013	31.12.2012
Value for the beginning of the period	1 454	89
Provision created	1 548	1 365
Provisions released	-	-
Provisions used	(1 845)	-
Value for the end of the period	**1 157**	**1 454**

15. Trade and other receivables

	31.12.2013	31.12.2012
Trade receivables from non-related entities	51 523	61 766
Trade receivables from related entities (note 33)	33	8
Other tax receivables	29 879	27 360
Other	8 152	7 316
Write-downs of receivables	(6 472)	(5 467)
	83 115	**90 983**

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

16. Leasing receivables

Group in year 2009 has signed finance lease agreement for restaurant appliances. Agreement is denominated in EUR. Finance lease cycle covered by agreement is 5 years.

Receivables for finance lease liability – value of current minimal lease payments:

	31.12.2013	31.12.2012
Up to 1 year	150	154
From 2 to 5 years included	-	163
More than 5 years	-	-
	150	**317**

Receivables from finance lease – value of minimal lease payments:

	31.12.2013	31.12.2012
Up to 1 year	171	175
From 2 to 5 years included	-	163
More than 5 years	-	-
Total minimal lease payments	171	338
Future un-received finance income from finance lease	(21)	(21)
Current value of minimal lease payments	**150**	**317**

17. Other current assets

	31.12.2013	31.12.2012
Prepaid costs in respect of deliveries of utilities	5 002	5 469
Prepaid lease costs	3 708	4 169
Prepaid property insurance	1 212	977
Prepaid professional services cost	302	69
Prepaid marketing costs	217	280
Prepaid costs of outside services	-	1 604
Escrow funds	6 024	6 199
Other	5 053	5 578
	21 518	**24 345**

Other current assets are presented in net value taking into consideration impairment provisions. There were no impairment provisions as at December 31, 2013 and December 31, 2012.

As at December 31, 2013 and December 31, 2012. in other current assets were included escrow funds in amount PLN 6.024 thousand (USD 2.000 thousand) accordingly PLN 6.199 thousand (USD 2 000 thousand).

18. Cash and cash equivalents

Cash and cash equivalents as at December 31, 2013 and December 31, 2012 are presented in the table below:

	31.12.2013	31.12.2012
Cash at bank	242 789	166 507
Cash in hand	16 721	40 572
	259 510	**207 079**

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

As at December 31, 2013 in cash and cash equivalents letter of credit for insuarance (The Hartford Insurance Co i Travelers) in USA in amount PLN 4.148 thousand (USD 1.350 thousand) is presented. This Letter of Credit is to protect potential share of Group in claims for outstanding insurance claims.

Reconciliation of working capital changes as at December 31, 2013 and December 31, 2012 is presented in the table below:

2013	The balance sheet change	Increase from acquisition (note 2)	Decrease due to sale of assets in USA	Put option valuation	Foreign exchange differen-ces	Reclasifi-cation to oher lines in cash flow	Working capital changes
Change in receivables	7 869	-	-	-	(1 209)	-	6 660
Change in inventories	(5 162)	-	-	-	(367)	-	(5 529)
Change in other assets	593	-	-	-	(1 401)	-	(808)
Change in payables and other liabilities	(160 889)	-	-	189 569	5 283	-	33 963
Change in other provisions and employee benefits	(3 772)	-	-	-	215	-	(3 557)

2012	The balance sheet change	Increase from acquisition (note 2)	Decrease due to sale of assets in USA	Put option valuation and recognition	Foreign exchange differences	Working capital changes	
Change in receivables	(6 060)	10 795	-	-	(4 157)	82	660
Change in inventories	(1 266)	1 311	(5 478)	-	(2 179)	-	(7 612)
Change in other assets	(18 434)	402	(12 398)	-	(628)	-	(31 058)
Change in payables and other liabilities	(7 381)	(15 333)	-	6 211	13 733	-	(2 770)
Change in other provisions and employee benefits	1 860	-	-	-	625	-	2 485

19. Other financial assets

	31.12.2013	31.12.2012
Ordinary shares	272	
Derivative financial instruments	-	-
Other financial assets	272	-
Other current financial assets	272	-
Other non-current financial assets	-	-
Cash flow hedges (foreign currency contracts)		
contract forward HUF/PLN	-	196
contract forward USD/PLN	-	471
contract forward EUR/PLN	-	14
Derivative financial instruments total	-	681
Derivative financial instruments current	-	681
Derivative financial instruments non current	-	-
Other financial assets total	**272**	**681**
Other current financial assets total	272	681

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

20. Equity

Share capital

As described in note 1a) On April 27, 2005, the shares of AmRest Holding SE were floated on the Warsaw Stock Exchange (“WSE”).

As at December 31, 2013, the Company held 21 213 893 issued, fully paid-up shares. The Company’s target capital is 500 000 shares. Nominal value of one share is 1 eurocent (0.01 EUR).

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

Other supplementary capital

Structure of other supplementary capital is as follows:

	Surplus over nominal value (share premium)	Non-refundable additional contributions to capital without additional issuance of shares made by the Group’s shareholders before their debut on the WSE	Impact of put option value-tion	Emplo-yee Options	Hedges valuation influence	Trans-actions with non control-ling interests	Reserves total
As at 01.01.2012	**755 692**	**6 191**	**(180 084)**	**14 300**	**(15 099)**	**(12 746)**	**568 254**
COMPREHENSIVE INCOMES							
Impact of net investment hedges valuation	-	-	-	-	20 028	-	**20 028**
Impact of cash flow hedges valuation	-	-	-	-	7 754	-	**7 754**
Impact of put option valuation	-	-	14 781	-	-	-	**14 781**
Deferred income tax concerning net investment hedges	-	-	-	-	(5 279)	-	**(5 279)**
Comprehensive income total	-	-	14 781	-	22 503	-	**37 284**
TRANSACTIONS WITH SHAREHOLDERS							
Employees share option scheme –value of service	-	-	-	(442)	-	-	**(442)**
Employees share option scheme – value realized options	-	-	-	5 668	-	-	**5 668**
Transactions with shareholders total	-	-	-	5 226	-	-	**5 226**
As at 31.12.2012	**755 692**	**6 191**	**(165 303)**	**19 526**	**7 404**	**(12 746)**	**610 764**
As at 01.01.2013	**755 692**	**6 191**	**(165 303)**	**19 526**	**7 404**	**(12 746)**	**610 764**
COMPREHENSIVE INCOMES							
Impact of net investment hedges valuation	-	-	-	-	(4 962)	-	**(4 962)**
Impact of cash flow hedges valuation	-	-	-	-	(272)	-	**(272)**
Impact of put option valuation as net investment hedges	-	-	(11 233)	-	-	-	**(11 233)**
Deferred income tax concerning net investment and cashflow hedges	-	-	-	-	994	-	**994**
Comprehensive income total	-	-	(11 233)	-	(4 240)	-	**(15 473)**
TRANSACTIONS WITH NON-CONTROLLING INTERESTS							
Non-controlling interests reconciliation due the put option settlement	-	-	-	-	-	137 447	**137 447**

