AmRest Holdings SE

Consolidated annual financial statements as at and for the twelve months ended December 31, 2009

Contents:

Wojciech Mroczyński	**Piotr Boliński**
AmRest Holdings SE	**AmRest Holdings SE**
Board Member	**Board Member**

Wrocław, April 29, 2010

Consolidated annual income statement
for the 12 months ended December 31, 2009 and 2008

In PLN thousands	Note	2009	2008 (restated)
Restaurant sales	3	2 000 490	1 409 893
Restaurant expenses:	4		
Costs of food		(632 248)	(458 489)
Direct marketing costs		(93 179)	(60 855)
Direct depreciation and amortization expenses		(80 716)	(56 747)
Payroll and employee benefits		(510 345)	(318 416)
Continuing franchise fees		(106 301)	(87 350)
Occupancy and other operating expenses		(391 382)	(263 197)
Total restaurant expenses		(1 814 171)	(1 245 054)
Gross profit on sales		186 319	164 839
General and administrative expenses (G&A) without depreciation and amortization	4	(107 635)	(84 264)
Depreciation and amortization expenses (G&A)	4	(7 609)	(3 659)
Other operating income	5	25 115	10 595
(Loss)/gains on disposal of property, plant and equipment and intangibles	10	(7 103)	6 718
Impairment losses	4	(9 263)	(1 961)
Operating profit		79 824	92 268
Finance costs	3,7	(32 421)	(21 934)
Finance income	3,6	17 010	11 030
Share of profit of associates	3,32	53	(15 081)
Loss on sale of associates	32	(3 055)	-
Impairment of shares in associates	3,32	-	(10 349)
Profit before tax	8	61 411	55 934
Income tax expense	3,8	(9 951)	(16 082)
Profit for the period from continuing operations		**51 460**	**39 852**
Discontinued operations			
Profit/(loss) from discontinued operations	9	(12 886)	(10 573)
Profit for the period		38 574	29 279
Profit/ (loss) attributable to:			
Non controlling interests		342	(3 090)
Equity holders of the parent		**38 232**	**32 369**
Profit /(loss) for the period		38 574	29 279
Basic earnings per share in Polish zloty	30	2.69	2.28
Diluted earnings per share in Polish zloty	30	2.69	2.27
Continued operations			
Basic earnings per share in Polish zloty	30	3.60	3.03
Diluted earnings per share in Polish zloty	30	3.60	3.01
Discontinued operations			
Basic earnings per share in Polish zloty	30	(0.91)	(0.75)
Diluted earnings per share in Polish zloty	30	(0.91)	(0.74)

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 12 months ended December 31, 2009 and 2008

In PLN thousands	**2009**	**2008**
Profit/(loss) for the period	38 574	29 279
Other comprehensive income:		
Currency translation differences from conversion of foreign Entities	(25 467)	48 855
Cash flow hedges	(9 254)	9 254
Income tax concerning cash flow hedges	1 758	(1 758)
Other comprehensive income/(loss) for the period, net of tax	(32 963)	56 351
Total comprehensive income for the period	5 611	85 630
Total comprehensive income/(loss) attributable to:		
Equity holders of the parent	4 301	86 316
Non controlling interests	1 310	(686)

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

AmRest Holdings SE

Consolidated annual balance sheet as at December 31, 2009 and 2008

In PLN thousands

	Note	2009	2008 restated	2007
Assets				
Property, plant and equipment	10	538 650	474 062	272 663
Goodwill	12	285 214	311 076	136 504
Other intangible assets	11	45 756	43 347	13 955
Investments in associates	32	172	37 725	2 353
Leasing receivables	16	715	-	47 952
Other non-current assets	13	23 332	57 359	-
Financial assets available for sale	19	3 514	-	-
Deferred tax assets	7	14 671	16 113	12 279
Total non-current assets		912 024	939 682	485 706
Inventories	14	21 051	20 878	11 594
Trade and other receivables	15	33 484	77 618	40 460
Corporate income tax receivables	8	6 638	1 098	403
Leasing receivables	16	119	-	-
Other current assets	17	15 197	12 263	11 621
Assets available for sale	9	3 434	-	-
Derivative financial instruments	35	-	9 254	-
Cash and cash equivalents	18	159 148	37 583	46 873
Total current assets		239 071	158 694	110 951
Total assets		1 151 095	1 098 376	596 657
Equity				
Share capital	20	427	545	544
Reserves	20	282 481	307 633	320 532
Retained earnings	20	56 611	22 016	(10 353)
Translation reserve	20	33 175	24 730	(21 576)
Equity attributable to shareholders of the parent		372 694	354 924	289 147
Non-controlling interests	20	10 197	17 386	4 316
Total equity		382 891	372 310	293 463
Liabilities				
Interest-bearing loans and borrowings	21	112 512	391 934	124 146
Finance lease liabilities	27	3 408	4 024	4 160
Employee benefit liability	23	2 580	1 548	1 221
Provisions	24	8 980	5 529	5 887
Deferred tax liability	8	13 030	10 589	10 124
Other non-current liabilities	25	2 002	551	2 337
Total non-current liabilities		142 512	414 175	147 875
Interest-bearing loans and borrowings	21	424 526	40 536	38 552
Finance lease liabilities	27	516	597	1 442
Trade and other accounts payable	26	200 646	270 364	111 527
Income tax liabilities	8	4	394	3 798
Total current liabilities		625 692	311 891	155 319
Total liabilities		768 204	726 066	303 194
Total equity and liabilities		1 151 095	1 098 376	596 657

The consolidated balance sheet has to be analyzed jointly with the notes which constitute an integral part of these consolidated financial statements

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Consolidated annual cash flow statement
for the 12 months ended December 31, 2009 and 2008

In PLN thousands	**Note**	**2009**	**2008**
Cash flows from operating activities			
Profit before tax from continued operations		61 411	55 934
Loss before tax from discontinued operations	9	(12 886)	(10 573)
Adjustments for:			
Share of profit of associates	32	(53)	15 081
Loss on sale of shares in associates	32	3 055	10 349
Result on sold own shares		(5)	-
Non controlling interests		342	(3 090)
Amortization	11	5 514	3 947
Depreciation	10	82 811	56 459
Valuation of put option	6	(16 446)	-
Interest expense, net	6,7	29 523	20 900
Foreign exchange gain	6,7	843	(9 561)
Loss/(gain) on disposal of property, plant and equipment and intangibles	10	7 103	(6 635)
Impairment of assets	10,11	8 272	2 162
Equity-settled share-based payments expenses	23	2 816	2 406
Working capital changes:			
Change in receivables		(4 330)	(23 559)
Change in inventories		(748)	(5 806)
Change in other assets		31 797	9 986
Change in payables and other liabilities		18 344	115 747
Change in other provisions and employee benefits		1 034	296
Income tax paid/returned		(12 166)	(21 270)
Interest paid	7	(29 523)	(20 900)
Other		(42 314)	(895)
Net cash provided by operating activities		134 394	190 978
Cash flows from investing activities			
Acquisition of a subsidiaries, net of cash acquired		-	(147 710)
Proceeds from settlement on subsidiaries acquired	3	27 562	-
Proceeds from the sale of associates		30 465	-
Proceeds from transactions with non-controlling interests		2 859	-
Proceeds from the sale of property, plant and equipment, and intangible assets		884	19 453
Acquisition of property, plant and equipment	10	(147 761)	(173 584)
Acquisition of intangible assets	11	(10 161)	(13 527)
Acquisition of assets available for sale		87	-
Acquisition of shares in associates		-	(59 317)
Net cash used in investing activities		(96 065)	(374 685)
Cash flows from financing activities			
Proceeds from sale of own shares		1 113	-
Proceeds from issuance of debt securities		109 285	30 596
Proceeds from shares issued		-	1 124
Payments for repayment of shares from non controlling interests		(10 124)	-
Proceeds from borrowings		42 000	536 518
Repayment of borrowings		(46 672)	(377 543)
Redemption of debt securities issued		(10 000)	(21 000)
Proceeds/repayment of finance lease payables		(697)	(981)

Proceeds/repayment of finance lease receivables	(834)	-
Net cash provided by/(used in) financing activities	84 071	(14 993)
Net change in cash and cash equivalents	122 400	46 873
Cash and cash equivalents, beginning of period	37 583	5 703
Effect of foreign exchange rate movements	(835)	37 583
Cash and cash equivalents, end of period	159 148	(14 993)

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

Statement of annual changes in consolidated equity for the 12 months ended December 31, 2009 and 2008

	Attributable to equity holders						
	Issued capital	Reserved capital	Retained Earnings	Cumulative translation adjustments	**Total equity attributable to equity holders of the parent**	Non-controlling interest	**Total Equity**
As at 01.01.2008	**544**	**320 532**	**(10 353)**	**(21 576)**	**289 147**	**4 316**	**293 463**
COMPREHENSIVE INCOME							
Income/(loss) for the period	-	-	32 369	-	**32 369**	(3 090)	**29 279**
Currency translation differences	-	-	-	46 451	**46 451**	2 404	**48 855**
Impact of cash flow hedging	-	9 254	-	-	**9 254**	-	**9 254**
Deferred income tax concerning cash flow hedges	-	(1 758)	-	-	**(1 758)**	-	**(1 758)**
Total Comprehensive Income	**-**	**7 496**	**32 369**	**46 451**	**86 316**	**(686)**	**85 630**
TRANSACTION WITH NON-CONTROLLING INTERESTS							
PUT option valuation	-	(23 496)	-	-	**(23 496)**	-	**(23 496)**
Equity attributable to non controlling interests	-	-	-	-	**-**	13 411	**13 411**
Purchase of non controlling interests (Apple Grove Holdings LLC)	-	-	-	-	**-**	32	**32**
Effect of final purchase settlement of control in SCM	-	-	-	-	**-**	313	**313**
Total transactions with non controlling interests	**-**	**(23 496)**	**-**	**-**	**(23 496)**	**13 756**	**(9 740)**
TRANSACTION WITH SHAREHOLDERS							
Issue of shares	1	1 409	-	-	**1 410**	-	**1 410**
Own shares recognition	-	145	-	(145)	**-**	-	**-**
Employees share option scheme – value of employee services	-	2 406	-	-	**2 406**	-	**2 406**
Employees share option scheme – value realized options	-	(859)	-	-	**(859)**	-	**(859)**
Total transactions with equity holders	**1**	**3 101**	**-**	**(145)**	**2 957**	**-**	**2 957**
As at 31.12.2008 according to published financial statements for 2008	545	307 633	22 016	24 730	**354 924**	17 386	**372 310**
Functional currency translation	(118)	(31 125)	(3 637)	34 880	**-**	-	**-**
As at 01.01.2009	**427**	**276 508**	**18 379**	**59 610**	**354 924**	**17 386**	**372 310**
COMPREHENSIVE INCOME							
Income/(loss) for the period	-	-	38 232	-	**38 232**	342	**38 574**
Currency translation differences	-	-	-	(26 435)	**(26 435)**	968	**(25 467)**
Impact of cash flow hedging	-	(9 254)	-	-	**(9 254)**	-	**(9 254)**
Deferred income tax concerning cash flow hedges	-	1 758	-	-	**1 758**	-	**1 758**
Total Comprehensive Income	**-**	**(7 496)**	**38 232**	**(26 435)**	**4 301**	**1 310**	**5 611**
TRANSACTION WITH NON-CONTROLLING INTERESTS							
Equity attributable to non controlling interests	-	-	-	-	**-**	2 251	**2 251**
Purchase of non controlling interests	-	10 750	-	-	**10 750**	(10 750)	**-**
Total transactions with non controlling interests	**-**	**10 750**	**-**	**-**	**10 750**	**(8 499)**	**2 251**
TRANSACTION WITH SHAREHOLDERS							
Employees share option scheme – value of employee services	-	2 816	-	-	**2 816**	-	**2 816**
Employees share option scheme – value realized options	-	(97)	-	-	**(97)**	-	**(97)**
Total transactions with equity holders	**-**	**2 719**	**-**	**-**	**2 719**	**-**	**2 719**
As at 31.12.2009	**427**	**282 481**	**56 611**	**33 175**	**372 694**	**10 197**	**382 891**

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

The Court also registered amendments to the Company's Memorandum of Association related to the transfer of the registered office of AmRest to Poland.