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Transactions with non-controlling interests total	-	-	-	-	-	137 447	**137 447**
<u>TRANSACTIONS WITH SHAREHOLDERS</u>							
Own shares purchase	-	-	-	(2 106)	-	-	**(2 106)**
Net result on tresury shares transaction	-	-	-	(227)	-	-	**(227)**
Employees share option scheme –value of service	-	-	-	-	-	-	**-**
Employees share option scheme – value realized options	-	-	-	7 624	-	-	**7 624**
Transactions with shareholders total	-	-	-	5 291	-	-	**5 291**
As at 31.12.2013	**755 692**	**6 191**	**(176 536)**	**24 817**	**3 164**	**124 701**	**738 029**

As at December 31, 2012 cumulative value of positive foreign currency revaluation reserve in equity from net investment hedge of investment in AmRest LLC with use of derivative financial instruments for investments in USD amounted to PLN 272 thousand and value of deferred tax connected with it amounted to PLN 52 thousand. From the moment of AmRest LLC equity redistribution, Group is not applying hedge for investments in USD, and foreign currency risk connected to USD 42,5 million loan in consortium facility was secured with forward contracts. Due to the complete disposal of Applebees restaurant business in 2013, the cumulative value of foreign exchange translation recognized in reserve capital arising from net investments hedges in AmRest LLC remaining as at December 31, 2012 was recognized in the income statement.

As at December 31, 2012 cumulative value of foreign exchange valuation recognized in equity resulting from cash-flow hedges based on forward transactions amounted to PLN 20.028 thousand and value of applicable deferred taxes on this revaluation was PLN 3.805 thousand.

As well within the bank loans as at December 31, 2013 loan for the amount of EUR 142 million was disclosed, which is hedging net investment in Spanish subsidiary AmRest TAG S.L.U., it hedges Group against the foreign currency risk resulting from revaluations of net assets. Gain or loss from revaluation at appropriate exchange rate as of end of financial period of this liability balance are reflected into reserve capital in order to net the effect gains and losses on net investment in subsidiaries revaluation. During the 12-month period ended December 31, 2013 hedge was fully effective.

As at December 31, 2012 cumulated value of currency revaluation recognized in reserve capital from net investment hedge with use of financial forward derivative instruments denominated in EUR accounted for PLN 4.962 thousand and value of deferred income tax connected with this revaluation was PLN 943 thousand.

Impact of hedges valuation:	Cash flow	Net investemnt		Impact of hedges valuation total
	USD	USD	EUR	
As at 01.01.2012	-	**(15 099)**	-	**(15 099)**
Impact of cash flow hedges valuation	7 754	-	-	**7 754**
Deferred income tax	(1 474)	-	-	**(1 474)**
Impact of net investment hedges valuation	(7 482)	18 641	8 869	**20 028**
Deferred income tax	1 422	(3 542)	(1 685)	**(3 805)**
As at 31.12.2012	**220**	-	**7 184**	7 404
As at 01.01.2013	**220**	-	**7 184**	7 404
Impact of cash flow hedges valuation	(272)	-	-	**(272)**
Deferred income tax	52	-	-	**52**
Impact of net investment hedges valuation	-	-	(4 962)	**(4 962)**
Deferred income tax	-	-	942	**942**
As at 31.12.2013	-	-	**3164**	**3 164**

Group applies hedging accounting for revaluation of put option liability constituting net investment hedges in Spanish related party. As at December 31, 2013 cumulated value of currency revaluation recognized in reserve capital from net investment hedge in Spanish related party with use of financial forward derivative instruments denominated in EUR accounted for PLN 16.413 thousand. As at December 31, 2012 cumulated value of currency revaluation recognized in reserve capital from cash flow hedges forward PLN 5.210 thousand.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Retained Earnings

Retained Earnings of a Group according to 16th resolution of Annual Shareholders Meeting dated June 10, 2011 includes also reserve fund in value of PLN 50 million for purchase of treasury shares only for share option redemption to every existing and future employee and managerial motivational stock option plans, including Management Board members of Group entities. In 2013 (as it was disclosed in statement of changes in equity) transaction on treasury shares for existing stock option plans (note 23) were realized amounting PLN 2.106 thousand (accordingly in 2012 PLN 442 thousand).

Foreign exchange differences on translation

Foreign exchange differences on translation cover all the foreign exchange differences resulting from the translation of the financial statements of the Group's foreign operations into Polish zloties.

	For the 12 months ended December 31, 2013	**For the 12 months ended December 31, 2012**
At the beginning of the period	18 116	136 373
Reclasiffication of profit from assets sold in USA into income statement	-	(40 719)
Foreign exchange differences from net assets revaluation in subsidiaries	(29 834)	(77 538)
At the end of the period	**(11 718)**	**18 116**

21. Borrowings

Borrowings as at December 31, 2013 and December 31, 2012 are presented in the table below:

Long-term	**31.12.2013**	**31.12.2012**
Bank loans	784 002	461 610
Bonds	139 226	149 497
	923 228	611 107

Short-term	**31.12.2013**	**31.12.2012**
Bank loans	2 059	181 975
Bonds	150 410	
	152 469	181 975

Bank loans and bonds

Currency	Lender/ bookbuilder	Effective interest rate	31.12.2013	31.12.2012
in PLN	Syndicated bank loan	5.31%	137 368	20 253
in USD	Syndicated bank loan	2.79%	-	129 956
in EUR	Syndicated bank loan	3.19%	584 515	440 150
in CZK	Syndicated bank loan	3.03%	60 188	52 307
In PLN	Bonds 5 – years (issued 2009 r.)	6.05%	150 410	-
in PLN	Bonds 5 – years (issued 2013 r.)	5.17%	139 227	149 497
other	Bank loan- China	-	3 989	919
			1 075 697	793 082

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Bank loans comprise mainly investment loans bearing a variable interest rate based on reference rates WIBOR, PRIBOR, USD-LIBOR and EURIBOR. Exposure of the loans to interest rate risk and contractual dates for changing the interest rates occur in 3-month cycles.

On September 10th, 2013 a Credit Agreement („the Agreement") between AmRest, AmRest Sp. z o.o.(„AmRest Poland") and AmRest s.r.o. – jointly „the Borrowers" and Bank Polska Kasa Opieki S.A., Bank Zachodni WBK S.A., Rabobank Polska S.A. and ING Bank Śląski Polska S.A. – jointly „the Lenders"was signed. AmRest Poland and AmRest Czech are 100% subsidiaries of AmRest.