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

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 31 December 2008 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 27, 2009.

These consolidated financial statements were approved by the Company's Management Board on April 29, 2010.

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, Hungary, Russia, Serbia and Bulgaria, on the basis of franchises granted, and Applebee's® in the USA, as well as proprietary "Rodeo Drive" and "Freshpoint" restaurants.

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

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

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

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

As at December 31, 2009, WBK AIB Asset Management was the largest shareholder of AmRest and held 22.27% of its shares and voting rights.

Wg informacji posiadanych przez Grupę na dzień zatwierdzenia sprawozdania, tj. 29 kwietnia 2010 r. następujący akcjonariusze przekazali informację o posiadaniu bezpośrednio lub pośrednio (poprzez podmioty zależne) co najmniej 5% liczby głosów na Walnym Zgromadzeniu Akcjonariuszy AmRest Holdings SE:

(in PLN thousands unless stated otherwise)

Akcjonariusze	Liczba akcji	Udział w kapitale %	Liczba głosów na WZA	Udział na WZA %
BZ WBK AIB AM *	3 583 623	25,26%	3 583 623	25,26%
ING OFE	2 791 976	19,68%	2 791 976	19,68%
Henry McGovern **	1 295 110	9,13%	1 295 110	9,13%
Commercial Union OFE	1 000 000	7,05%	1 000 000	7,05%
PZU OFE	745 257	5,25%	745 257	5,25%

* BZ WBK AIB AM zarządza aktywami, w których skład wchodzą m.in. fundusze należące do BZ WBK AIB TFI
** akcje posiadane bezpośrednio przez Henry McGovern oraz poprzez spółki całkowicie od niego zależne, tj. IRI oraz MPI

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 specific terms and conditions specified in the agreements.

Burger King restaurants operate on the basis of franchise agreements signed with Burger King Europe GmbH with its registered office in Zug, Switzerland. The franchise agreements are concluded separately by each restaurant upon its being opened. 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.

The Group will open and operate Burger King restaurants according to a precisely specified development plan which stipulates a minimum number of openings in each development year, in accordance with the definition in the Development Plan.

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.

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%.
- The Group will open and operate Burger King restaurants according to a precisely specified development plan which stipulates the minimum number of openings in each development year, in accordance with the definition contained in the Development Plan.

As at December 31, 2009, the Group had 21 open Burger King restaurants.

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 Republic 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 Republic 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 on August 31, 2007. These companies are the only entities authorized to develop and run Starbucks cafés in Poland, the Czech Republic 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 third and fourth year after establishing the companies, if the Group does not meet the commitments relating to opening and operating a minimum number of Starbucks cafés in Poland, the Czech Republic and Hungary, Starbucks will be entitled to increase its share in the companies by purchasing additional shares (maximum up to 50%). In the fifth and 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.

(in PLN thousands unless stated otherwise)

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.

On July 9, 2008, AmRest LLC ("AmRest USA") purchased 80% of shares in Apple Grove Holdings, LLC ("AGH"), a limited liability company with its registered office in Delaware, USA from Grove Ownership Holding, LLC ("the Seller"), a limited liability company with its registered office in Georgia, USA (described in note 3).

The above transaction allowed the Group to enter the American restaurant market by acquiring 104 Applebee's® restaurants. AppleGrove Holdings, LLC has a signed franchise agreement with Applebee's Franchising LLC. The preliminary fee paid by the Group in respect of signing the franchise agreement for each Applebee's® restaurant for a period of 20 years, with the option of extending it for a further 10 years, is USD 35,000.

As at December 31, 2009, the Group comprised the following subsidiaries:

Company name	Address and country of the registered office	Main area of operation	Name of direct parent entity and other share owners	Share in capital and total voting rights	Date of taking up control
AmRest Sp. z o.o.	Wrocław, Poland	Operating restaurants in Poland	AmRest Holdings SE	100.00 %	December 2000
AmRest s.r.o.	Prague, Czech Republic	Operating restaurants in the Czech Republic	AmRest Holdings SE	100.00 %	December 2000
International Fast Food Polska Sp. z o.o. in liquidation	Wrocław, Poland	No current operations	AmRest Sp. z o.o.	100.00 %	January 2001
AmRest BK s.r.o.	Prague, Czech Republic	Operating Burger King restaurants in Czech Republic	AmRest Holdings SE	100.00%	December 2009
Pizza Hut s.r.o.	Prague, Czech Republic	No current operations	Amrest BK s.r.o. AmRest Sp. z o.o.	99.973% 0.027%	December 2000
AmRest Kft	Budapest, Hungary	Operating restaurants in Hungary	AmRest Sp. z o.o.	100.00 %	June 2006
American Ukraina t.o.w.	Kiev, the Ukraine	No current operations	AmRest Sp. z o.o.	100.00 %	December 2005
AmRest Coffee Sp. z .o.o.	Wrocław, Poland	Established to operate Starbucks stores in Poland	AmRest Sp. z o.o. Starbucks Coffee International, Inc	82.00 % 18.00 %	March 2007
Bécsi út.13. Kft	Budapest,	Owner of the building where	AmRest Kft	100.00 %	April 2007

(in PLN thousands unless stated otherwise)

	Hungary	the office area is located			
AmRest EOOD	Sofia, Bulgaria	Operating restaurants in Bulgaria	AmRest Sp. z o.o.	100.00 %	April 2007
AmRest Coffee s.r.o.	Prague, Czech Republic	Established to operate Starbucks stores in the Czech Republic	AmRest Sp. z o.o. Starbucks Coffee International, Inc	82.00 % 18.00 %	August 2007
AmRest Acquisition Subsidiary Inc.	Wilmington, USA	Holding activities	AmRest Holdings SE	100.00 %	May 2007
OOO AmRest	Petersburg, Russia	Operating restaurants in Russia	AmRest Acquisition Subsidiary Inc. AmRest Sp. z o.o.	1.56 % 98.44%	July 2007
OOO KFC Nord	Moscow, Russia	No current operations	OOO AmRest	100 00%	July 2007
OOO Sistema Bistrogo Pitania.	Moscow, Russia	No current operations	OOO AmRest	100 00%	July 2007
AmRest Kávézó Kft	Budapest, Hungary	Established to operate Starbucks stores in Hungary	AmRest Sp. z o.o. Starbucks Coffee International, Inc	82.00 % 18.00 %	August 2007
AmRest D.O.O.	Belgrade, Serbia	Operating restaurants in Serbia	AmRest Sp. z o.o. ProFood Invest GmbH	60.00 % 40.00%	October 2007
AmRest LLC	Wilmington, USA	Holding activities	AmRest Sp. z o.o.	100.00 %	July 2008
SCM Sp. z o.o.	Chotomów, Poland	Delivery services for restaurants provided to the Group	AmRest Sp. z o.o. Zbigniew Cylny Beata Szafarczyk-Cylny	51.00% 44.00% 5.00%	October 2008

* as at April 27, 2010 Group has finished liquidation process of Company International Fast Food Polska Sp. z o.o. and has been removed from court registers

On March 23, 2009 it was agreed to liquidate Grifex I sp. z o.o. by District Court for the capital city of Warsaw.

On August 31, 2009 took place a merger of subsidiary OOO KFC South with OOO Amrest under pooling of interests method.

On November 24, 2009 Group purchased 20% of shares from Mr Steve Grove and owns 100% shares in AppleGrove Holdings, LLC.

On December 28, 2009 took place a merger of AmRest LLC and AppleGrove Holdings LLC. From that moment Group operates restaurant business in US by Amrest LLC.

On December 31, 2009 AmRest BK s.r.o. was founded, that will be responsible for operating restaurant business for Burger King in Czech Republic. Simultaneously intra group transfer of shares (99.973%) in Pizza Hut s.r.o. was made from AmRest s.r.o. to AmRest BK s.r.o.

(in PLN thousands unless stated otherwise)

As at December 31, 2009, the Group posses the following associated entities included in the financial statements under the equity method:

Company name	Address and country of the registered office	Main area of operation	Name of Parent Company	Share in capital and total voting rights	Date of purchase
SCM s.r.o.	Prague, Czech Republic	Delivery services for restaurants provided to the Group	SCM Sp. z o.o.	40.50%	March 2007

On October 29, 2009 was signed an agreement for sale of 33,33% shares in Worldwide Communication Services LLC between AmRest sp. z o.o. and Seblenco Holdings Co. Limited. Simultaneously in the result of this transaction Group had lost shares in Red8 Communications Group sp. z o.o. (entity being a subsidiary to associate - Worldwide Communication Services LLC, that owned 52% of voting rights).

The Group's offices are in Wrocław, Poland. At December 31 ,2009, the restaurants operated by the Group are located in Poland, the Czech Republic, Hungary, Russia, Bulgaria, Serbia and the USA.

(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, 2009. As at December 31, 2009, 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 ended December 31 2008, with the exception of the new standards binding as of 1 January 2009.

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

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

- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). - The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.
- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in

profit or loss. The group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.

- Amendment to IAS 39 „Financial Instruments: Recognition and Measurement" – "Criteria for classification as hedged position" – Amendment to IAS 39 "Criteria for classification as hedged position" was published by IASB July 31, 2008 and is valid for annual periods starting from July 1, 2009 or later. Amendment covers explanation how should be in specific circumstances applied rules, whether hedged risk or part of cash flows meet criteria for hedged position. Implemented prohibition for setting inflation as potential hedge for components of debt instrument of fixed interest rate. Amendments prohibits including of temporary value for one side hedged risk, when options are treated as hedging instrument. Group will apply amendments to IAS 39 from January 1, 2010. Management board is during verification of above amendments influence on financial statements.

- Amendments to IFRS 2009 - IASB issued in April 16, 2009 "Amendments to IFRS 2009" which changes 12 standards. Amendments cover changes in presentation, recognition and valuation and cover also certain changes in terminology and edition. Majority of amendments will be valid for annual periods starting from January 1, 2010. Management board is during verification of above amendments influence on financial statements.

- IFRS 2 „Share based payments" – Amendments to IFRS 2 „Share based payments" were issued by IASB June 18, 2009 and are valid for annual periods starting from January 1, 2010 or later. Amendments precise settlement of share based payments inside capital groups. Amendments specify scope of IFRS2 and joint application of IFRS2 and other standards. Amendments implements into standards aspects regulated previously in IFRIC 8 and IFRIC 11. Management board is during verification of above amendments influence on financial statements.

- Amendments to IFRS 1 „First time adoption of IFRS" - Amendments to IFRS 1were published by IASB in July 23, 2009 and are valid for annual periods starting in January 1, 2010 or later. Amendments introduce additional exemptions from performing valuation of assets as at the date of transition into IFRS for entities operating in oil and gas sector. Group will apply amendments according to transitional regulations. As at the date of this consolidated financial statements issuance, changes to IFRS 1 were not yet approved by European Union. IFRS 1 do not influence for Group financial statements. Amendments do not influence financial statements.