Based on the Agreement the Lenders granted to the Borrowers a credit facility in the approximated amount of EUR 250 million. The facility shall be fully repaid by September 10th, 2018 and is dedicated for repayment of the obligations under the credit agreement signed October 11th, 2010 along with further annexes, financing development activities of AmRest and working capital management. The facility consists of four tranches: Tranche A, EUR 150 million, Tranche B, PLN 140 million, Tranche C, CZK 400 million and Tranche D granted as a revolving credit facility, PLN 200 million. All Borrowers bear joint liability for any obligations resulting from the Agreement. Additionally, the following members of the group are guarantors of the facility: OOO AmRest, AmRest TAG S.L., AmRestavia S.L., Restauravia Grupo Empresarial S.L., Restauravia Food S.L.U., Pastificio Service S.L.U, AmRest Finance Zrt and AmRest Capital Zrt.

The loan is provided at a variable interest rate. AmRest is required to maintain liquidity ratios (net debt/EBITDA, equity/total assets, EBITDA/interest) at agreed levels. In particular net debt/EBITDA ratio is to be held at below 3.5 level and AmRest is required not to distribute dividend payments if the mentioned ratio exceeds 3.0 (see note 35).

The effective interest rates are similar to the market rates for specific borrowings. Therefore, the fair value of the liabilities presented above does not differ significantly from their carrying amounts.

On December 7th, 2009 AmRest Holdings SE signed an agreement with RBS Bank (Polska) S.A. and Bank Pekao S.A. for bonds issuance ("5years bonds"), based on which, program for AmRest corporate bonds was released, allowing to issue bonds in total maximum value of PLN 300 million, where bonds in the value of PLN 150 million were issued already. The agreement was signed for a defined period till July 9th, 2015 with extension possible until repayment of all bonds issued.

On August 22nd, 2012 the above mentioned agreement was replaced with the new one signed between AmRest Holding SE, AmRest Sp. z o.o. and Bank PEKAO S.A. for a defined period until December 31st, 2019. Program extension is possible until redemption of all bonds issued. The total maximum value of the program remained the same and is equal to PLN 300 million.

On June 18th, 2013 bonds in the amount of PLN 140 million were issued under the new agreement. The issue is part of a plan to diversify financing sources of AmRest. Bonds are issued with variable interest rate 6M WIBOR increased by a margin and are due on June 30th, 2018. Interest is paid on semi-annual basis (June 30th and December 30th), beginning December 30th 2013. Group is required to maintain certain financial ratios (net debt/EBITDA, equity/total assets, EBITDA/interest charge) at levels agreed in the Emission Terms dated June 18, 2013. There are no additional securities on the bond issue.

As at December 31, 2013 the payables concerning bonds issued are PLN 289.649 thousand.

The maturity of long- and short-term loans as at December 31, 2013 and December 31, 2012 is presented in the table below:

	31.12.2013	**31.12.2012**
Up to 1 year	152 469	181 975
Between 1 and 2 years	-	200 671
Between 2 and 5 years	923 228	410 436
More than 5 years	-	-
	1 075 697	**793 082**

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

The Group has the following unused, awarded credit limits as at December 31, 2013 and December 31, 2012:

	31.12.2013	**31.12.2012**
With floating interest rate		
- expiring within one year	38 154	64 384
- expiring beyond one year	210 000	350 000
	248 154	414 384

22. Other financial liabilities

	31.12.2013	**31.12.2012**
Derivative financial instruments (*contract forward HUF/PLN*)	122	-
Derivative financial instruments (*contract forward USD/PLN*)	43	224
Derivative financial instruments total	165	224
Other current financial liabilities total	165	224
Other non-current financial liabilities total	-	-

For the purpose of management the risk related to certain transaction within the Group are used forward currency contracts. Opened contracts as at Decemeber 31, 2012 are not designated as cash flow hedges, fair value hedges or net investment hedges in foreign operations. They are signed for periods not longer than risk exposition periods, prevailing for one to twelve months.

23. Liabilities in respect of wages and salaries and employee benefits

Long-term employee benefits dependent on their years in service

In accordance with the terms and conditions of the collective labour agreement, a specific group of employees is entitled to receive long-service bonuses depending on their years in service. The entitled employees receive a one-off amount of USD 300 after five years in service, and USD 1.000 after 10 years in service, translated in both cases into the currency of the given country. In year 2009 Group has added to this service benefit package jubilee gift for 15 years of work, which is equal to value of 100 AmRest Holdings SE shares. Due to unification of jubilee gift policy this system will be valid till the end of 2013. The change resulted in reversal of jubilee gift provision in amount PLN 285 thousands as at December 31, 2013 and PLN 371 thousands as at December 31, 2012.

Employee share option plan 1

The Plan was launched in 1999 as a cash-settled plan and covered the group of selected employees of the Group. Upon the Group's flotation on the GPW – on April 27, 2005 – the plan was modified to be share-based instead of cash-based. Additionally, all the obligations in respect of the plan were taken over by ARC). ARC assumed responsibility for the redemption of all the units (which could already be and which could not yet be exercised). The carrying amount of the liability as at that date of PLN 1.944 thousand was charged to capital. As at December 31, 2013 the Plan was fully settled.

Employee share option plan 2

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

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

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

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

Employee share option plan 3

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

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

Award date	Number of share options awarded	Terms and conditions for exercising the options	Option exercise price in PLN	Options term to maturity period
Plan 1				
April 30, 1999	75.250	5 years, gradually, 20% per annum	6.4	10 years
April 30, 2000	53.750	5 years, gradually, 20% per annum	25.6	10 years
April 30, 2001	76.300	5 years, gradually, 20% per annum	25.6	10 years
April 30, 2002	74.600	5 years, gradually, 20% per annum	16.0	10 years
April 30, 2003	55.100	5 years, gradually, 20% per annum	16.0	10 years
April 30, 2004	77.800	5 years, gradually, 20% per annum	19.2	10 years
Total	412.800			
Plan 2				
30 April 2005	79.300	5 years, gradually, 20% per annum	24.0	10 years
30 April 2006	75.000	5 years, gradually, 20% per annum	48.4	10 years
30 April 2007	89.150	5 years, gradually, 20% per annum	96.5	10 years
30 April 2008	105.250	5 years, gradually, 20% per annum	86.0	10 years
12 June 2008	20.000	5 years, gradually, 20% per annum	72.5	10 years
22 August 2008	1.000	5 years, gradually, 20% per annum	65.4	10 years
30 April 2009	102.370	5 years, gradually, 20% per annum	47.6	10 years
10 May 2009	3.000	5 years, gradually, 20% per annum	73.0	10 years
30 April 2010	119.375	5 years, gradually, 20% per annum	70.0	10 years
30 April 2010	7.975	5 years, gradually, 20% per annum	70.0	10 years
20 June 2011	105.090	5 years, gradually, 20% per annum	78.0	10 years
5 September 2011	1.000	5 years, gradually, 20% per annum	70.6	10 years
30 April 2012	81.500	5 years, gradually, 20% per annum	70.0	10 years
30 April 2013	91.100	5 years, gradually, 20% per annum	81.0	10 years
Total	881.110			
Plan 3				
13 December 2011	616.000	3 years, gradually, 33% per annum	61.00	10 years
8 October 2012	259.000	3 years, gradually, 33% per annum	64.89	10 years
Total	875.000			