- Amendments to IAS 32 „Classification of emission rights" - amendments to IAS 32 "Classification of emission rights" were published by IASB October 8, 2009 and are valid for annual periods starting February 1, 2010 or later. Amendments covers accounting for emission rights (grants, options and warranties) denominated in other than function currency of issuer. Amendments require that, when certain criteria are met, emission rights issuance should be classified as equity independently from which currency is set for rights realization. Group will apply amendments to IAS 32 from January 21, 2011. Amendments do not influence on financial statement.

- Amendments to IAS 24 „Related party disclosures" - Amendments to IAS 24 „Related party disclosures" were published by IASB at November 4, 2009 and are valid for annual periods starting from January 1,2011 or later. Amendments implements simplification regarding the disclosure of information by entities related to governmental institutions and specifies definition of related party. Group applies amendments of IAS 24 according to transitional regulations. As at the date of this consolidated financial statements issuance amendments to IAS 24 were not approved by European Union. Management board is during verification of above amendments influence on financial statements.

- IFRS 9 „Financial Instruments" – IFRS 9 Financial Instruments was published by IASB on November 12, 2009 and is valid for annual periods starting January 1, 2013 or later. Standard introduces on model providing only two classification categories: amortized cost and fair value. IFRS9 approach is based on business model applied by the entity for assets managing and agreed features of financial assets. IFRS 9 requires also application of one method for impairment testing of financial assets. Group will apply IFRS 9 according to transitional regulations. As at the date of this financial statement issuance, IFRS 9 has not been approved by European Union. . Management board is during verification of above amendments influence on financial statements.

- Amendments to IFRS 1 „First time adoption of IFRS" - Amendments to IFRS 1 "Reduced exemption from presentation of comparative data according to IFRS 7 for entities adopting IFRS first time" were published by IASB in January 28, 2010 and are valid for annual periods starting in July 1, 2010 or later. Amendments introduce additional exemptions for entities applying IFRS for the first time concerning disclosure of information required by change in IFRS 7 issued in March 2009 according to transitional regulations. As at the date of this consolidated financial statements issuance, changes to IFRS 1 were not yet approved by European Union. IFRS 1 do not influence for Group financial statements.

- IFRIC 12 „Service concession arrangements" – IFRIC 12 „„Service concession arrangements"" was issued by IFRS Interpretation Committee as at November 30, 2006 and is valid for annual periods starting from March 29, 2009 or later. This interpretation covers guidelines for application of existing standards by entities cooperating in concession arrangements between public and private sectors. IFRIC 12 covers agreements, in which ordering party controls, which services operator provides with the use of infrastructure, who will receive this service and for what price. Group will apply IFRIC 12 from January 1, 2010. According to Group Management Board influence of new interpretation for financial statements is immaterial.

- IFRIC 15 „ Agreements for the Construction of Real Estate" – IFRIC 15 was issued by IFR Interpretation Committee in July 3, 2008 and is valid for annual periods starting from January 1, 2010 or later. This interpretation covers overall guidelines for how asses construction agreement to establish whether results of such agreement should be presented in accordance with IAS 11 or IAS 18 in financial statements. Moreover IFRIC 15 address in which moment should be recognized revenue from construction agreement realization. Group will adopt IFRIC 15 from January 1, 2010. Management board is during verification of above interpretation influence on financial statements.

- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" – IFRIC 16 was issued by IFRS Interpretation Committee as at July 3, 2008 and is valid for annual periods starting from July 1, 2009 or later. This interpretation covers guidelines for designation, whether exists risk of foreign exchange fluctuations in the scope of functional currency of foreign entity and currency of presentation for the purpose of consolidated financial statement of parent entity. Moreover IFRIC 16 explains, which entity in capital groups may recognize hedging instrument of net investment in foreign entity, especially whether parent entity possessing net investment in foreign entity must also possess hedging instrument. IFRIC 16 explains also, which entity should establish amount for reclassification from equity to income statement both for hedging instrument and hedged position, when entity is disposing of investment. Group will implement IFRIC 16 from January 1, 2010. Management board is during verification of above interpretation influence on financial statements.

- IFRIC 17 „Distributions of Non-cash Assets to Owners" - IFRIC 17 „Distributions of Non-cash Assets to Owners" was issued by IFRS interpretation Committee as at November 27, 2008 and is valid for annual periods starting from November 1, 2009 or later. This interpretation covers guidelines in the aspect of dividend recognition timing, valuation of dividend and accounting for difference between value of dividend and balance sheet value of distributed assets. Group will apply IFRIC 17 from January 1, 2010. Management board is during verification of above interpretation influence on financial statements.

- IFRIC 18 „Transfers of Assets from Customers" - IFRIC 18 "Transfers of Assets from Customers" was issued by IASB on January 29, 2009 and is valid for annual periods starting from November 1, 2009 or later. This interpretation covers guidelines in the scope of assets transfer from customers recognition, situation when asset definition is met, identification separately identifiable services (provided in exchange for transferred asset, recognition of revenue and recognition of cash and cash equivalents received from customers. Group will apply IFRIC 18 from January 1, 2010. Management board asses above interpretation influence on financial statements as immaterial.

- Amendment to IFRIC 14 „The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" – Amendments to IFRIC 14 were issued by IFRS Interpretation Committee in November 26, 2009 and is valid for annual periods starting from January 1, 2011 or later. This interpretation covers guidelines in the area of recognition of early payment of contribution for covering of minimal financing requirements as assets in contributing entity. Group will apply IFRIC 14 according to transitional requirements. As at the date of this consolidated financial statements amendment to IFRIS 14 were not yet approved by European Union. Management board is during verification of above amendments influence on financial statements.