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

In the table below we present the number and weighted average of the exercise price of the options from all plans for the 12 months period ended December 31, 2013 and 2012:

	Weighted average option exercise price	Number of options Plan 3	Number of options Plan 2	Number of options Plan 1	Weighted average option exercise price	Number of options Plan 3	Number of options Plan 2	Number of options Plan 1
	2013				2012			
At the beginning of the period	PLN 65.12	755 000	533 203	-	PLN 64.60	616 000	524 999	10 300
Utilized during the period	PLN 43.84	-	(38 474)	-	PLN 30.59	-	(12 200)	(10 300)
Redeemed during the period	PLN 73.58	-	(26 700)	-	PLN 66.27	(120 000)	(61 096)	-
Awarded during the period	PLN 81.00	-	91 100	-	PLN 66.11	259 000	81 500	-
At the end of the period	PLN 66.90	755 000	559 129	-	PLN 65.12	755 000	533 203	-
Available for exercising as at the end of the period	PLN 71.82	-	337 812	-	PLN 68.40	-	304 288	-

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

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

Issued in period		Average fair value of option as at the date of award	Average price of share at the date of measurement/award	Average exercise price	Expected fluctuations of share prices (expressed as the weighted average fluctuation in share prices used in the trinomial	Expected term to maturity of the options (expressed as the weighted average period to maturity of the options used in the trinomial model)	Expected dividend (as of 2009)	Risk-free interest rate (based on Treasury bills)
from 1/1/2012 to 31/12/2012	Plan 3	PLN 22.57	PLN 61.00	PLN 61.0	38%	10 years	-	5.82%
from 1/1/2011 to 31/12/2011	Plan 3	PLN 25.35	PLN 73.95	PLN 64.89	37%	10 years	-	4.35%
from 1/1/2013 to 31/12/2013	Plan 2	PLN 41.34	PLN 81.00	PLN 81.00	34%	10 years	-	3.50%
from 1/1/2012 to 31/12/2012	Plan 2	PLN 39.62	PLN 70.00	PLN 70.00	37%	10 years	-	5.36%
from 1/1/2011 to 31/12/2011	Plan 2	PLN 45.97	PLN 78.00	PLN 78.00	37%	10 years	-	5.61%
from 1/1/2010 to 31/12/2010	Plan 2	PLN 42.61	PLN 70.00	PLN 70.00	40%	10 years	-	5.51%
from 1/1/2009 to 31/12/2009	Plan 2	PLN 27.38	PLN 48.32	PLN 48.32	41%	7.6 years	-	5.80%
from 1/1/2008 to 31/12/2008	Plan 2	PLN 29.81	PLN 83.8	PLN 83.8	37%	8.9 years	18.80%	5.80%
from 1/1/2007 to 31/12/2007	Plan 2	PLN 36.09	PLN 96.5	PLN 96.5	33%	9.9 years	18.80%	5.50%

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

from 1/1/2006 to 31/12/2006		PLN 15.5	PLN 48.3	PLN 48.3	31%	9.9 years	18.80%	4.98%
from 1/1/2005 to 31/12/2005		PLN 8.9	PLN 25.7	PLN 24.0	40%	9.9 years	18.80%	4.50%
till the end of 2004	Plan 1	PLN 6.8	n/a	PLN 18.6	40%	7.0 years	19.40%	4.50%
		PLN 6.6	n/a	PLN 18.6	40%	7.5 years	19.40%	5.80%

* In connection with the fact that before 2006 the Company was not listed on the GPW, the expected fluctuations in the prices of its shares for measuring awards from before 2006 were based on the historical fluctuations of share prices of comparable companies quoted on the GPW (calculated on the basis of the weighted average time to maturity of the options), adjusted by all the expected changes in the future fluctuations of the share prices resulting from published information on the Company. Estimates for awards from 2006 were based on the actual fluctuations in the Company's quoted share prices. High actual fluctuation in share prices is the effect of a significant increase in the Company's share prices from their flotation.

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

Key managers of the Spanish market participate in motivation program which bases on exceeding goals of the business growth. For the 12 months ended December 31, 2013, Group recognized costs concerning the program in the amount of PLN 4.285 thousand (EUR 976 thousand) In comparison period Group recognized cost in the amount PLN 3.461 thousand (EUR 829 thousand). In 2013 there was a substantial change in the Plans regarding reduction in the scale of the development La Tagliatella brand on new markets affecting the validity of the reversal of previously accrued costs of the program based on the results of this development.

The costs recognized in connection with the plans relating to share-based payments for the period of 12 months ending on December 31, 2013 and December 31, 2012 respectively are presented below:

	31.12.2013	**31.12.2012**
Value of employee services	7 624	5 668
	7 624	**5 668**

Retirement benefit contributions

The costs recognized in connection with the retirement benefit contributions for the period of 12 months ending on December 31, 2013 and December 31, 2012 respectively are presented below:

	31.12.2013	**31.12.2012**
Retirement benefit contributions	115 707	97 486
	115 707	**97 486**

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

24. Provisions

Changes in the balance of provisions are presented in the table below:

2013	As at **01.01.2013**	Increases	Utilization	Foreign exchange differences	As at **31.12.2013**
Onerous contracts	3 850	3 064	(2 934)	(144)	3 836
Provision for court fees	685	801	(97)	28	1417

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Provision for tax risks	2 552	1 381	(1 135)	(210)	2 588
Provision for tax risks	-	468	-	(3)	465
Total	**7 087**	**5 714**	**(4 166)**	**(329)**	**8 306**

2012	As at **01.01.2012**	Increases	Utilization	Foreign exchange differences	As at **31.12.2012**
Onerous contracts	2 104	2 616	(738)	(132)	3 850
Provision for court fees	3 452	1 782	(4 486)	(63)	685
Provision for tax risks	2 017	615	-	(80)	2 552
Total	**7 573**	**5 013**	**(5 224)**	**(275)**	**7 087**

The whole reserve is treated as long-term reserves.

Provision for onerous contracts

As at the balance sheet date, the Group showed a provision for onerous lease contracts. These contracts relate to most locations in which the Group does not engage in restaurant operations but only subleases the premises to other entities on unfavourable terms. It is expected that will be used during 2014 and 2015.

Provision for court fees

Periodically, the Group is involved in disputes and court proceedings resulting from the Group's on-going operations. As presented in the table above, as at the balance sheet, the Group showed a provision for the costs of court proceedings which reflects the most reliable estimate of the probable losses expected as a result of the said disputes and legal proceedings. According to the nature of this provision final settlement is expected within 2014 and 2015.