- IFRIC 19 „Extinguishing Financial Liabilities with Equity Instruments" – document IFRIC 19 was published by IFRS Interpretation Committee at November 26, 2009 and is valid for annual periods starting July 1, 2010 or later. This interpretation explains accounting principles applied in situation when in result of renegotiation by entity of financial liabilities terms, liability is settled via issuance of equity instruments aimed to creditors. Interpretation requires valuation of equity instruments in fair value and recognition of gain or loss in value of difference between book value of financial liability and fair value of equity instrument. Group will address IFRIC 14 according to transitional regulations. As at the date of this financial statement issuance, IFRS 14 has not been approved by European Union. . Management board is during verification of above amendments influence on financial statements.

<u>The Group has adopted the following new and amended IFRSs as of January 1, 2009:</u>

As at January 1, 2009 Group has adopted following new and amended IFRS and IAS:

- IFRS 7 'Financial instruments – Disclosures' (amendment) – effective January 1, 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earning per share.

- IAS 1 (revised). 'Presentation of financial statements' – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- IAS 23 (revised) "borrowing costs" (effective January 1, 2009) – For borrowing costs incurred concerning qualified assets, that depreciation period starts January 1, 2009 or later, Group capitalize borrowing costs in direct connection with purchase, development or production of qualified asset in the creation cost of such asset. Also previously group accounted for borrowing costs in the value of qualified assets.

- Amendments to IAS 2008 (effective January 1, 2009) – IASB issued in May 22, 2008 “Amendments to IFRS 2008”, that modifies 20 standards. Amendments cover changes in presentation, recognition and valuation and cover also certain changes in terminology and edition. There is no impact on earnings per share.
- IFRS 2 (amendment), 'Share-based payment' (effective January1, 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The group and company have adopted IFRS 2 (amendment) from January 1, 2009. The amendment does not have a material impact on the group or company's financial statements.
- IFRS 8, Operating Segments - IFRS8 is effective for the periods beginning on or after January 1, 2009. IFRS 8 replaces IAS14. The standard requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes as well as information about products, services main clients and geographical split. Changes related to the implementation of IFRS8 do not influence net result of the Group.

(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 basis modified for valuation of derivative instruments 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 income statement. Purchases from non-controlling interests lead to goodwill arising: the difference between the acquisition price and the respective share in the acquired net assets at their carrying amounts.

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: material pos balance sheet events and borrowings.

Consolidated financial statements for the period of twelve months ending December 31, 2009 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. Application of going concern assumption is dependable on positive realization of plans described below. Annual consolidated financial statements do not cover adjustment that would be applicable in such events. As at the date of this financial statements issuance in assessment made by Group Parent Entity there are no circumstances indicating threats for Group business going concern.

As it is described in "note 21 – Borrowings" financial liabilities resulting from loan agreement signed December 15, 2008 between AmRest Holdings SE, AmRest sp. z o.o. and American Restaurants s.r.o. ("Borrowers") and ABN AMRO Bank (Polska) S.A. (currently named RBS Bank (Polska) S.A.), ABN AMRO Bank N.V., Bank Polska Kasa Opieki S.A. and Bank Zachodni WBK S.A. according to terms of this agreement will be paid in total till the end of 2010 year. As a consequence of above described total of this liability is classified as short term item according to structure of loans incidence presented in mentioned note.

As for the day of this financial statement issuance Management Board of Group Parent Entity have plans and realize actions aiming to provide successful refinancing of mentioned above liabilities from loans repayable in 2010 year. Taken by Management Board of Group Parent Entity actions are aimed to finish negotiations and sign agreement allowing to refinance due loans. Management Board informed financing banks about current financial situation of Parent Entity and the Group and about mentioned above plans.

Management Board of Parent Entity made an analysis of planned cash flow for the period of 12 months from balance sheet date December 31, 2009 and available financing scenarios. Made analysis assumes positive outcome of refinancing plans of loans due before December 31, 2010 and realization of agreement with WP Holdings VII B.V

Moreover as at the April 22, 2010 Management of the Group parent entity has signed subscription agreement with WP Holdings VII B.V. (related party of Warburg Pincus). Subscribent is to obtain 4,7 million shares of parent entity from new subscription at emission price of PLN 65 per action, what will constitute 24,99% of diluted share capital. Moreover within 12 months from date of valid parent entity court registration of actions from subscription, Subscriber will have option to sign for additional shares in two tranches, allowing to increase their involvement to the level of 33% of diluted share capital. Emission price for additional subscription will account for 75 PLN per share (additional information in note 36).

According to Management assumptions there are no material threats for effectiveness of undertaken actions what confirms validity of Group going concern assumption.

Consolidated financial statements were prepared according to historical cost concept except for the revaluation of the certain non-current assets and financial instruments. Main group accounting policies are presented below.

(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 the Czech Republic is the Czech koruna, the functional currency of the Group entities operating in Hungary is the Hungarian forint, the functional currency of the Group entities operating in Russia is the

Russian ruble, the functional currency of the Group entities operating in Serbia is the dinar, and the functional currency of the Group entities operating in the USA is the American dollar.

Due to the fact that most operations and transaction are concluded in Polish zloty, the Group presented its consolidated financial statements in Polish zloty.

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 zloties 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 zloties were recognized in the income statement. 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.

The functional currency of none of the subsidiaries is the currency of a hyperinflationary economy as at December , 31 2009.

(g) Franchise, licence agreements and other fees

As described in Note 1(a), 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 43,6 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 1(a)) were specified as follows:

- The licence 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.

- The Franchisee will transfer to the Franchiser a monthly licence 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 1(a)) 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).

The fees and the costs which will be incurred by the Group in connection with the agreements concluded with Applebee's Franchising LLC (Note 1(a)) are as follows:

- The preliminary franchise fee of USD 35 thousand per each opened Applebee's restaurant (capitalized as intangible asset and amortized during the franchise agreement period).

- A fixed licence fee equal to 5% of sales revenues of each of the Applebee's restaurants (added to the income statement when it incurred in category continuing franchise fees).