Provision for tax liabilities

Group operates in numerous markets with different and changing tax rules and additionally realizes its growth within new investments and often has to decide to create or modify value of tax liability provision. During recognition or modification of such provisions all available information, historical experience, comparison and best estimate is used. It is expected that will be used during 2014 and 2015.

25. Other non-current liabilities

Other non-current liabilities cover the long-term portion of deferred income of rents. Deferred income amount PLN 22.670 thousand and PLN 9.675 thousand respectively as at December 31, 2013 and December 31, 2012.

26. Trade and other payables

Trade and other payables as at December 31, 2013 and December 31, 2012 cover the following items:

	31.12.2013	**31.12.2012**
Payables to non-related entities, including:	259 588	251 530
Trade payables	164 028	154 905
Payables in respect of uninvoiced lease fees and deliveries of food	11 180	4 860
Employee payables	23 359	21 241
Social insurance payables	19 768	12 627
Other tax payables	14 215	14 561
Payables concerned differed sales settlement of 3 Applebees restaurants	-	12 268
Gift voucher liabilities	1 160	317

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Payables concerned mergers and acquisitions	-	3 901
Other payables to non-related entities	25 878	26 850
Liabilities to related entities (note 33)	27	64
Accruals, including:	69 986	67 889
Employee bonuses	19 889	21 448
Marketing services	3 434	4 956
Holiday pay accrual	10 268	8 803
Professional services	3 511	3 914
Franchise fees	6 998	6 927
Lease cost provisions	11 445	11 565
Investment payables accrual	8 129	8 853
Other	6 312	1 423
Deferred income – short-term portion	6 344	955
Social fund	34	47
Total trade and other payables	**335 979**	**320 485**

27. Finance lease liabilities

Financial lease liabilities – current portion:

	31.12.2013	31.12.2012
Payable within 1 year	670	372
Payable from 1 to 5 years	2 836	2 337
Payable after 5 years	5 077	2 139
	8 583	**4 848**

Finance lease liabilities – minimum lease payments:

	31.12.2013	31.12.2012
Payable within 1 year	1 581	1 138
Payable from 1 to 5 years	6 117	4 977
Payable after 5 years	6 459	3 895
Total minimum lease payments	14 156	10 010
Future finance costs in respect of finance leases	(5 574)	(5 162)
Present value of finance lease liabilities	**8 583**	**4 848**

28. Operating leases

The Group concluded many irrevocable operating lease agreements, mainly relating to leases of restaurants. In respect of restaurants, lease agreements are concluded on average for a period of 10 years and require a minimum notice period on termination.

The expected minimum lease fees relating to operating leases without the possibility of earlier notice are presented below:

	31.12.2013	31.12.2012
Payable within 1 year	218 796	162 986
Payable from 1 to 5 years	850 363	606 268
Payable after 5 years	635 743	526 678
Total minimum lease payments	**1 704 902**	**1 295 932**

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

In respect of many restaurants (especially those in shopping malls) lease payments comprise two components: a fixed fee and a conditional fee depending on the restaurant's revenues. The conditional fee usually constitutes from 2.5% to 9% of a restaurant's revenue.

Lease costs relating to operating leases (broken down by the fixed and conditional portion) for the 12 months of 2013 and 2012 are as follows:

	For the 12 months ended December 31, 2013			For the 12 months ended December 31, 2012		
	Fixed fee	Conditional fee	Total	Fixed fee	Conditional fee	Total
Czech	31 669	3 431	35 100	29 161	4 120	33 281
Hungary	9 777	-	9 777	7 561	-	7 561
Poland	38 905	52 391	91 296	39 242	45 854	85 096
Russia	34 714	5 558	40 272	27 946	4 195	32 141
Bulgaria	1 449	-	1 449	1 021	-	1 021
Serbia	1 597	210	1 807	1 460	-	1 460
USA	1 566	199	1 765	63	-	63
Croatia	764	-	764	314	-	314
Spain	52 364	-	52 364	42 747	-	42 747
China	16 395	-	16 395	-	-	-
Total	189 200	61 789	250 989	149 515	54 169	203 684

The Group signs agreements for a definite period without the opportunity to terminate the contract. The prolongation of the agreement bases on market conditions.

The Group is also a party to sublease agreements on the basis of operating leases. Income from sublease fees on the basis of operating leases for the 12 month periods of 2013 and 2012 are as follows:

	31.12.2013	**31.12.2012**
Russia	539	887
Czech	136	140
USA	-	-
Poland	86	888
Total	**761**	**1 915**

29. Collateral on borrowings

The loans incurred by the Company do not account for collateral set up on fixed assets and other assets owned by the Company. The Borrowers (AmRest Holding SE, AmRest Sp. z o.o. and AmRest s.r.o.) are jointly and severally responsible for paying the liabilities resulting from credit agreements. Additionally, Group companies – OOO AmRest, AmRest TAG S.L.U., AmRestavia S.L.U., Restauravia Grupo Empresarial S.L., Restauravia Food S.L.U., Pastificio Service S.L.U., AmRest Finance Zrt and AmRest Capital Zrt – granted guarantees to the financing banks. These companies guarantee that the Borrowers will discharge their obligations following from the credit agreement until the loan is repaid, i.e. September 10th, 2018.

30. Earnings per share

The basic and diluted earnings per ordinary share for the 12-month period of 2013 and 2012 were calculated as follows:

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

	For the 12 months ended December 31, 2013	**For the 12 months ended December 31, 2012**
Net profit from continued operations attributable to equity holders of the parent company	22 829	80 043
Net profit/(loss) from discontinued operations attributable to equity holders of the parent company	(12 884)	10 884
Net profit attributable to equity holders of the parent company	9 945	90 927
Weighted average number of ordinary shares in issue	21 213 893	21 213 893
Impact of share options awarded in 2005	11 293	19 098
Impact of share options awarded in 2006	9 346	11 865
Impact of share options awarded in 2007	-	-
Impact of share options awarded in 2008	6 044	-
Impact of share options awarded in 2009	29 604	20 720
Impact of share options awarded in 2010	16 999	-
Impact of share options awarded in 2011	174 833	105 034
Impact of share options awarded in 2012	80 308	44 162
Impact of share options awarded in 2013	979	-
Weighted average number of ordinary shares for diluted earnings per share	21 543 299	21 414 772
Basic earnings per ordinary share	0.47	4.29
Diluted earnings per ordinary share	0.46	4,25
Basic earnings from continued operations per ordinary share	1.08	3.77
Diluted earnings from continued operations per ordinary share	1.06	3.74
Basic earnings/(loss) from discontinued operations per ordinary share	(0.61)	0.52
Diluted earnings/(loss) from discontinued operations per ordinary share	(0.60)	0.51

31. Future commitments and contingent liabilities

In accordance with the franchise agreements signed, the Group is obliged to periodically improve the standard, modify, renovate and replace all or parts of its restaurants or their installations, marking or any other equipment, systems or inventories used in restaurants to make them compliant with the current standards. The agreements require no more than one thorough renovation of all installations, markings, equipment, systems and inventories stored in the back of each restaurant to comply with the current standards, as well as no more than two thorough renovations of all installations, markings, equipment, systems and inventories stored in the dining rooms of each of the restaurants during the period of a given franchise agreement or the period of potential extension of the agreement. The expenses for the purpose forecast by the Group amount to ca. 1.5% of annual sales form the restaurants' operations in the future periods.

Other future commitments resulting from the agreements with the Burger King, Starbucks and the current and future franchise agreements were described in note 1a) and note 1g).

According to Group Management the above mentioned requirements are fulfilled and any discrepancies are communicated to third parties, mitigating any potential risks affecting business and financial performance of the Group.

The status of the guarantees offered by the Group as at December 31, 2013 is as follows:

	Guarantee site	**Guarantee mechanism**	**Maximum amount**
Warranty of the lease restaurant in USA	AmRest Holdings SE warrants AmRest LLC to MV Epicentre II LLC	Rent payment due, future charges to the end of the contract, incurred cost and accrued interest	Up to USD 615 thousand (PLN 1.944 thousand)
Warranty of the lease restaurant in USA	AmRest Holdings SE warrants AmRest LLC to	Rent payment due, future charges to the end of the contract, incurred cost and	According to the guarantee mechanism

	GLL Perimeter Place, L.P.	accrued interest	
Warranty of the lease restaurant in USA	AmRest Holdings SE warrants AmRest LLC to Towson Circle Holdings, LLC	Rent payment due, future charges to the end of the contract, incurred cost and accrued interest	According to the guarantee mechanism
Warranty of the lease restaurant in Germany	AmRest Holdings SE warrants AmRest GmbH to Berliner Immobilien Gesellschaft GbR	Rent payment due, future charges to the end of the contract, incurred cost and accrued interest	According to the guarantee mechanism

32. Investment in associates

Changes to the value of investments in associates in consecutive periods are presented in the table below:

	31.12.2013	**31.12.2012**
At the beginning of the period	434	140
Share in profits and losses of associates	182	39
Dividend payment	(91)	(61)
Purchase of shares in associated companies	-	316
Impairment of shares in associated companies	(205)	-
Balance as at the end of the year	**320**	**434**

On March 15, 2012 it BTW Sp. z o.o. was set up in which SCM Sp. z o.o. has 50% of shares. Its core business is restaurant activity.

The Group’s share in associates and the basic financial data of the entities are as follows:

Name of associate	Country of registration	Assets	Liabilities	Revenues	Profit/ (Loss)	Shares held (%)
December 31, 2013						
SCM s.r.o.	Czech	523	164	1 153	264	45.90
BTW Sp.z o.o.	Poland	424	180	1 067	(144)	25.50
December 31, 2012						
SCM s.r.o.	Czech	493	160	1 036	217	45.90
BTW sp.z o.o.	Poland	570	190	-	(240)	25.50

33. Transactions with related entities

Transactions with related parties are held in accordance with market regulations.
Trade and other receivables from related entities

	31.12.2013	**31.12.2012**
MPI Sp. z o. o.	3	4
Associates	3	4
	6	**8**

Trade and other payables to related entities

	31.12.2013	**31.12.2012**
MPI Sp. z o. o.	22	33
Associates	5	31
	27	**64**

Sales of goods for resale and services

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

	For the 12 months ended December 31, 2013	For the 12 months ended December 31, 2012
MPI Sp. z o. o.	36	43
Associates	34	39
	70	**82**

Purchase of goods for resale and services

	For the 12 months ended December 31, 2013	For the 12 months ended December 31, 2012
MPI Sp. z o. o.	1 431	1 384
Associates	-	-
	1 431	**1 384**

Other related entities

ARC, IRI, Metropolitan Properties International Sp. z o. o.

In accordance with the description in note 1a), as at December 31, 2013, ARC and its subsidiaries – IRI, Metropolitan Properties International Sp. z o.o. are treated as related entities, as at December 31, 2013 Metropolitan Properties International Sp. z o.o. was a company owned by Mr Henry McGovern.

ARC company was established by Donald M. Kendall Sr., Donald M. Kendall Jr., Cristian R. Eisenbeiss and Henry J. McGovern. Henry J McGovern was a member of AmRest Holdings SE supervisory board as at December 31, 2013.

Starting from April 27, 2005 year ARC is fully responsible for settlement of all future obligations of a Group related to stock option plan (note 23).

Metropolitan Properties International Sp. z o.o. is involved in operations related to real estate. The Group leases three restaurants from Metropolitan Properties International Sp. z o.o. on the terms and conditions similar to the lease agreements concluded with non-related entities.

Lease fees and other fees paid to MPI amounted to PLN 1.431 thousand and PLN 1.384 thousand respectively in the 12 months periods ending December 31, 2013 and December 31, 2012.

Group shareholders

As at December 31, 2013, WP Holdings VII B.V. was the largest shareholder of AmRest and held 32.99% of its shares and voting rights, and as such was its related entity. No material transactions with WP Holdings VII B.V. related parties were noted.

Transactions with the management/Management Board, Supervisory Board

The remuneration of the Management Board of AmRest Holdings SE paid by the Group was as follows:

	For the 12 months ended December 31, 2013	For the 12 months ended December 31, 2012
Remuneration of the members of the Management and Supervisory Boards paid directly by the Group	5 186	5 933
Total remuneration paid to the Management Board and Supervisory Board	**5 186**	**5 933**

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

On February 18, 2011 Wojciech Mroczyński signed sabbatical agreement with AmRest Sp. z o.o. According to the agreement, the remuneration for sabbatical leave period from March 1, 2011 to February 29, 2012 will be offset with bonus payable for first 3 years between 2012, 2013 and 2014. In the event of Wojciech Mroczyński voluntarily leaving the Company or being terminated for cause during the period between March 1, 2012 and February 28, 2018 he will reimburse the Company the unamortized portion of sabbatical remuneration net of income taxes and other statutory charges withheld from the remuneration received for the sabbatical period pro-rata based on the amortization period mentioned above, referred to as net sabbatical remuneration. Wojciech Mroczyński was re-appointed as a Management Board Member of the Company on March 31, 2012. As at December 31, 2013 the balance of net sabbatical remuneration is PLN 142 thousand, decreased about PLN 268 thousand from base level PLN 410 thousand.

The Group's key employees also participate in an employee share option plan (note 23). The costs relating to the employee option plan in respect of management amounted to PLN 3.029 thousand and PLN 2.316 thousand respectively in the 12 month period ended December 31, 2013 and December 31, 2012.

		For the 12 months ended December 31, 2013	**For the 12 months ended December 31, 2012**
Number of options awarded		650 750	650750
Number of available options		126 417	114 300
Fair value of options as at the moment of awarding	PLN	15 877 751	15 877 751

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

34. Critical accounting estimates and judgments

Key sources of uncertainties relating to estimates

Estimates and judgments are continually verified, 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 are exposed to a significant risk of introducing a significant adjustment of the carrying amount of assets and liabilities during another financial year relate mainly to the impairment tests in respect of property, plant and equipment and goodwill, amortization and depreciation, provisions and calculation of deferred tax.