- The franchisee will pay to the franchiser a monthly fee for advertising and promoting sales in an amount of no less than 2.75% of sales of the Applebee's restaurants operated by the Franchisee, in recognition of the fact that the Franchiser may increase the fee to 4% (added to the income statement when it incurred in category direct marketing costs).
  Additionally, the franchisee is obliged to incur expenses on local marketing of 1% of the sales revenue of the Applebee's restaurants.

(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 IAS23 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 "Proceeds from/losses on sale of non-financial non-current assets".

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 IAS23 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 years	*
• Plant and machinery	4 -8 years	
• Vehicles	5 years	
• Other property, plant and equipment	4 -8 years	

* shorter of 10 years and the lease term.

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

(i) 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 (see Note (o) of the accounting policies).

Trademark

Trademarks have limited (finite) economic lives and are shown in the balance sheet at historical cost less accumulated amortization. Amortization is calculated on a straight-line basis to allocate the cost over the estimated useful life.

Rights to the Pizza Hut, KFC, Burger King, Starbucks and Applebee's trademarks

See Note (g) 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 (o) 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 (n) 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	4 -5 years	
• Favourable lease agreements	2 - 10 years	*
• Trademark	5 years	
• Rights to the Pizza Hut , KFC, Burger King, Starbucks and Applebee's trademarks	10 years	
• Other intangible assets	5 -10 years	

* favourable agreements are amortized over the period to the end of the agreement

(j) 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 (See Note (o) of the accounting policies). Goodwill arising upon the acquisition of associates is recognized in the total carrying amount of the investments in associates.

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.

(k) 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 amortized cost 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 (l) 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 amortized cost using the effective interest method.

(l) 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 (see Note (o) of the accounting policies).

(m) 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.

(n) 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.

(o) 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 (See Note (w) 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.

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.

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.

(p) 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.

(q) 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.

(r) Employee benefits

Share-based payments

The Group has two 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 entities 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 same the period as the related remuneration, under "Costs of wages and salaries, and employee benefits".

(s) 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.

(t) Trade and other payables

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

(u) 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.

(v) Operating leases, lease agreements

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 (h) of accounting policies.

(w) 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.

(x) Derivative financial instruments

The Group sporadically uses derivative financial instruments to hedge against foreign exchange risk in operating and financing transactions. Upon initial recognition derivative financial instruments are stated at fair value in the books of account. Then they are revalued to their present fair values.

The derivative financial instruments concluded by the Group did not meet the criteria for applying hedge accounting. Changes in the fair value of those instruments were recognized immediately in the income statement.

(y) Segment reporting

Business segments were set on the basis of internal managerial reports that are used by Executive Committee while making strategic decisions. Executive Committee analyze performance of the Group allocating owned resources according to given restaurants. Because major of business segment aggregation criteria are met (individually not exceeding allowed in IFRS 8 materiality thresholds) Group presents them according to countries were Group operations are realized.

(z) 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.

(aa) 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.

2 Adjustments

During 12 months period ended December 31, 2009 were identified issues requiring adjustment in comparable period of 12 month ending December 31, 2008. Below are presented descriptions of performed adjustments made together with note presenting influence and reconciliation of data published for the year ended December 31, 2008 and presented as comparative data in current year consolidated financial statements as data for the year 2008.

a) Adjustment for presentation of discontinued operations

According to information provided in note 8 in year 2009 Group classified operations of proprietary brands as discontinued. It results together with IFRS5 requirements in presentation of income statement for year 2008 in modified form after deduction of appropriate income statement elements regarding proprietary brands.

b) Adjustment for error in accounting treatment of foreign exchange on related parties settlement

In year 2008 foreign exchange differences from balance sheet valuation of borrowing between Group entities were classified as equity element. Such classification was made according to plans of borrowing conversion into equity or settlement in case of such plan ineffectiveness. Wrong assumptions made regarding conversion plans were finally confirmed in year 2009 resulting in adjustment of error made by recognizing of valuation results as element of income statement for 2008 year and continuation of such accounting in year 2009.

c) Adjustment on Apple Grove Holdings LLC acquisition accounting

According to information in note 3 in year 2009 took place final reconciliation of USA acquisition. During this reconciliation a set of issue requiring adjustment were noted.

d) Adjustment for dividend paid in SCM sp. z o.o.

In year 2008 took place dividend payment from entity that at the yearend was classified as related party. In consolidated financial statement for the period of 12 months ended December 31, 2008 were wrongly omitted in elimination of related party transaction regarding paid dividend.

e) Adjustment on SCM sp. z o.o. acquisition accounting

At the end of 2008 year Group acquired control over SCM sp. z o.o. During acquisition accounting goodwill was wrongly recognized as other intangibles element and certain material positions were not adjusted to fair value as at the date of obtaining control.

f) Adjustment for own shares recognition

While obtaining control in SCM sp. z o.o. recognition of own shares in possession of this Entity were omitted.

*Published financial statements for year 2008 were influenced by settlement fo purchase price of OOO Pizza Nord (actual name is OOO Amrest), additional assessment of purchase price in value of PLN 5 971 thousand. What influenced the value of trade receivables and others and decrease in goodwill (note 3, 15).