Estimated impairment of goodwill

The Group each year tests goodwill for impairment in accordance with its accounting policies described in note 1p). The recoverable value of a cash generating unit is determined on the basis of the calculation of its value in use (note 12). As at December 31, 2013 goodwill impairment in the value of PLN 1.936 thousand was recognized.

Estimated impairment of property, plant and equipment

Once a year Group tests impairment of property, plant and equipment for impairment losses according to the accounting policy described in note 1p). This value is compared with assets value and in case of identification of gap in coverage there is impairment loss recognized. In the period of 12 months ended December 31, 2013 and December 31, 2012 were recognized impairment losses according to information presented in note 9 and 11.

Estimated depreciation charges

Estimation of depreciation rates is realized on the basis of technical abilities of a given asset, together with planned form and intensity of usage, with simultaneous consideration of experience and legal obligations influencing usage of the given asset.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Increasing the average useful lives of property, plant and equipment by 10% would lead to a decrease in depreciation for the 12-month period ended December 31, 2013 by ca. PLN 17.527 thousand. Increasing the average useful lives of property, plant and equipment by 10% would lead to a decrease in depreciation for the 12-month period ended December 31, 2012 by ca. PLN 17.159 thousand.

Fair value estimation

As at financial statement publishing date fair value of financial instruments which are in turnover on active market bases on market quotation. Fair value of financial instruments which aren't in turnover on active market is calculated by using valuation techniques.
Fair value of investment property which aren't in turnover on active market is calculated by using valuation techniques.
The Group uses different methods and assumes assumptions based on market conditions as at each balance sheet date. Fair value of financial assets and investment property available for sale, which aren't in turnover on active market, is calculated with using sector indexes and last available information concerning the investment. Fair value of currency exchange rate option and forwards is calculated based on valuation made by banks which issued the instrument. Balance sheet value of trade receivables including impairment and balance sheet value of trade payables are similar to their fair values due to short term capacity.

The following fair value valuations concerning financial instruments were used by the Group:

- quoted prices (not adjusted) from active markets for the same assets and liabilities (Level 1),
- input data different from quoted prices included in Level 1, which are observed for assets and liabilities directly (as prices) or indirectly (based on prices) (Level 2),
- input data for valuation of assets and liabilities , which don't base on possible to observe market data (input data not observed) (Level 3).

	Note	**Level 1**	**Level 2**	**Level 3**	**31.12.2013**
Assets from derivatives	19	-	272	-	272
Investment property	10	-	22 152	-	22 152
Liabilities from derivatives	22	-	165	-	165

Financial assets available for sale belong to the "CEE" segment, their fair value was based on valid stock exchange quoting being on active market. Investment property belong to the "CEE" segment, their fair value was based on valuation technics. As at December 31, 2013 the Group didn't possess financial instruments valuated at fair value. As at December 31, 2013 the Group didn't recognizes the transfers between levels of fair value valuations.

For the purpose of the risk management related to certain transaction within the Group, forward currency contracts are used. Opened contracts as at December 31, 2013 are not designated as cash flow hedges, fair value hedges or net investment hedges in foreign operations. They are signed for periods not longer than risk exposition periods, prevailing for one to tvelve months.

Provisions

Key uncertainties and estimates are described in note 24.

Gift card liability estimates

Subsidiaries of the Group are performing operations also within sales and realization of gift cards. Group records a liability in the period in which gift cards are issued and proceeds are received. As gift cards are redeemed, this liability is reduced and revenue is recognized. The liability for gift cards not redeemed after two years is recognized as revenue. Following own and industry experience, historical and legal analysis this approach should be treated as best available estimate regarding gift cards. Value of gift card liability is presented in note 26.

Deferred income tax

Uncertainties and estimates related to deferred taxes come mainly from recognizing a deferred tax asset in respect of unused tax losses carried forward (note 7).

Critical accounting judgments

Critical accounting judgments relate to the classification of leases – notes 27 and 28 and recognition of deferred tax on tax loss carryforwards – note 7. In classification of agreements for operating lease and finance categories critical judgments are made allowing to classify given agreement to given type of leasing. Judgments consider mainly: period of use, purchase option, alternatives availability, term of agreement cancelation.

Recognition of put option liability

According to terms of the agreement AmRest owned "Call Option" to purchase total or part of AmRest TAG shares from non-controlling interest shareholders. AmRest had the right to realize Call option after 3 and to 6 years from the date of finalizing the agreement on May 1 and December 1 each year within this period. Non-controlling shareholders had the right to "Put Option" to sell total or part of shares. Put option could have been realized after 3 and to 6 years from the date of finalizing the agreement. Additionally, the Put Option could have been exercised at any time in the following cases: death of Mr. Steven Kent Wineger, formal initiation of the listing process of AmRest TAG's shares on a security exchange, AmRest's stock market price per share falling below 65 PLN. The price of both options was equal 8.2 times of the EBITDA value for last 12 months, adjusted by net debt value on the day of option realization.

In the period from June 24th to 28th, 2013 settlement set by agreement of put option was confirmed,. According to this agreement non-controlling interests of AmRest TAG Group were acquired by AmRest. As a consequence of this transaction, Group has recognized income of PLN 65 388 thousand, which is equal to the difference between cash paid plus fair value of deferred payments and fair value of put option at the moment of the transaction. Additionally, Group recognized costs from put option valuation of PLN 1 906 thousand relating to change in the fair value of the liability in the second quarter of 2013. As of December 31, 2013 there is no liability related to put option reported in the annual consolidated financial statements of the Group. As at option settlement date (June 28th, 2013) the value of the put option was equal to PLN 202 521 thousand (EUR 46 780 thousand). According to hedge accounting policy the foreign exchange valuation effect of PLN 11 233 thousand was presented in statement of changes in equity and statement of comprehensive income. As at 31.12.2013 fair value of deferred payment liability equaled to PLN 0 thousand, this liability has been fully settled.

35. Financial instruments

The Group is exposed to several financial risks in connection with its activities, including: the risk of market fluctuations (covering the foreign exchange risk and risk of changes in interest rates), risk related to financial liquidity and – to a limited extent – credit risk. The risk management program implemented by the Group is based on the assumption of the unpredictability of the financial markets and is used to maximally limit the impact of negative factors on the Company's financial results.

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

Credit risk

Financial instruments especially exposed to credit risk include cash and cash equivalents, receivables, derivatives and investments held to maturity. The Group invests cash and cash equivalents with highly reliable financial institutions. There is no significant concentration of credit risk in respect of trade and other receivables due to the fact that sales are based mainly on cash and credit card payments. The Group set up an additional impairment write-down of PLN 2 348 thousand for the Group's receivables exposed to credit risk and additionally, reversed previous impairment in value of PLN 530 thousand in the 12 month period ended December 31, 2012. The maximum credit risk exposure amounts to PLN 342.775thousand.

The ageing break-down of receivables and receivable write-downs as at December 31, 2013 is presented in the table below:

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

	current	overdue in days				Total
		less than 90	91 - 180	181 - 365	more than 365	
Trade and other receivables	55 315	15 061	4 680	8 477	6 054	89 587
Receivable write-downs	-	-	-	(653)	(5 819)	(6 472)
Total	55 315	15 061	4 680	7 824	235	83 115

Value of impairment provisions for receivables as at December 31, 2013 and December 31, 2012 is presented in table below:

	31.12.2013	**31.12.2012**
Value for the beginning of the period	5 467	5 641
Provision created	2 348	1 033
Provisions released	(530)	(815)
Provisions used	(1 106)	(518)
Other	293	126
Value for the end of the period	**6 472**	**5 467**

The Group did not recognize impairment on overdue trade and other receivables of PLN 27.800 thousand because it believes that they will be recovered in full.

Interest rate risk

Bank borrowings drawn by the Group are most often based on fluctuating interest rates (note 21). As at December 31, 2013 the Group does not hedge against changes in cash flows resulting from interest rate fluctuations which have an impact on the results. The Group analyzes the market position relating to interest on loans in terms of potential refinancing of debt or renegotiating the lending terms and conditions. The impact of changes in interest rates on results is analyzed in quarterly periods.

Had the interest rates on loans denominated in Polish zloties during the 12 months ended December 31, 2013 been 30 base points higher/lower, the profit before tax for the period would have been PLN 848 thousand lower/higher (2012: PLN 1.018 thousand).

Had the interest rates on loans denominated in Czech crowns during the 12 months ended December 31, 2013 been 30 base points higher/lower, the profit before tax for the period would have been PLN 165 thousand lower/higher (2012: PLN 175 thousand).

Had the interest rates on loans denominated in US dollars during the 12 months ended December 31, 2013 been 30 base points higher/lower, the profit before tax for the period would have been PLN 297 thousand lower/higher (2012: PLN 450 thousand).

Had the interest rates on loans denominated in euro during the 12 months ended December 31, 2013 been 30 base points higher/lower, the profit before tax for the period would have been PLN 1.488 thousand lower/higher (2012: PLN 743 thousand).

Foreign exchange risk

The Group is exposed to foreign exchange risk related to transactions in currencies other than the functional currency in which the business operations are measured in particular Group companies. Foreign exchange risk results from future business transactions, recognized assets and liabilities. Moreover, lease payments related to a significant part of the Group’s lease agreements are indexed to the exchange rate of the American dollar or the euro. Nevertheless, the Group is trying to sign lease agreements in local currencies whenever possible, but many landlords require that the lease payments be indexed to the euro or to the American dollar.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

For hedging transactional risk and risk resulting from revaluation of recognized assets and liabilities Group uses derivative forward financial instruments.

Net investment foreign currency valuation risk

Group is exposed to risk of net investment valuation in subsidiaries valued at foreign currencies. This risk is hedged for key positions with use of net investment hedge.

In 2013 Group applies hedging accounting for revaluation of borrowings, forwards and put option liability in EUR which constitutes net investment hedges in Hungarian and Spanish related parties. Details concerning hedging on currency risk are described in note 20. Additionally, at the time of Applebees assets sale in the fourth quarter of 2012, Group hedged the USD tranche falling due in September 2013 with forward contracts. For this hedging relationship the hedge accounting was not required.

Sensitivity analysis

As at December 31, 2013 and December 31, 2012, the Group's assets and liabilities are denominated mainly in the functional currencies of the Group members.

As at December 31, 2013 if foreign exchange rates would increase by 10% effect of net investment hedge valuation wouldn't influence net income due to 100% efficiency of the hedge. Effect on the comprehensive income would be in the value of PLN 58.890 thousand (2012: PLN 63.091 thousand).

Liquidity risk

Prudent financial liquidity management assumes that sufficient cash and cash equivalents are maintained and that further financing is available from guaranteed funds from credit lines.

The table below shows an analysis of the Group's financial liabilities which will be settled in net amounts in particular ageing brackets, on the basis of the term to maturity as at the balance sheet date. The amounts shown in the table constitute contractual, undiscounted cash flows.

The maturity break-down of long- and short-term borrowings as at December 31, 2013 and December 31, 2012 is presented in the table below:

	31.12.2013			31.12.2012		
	Loan installments	Interest and other charges	Total	Loan installments	Interest and other charges	Total
Up to 1 year	152 469	40 562	193 031	185 326	32 965	218 291
Between 1 and 2 years	-	51 068	51 068	350 760	26 634	377 394
Between 2 and 5 years	923 228	114 438	1 037 666	263 243	6 697	269 940
More than 5 years	-	-	-	-	-	-
Payable gross value	1 075 697	206 068	1 281 765	799 329	66 296	865 625
Not amortized loan cost	(7 385)	-	(7 385)	(6 246)	-	(6 246)
Payable net value	1 068 312	206 068	1 274 380	793 083	66 296	859 379

Capital risk

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

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

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

The Group's gearing as at December 31, 2013 and December 31, 2012 is as follows:

	31.12.2013	**31.12.2012**
Total borrowings (note 21)*	1 075 697	793 082
Finance lease liabilities (note 27)	8 583	4 848
Less: Cash and cash equivalents (note 18)*	(259 510)	(200 402)
Net debt	824 770	597 528
Income from operating activity before interests, tax, depreciation, gain/loss on fixed assets sale and impaiment after adjustment of profit from sold assets in USA (adjusted EBITDA)	282 415	304 828
Gearing ratio	**2.92**	**1.96**

*excluding data concerned Blue Horizon in 2012

The increase in the gearing ratio as at December 31, 2013 results mainly from higher capital expenditures, financed by external loans.

36. Events after the Balance Sheet Date

On January 16th, 2014 restaurant operations in India were discontinued as result of the sale of all restaurants.

On January 29th, 2014 the inspection of VAT in AmRest Sp. z o.o. began and until the publication date of financial statement the report of control procedure is not completed.

On January 16th, 2014 The Supervisory Board based on Regulations Management Option Plan, approved December 13th, 2011, granted 215 000 options (including grants to the Member of the Board of AmRest Holdings SE Wojciech Mroczyński in the amount of 30 000 options).

On January 31st, 2014 between Burger King Europe GmbH (BKE), AmRest sp. z o.o., and AmRest Holding SE the amendment to "Strategic Development Agreement" was signed partially amending "Development Agreement" and franchise agreement was signed with AmRest Sp. z o.o., considering opening and running Burger King restaurants in Poland in 2013-2015 years.

Signatures of Board Members

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

Wrocław, March 14, 2014