(in PLN thousands unless stated otherwise)

12month ended December 31, 2008	According to issued FS for 2008 year	2 a)	2 b)	2 c)	2 d)	2 e)	Restated comparatives
Restaurant sales	1 427 408	(17 515)					1 409 893
Restaurant expenses:							
Costs of food	(464 953)	6 464					(458 489)
Direct marketing costs	(61 509)	654					(60 855)
Direct depreciation and amortization expenses	(60 080)	2 730		589		14	(56 747)
Payroll and employee benefits	(324 157)	5 741					(318 416)
Continuing franchise fees	(87 350)						(87 350)
Occupancy and other operating expenses	(269 933)	6 736					(263 197)
Total restaurant expenses	(1 267 982)	22 325	-	589	-	14	(1 245 054)
Gross profit on sales	159 426	4 810	-	589	-	14	164 839
General and administrative expenses	(92 516)	687				7 565	(84 264)
Depreciation and amortization expenses (G&A)	(3 664)	5					(3 659)
Other operating income	18 484	(324)				(7 565)	10 595
Profit/(Loss) on disposal of property, plant and equipment and intangibles	6 635	83					6 718
Impairment losses	(7 272)	5 311					(1 961)
Operating profit	81 093	10 572	-	589	-	14	92 268
Finance costs	(22 486)			552			(21 934)
Finance income	3 709	1	6 708		612		11 030
Share in post tax profits of associates	(15 081)						(15 081)
(Loss) on disposal of associates	(10 349)						(10 349)
Profit before tax	36 886	10 573	6 708	1 141	612	14	55 934
Income tax expense	(16 082)						(16 082)
Gain/ (loss) from continued operations	20 804	10 573	6 708	1 141	612	14	39 852
Gain/ (loss) from discontinued operations		(10 573)					(10 573)
Profit for the period	20 804	-	6 708	1 141	612	14	29 279
Attributable to:							
Non controlling interest	(3 319)			229			(3 090)
Equity holders of the parent	24 123		6 708	912	612	14	32 369
Profit for the period	20 804	-	6 708	1 141	612	14	29 279

AmRest Holdings SE

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

As at December 31, 2008	According to issued FS for 2008 year*	2 a)	2 b)	2 c)	2 d)	2 e)	2 f)	Restated comparatives
Assets								
Property, plant and equipment	493 035			(18 973)				474 062
Goodwill	294 657			15 508		911		311 076
Other intangible assets	43 931					(584)		43 347
Investment in associates	37 725							37 725
Other non-current assets	57 359							57 359
Deferred tax assets	16 113							16 113
Total non-current assets	942 820	-	-	(3 465)	-	327	-	939 682
Inventories	20 878							20 878
Trade and other receivables	72 133			5 485				77 618
Corporate income tax receivables	1 098							1 098
Other current assets	12 263							12 263
Derivative financial instruments	9 254							9 254
Cash and cash equivalents	37 583							37 583
Total current assets	153 209	-	-	5 485	-	-	-	158 694
Total assets	1 096 029	-	-	2 020	-	327	-	1 098 376
Share capital	545							545
Reserves	314 808		(6 708)		(612)		145	307 633
Retained earnings	13 770		6 708	912	612	14		22 016
Translation reserve	24 750			125			(145)	24 730
Equity attributable to shareholders of the parent	353 873	-	-	1 037	-	14	-	354 924
Non controlling interest	16 812			261		313		17 386
Total equity	370 685	-	-	1 298	-	327	-	372 310
Liabilities								
Interest-bearing loans and borrowings	391 934							391 934
Finance lease liabilities	4 024							4 024
Employee benefits	1 548							1 548
Provisions	5 529							5 529
Deferred tax liability	10 589							10 589
Other non-current liabilities	551							551
Total non-current liabilities	414 175	-	-	-	-	-	-	414 175
Interest-bearing loans and borrowing	40 536							40 536
Finance lease liabilities	597							597
Trade and other payables	269 642			722				270 364
Income tax liabilities	394							394
Total current liabilities	311 169	-	-	722	-	-	-	311 891
Total liabilities	725 344	-	-	722	-	-	-	726 066

(in PLN thousands unless stated otherwise)

3 Segment reporting

Operating segments were set on the basis of management reports used by Executive Committee during making strategic decisions. Executive committee verifies group performance while deciding of owned resources allocations in breakdown for each restaurant. Because most of the criteria for aggregation of operating segments are met (individually ado not exceed set in IFRS8 materiality thresholds) Group presents them in reportable segment by countries in which Group operations are realized.

Below are presented data relating to operating segments for the twelve-month period ended December 31, 2009 and for the comparative period ended December 31, 2008.

	Poland	***Czech Republic***	***Russia***	***USA***	***Other segments***	***Unallocated***	***Total***
2009							
Revenue from external customers	744 933	289 310	161 066	725 390	79 791	-	2 000 490
Inter- segment revenue							
Operating profit	78 162	8 095	7 526	1 440	(11 502)	(3 897)	79 824
Finance income	-	-	-	-	-	-	17 010
Finance costs	-	-	-	-	-	-	(32 421)
Share of profit of associates	53	-	-	-	-	-	53
Loss on sale of associates	(3 055)	-	-	-	-	-	(3 055)
Income tax	-	-	-	-	-	-	(9 951)
Profit/(loss) for the period from continuing operations	-	-	-	-	-	-	51 460
Profit/(loss) for the period from discontinuing operations	-	-	-	-	-	-	(12 886)
Profit/(loss) for the period	-	-	-	-	-	-	38 574
Segment assets	324 072	155 177	222 812	253 062	54 602	141 198	1 150 923
Investments in associates	172	-	-	-	-	-	172
Total assets	324 244	155 177	222 812	253 062	54 602	141 198	1 151 095
Goodwill	911	5 567	134 653	125 556	18 527	-	285 214
Segment liabilities	121 671	32 883	15 809	57 670	9 706	530 465	768 204
Pension, health care, sickness fund state contributions	14 251	10 149	3 283	37 171	5 752	-	70 606
Depreciation	31 279	20 024	7 630	18 045	5 833	-	82 811
Amortization	3 254	692	252	758	558	-	5 514
Capital investment	111 942	26 524	7 989	6 108	5 359	-	157 922
Impairment fixed assets	844	5 431	-	-	1 997	-	8 272
Impairment of trade receivables	969	8	-	-	-	-	977
Impairment of inventories	-	-	-	-	14	-	14

(in PLN thousands unless stated otherwise)

	Poland	*Czech Republic*	*Russia*	*USA*	*Other segments*	*Unallocated*	*Total*
2008							
Revenue from external customers	677 982	225 940	140 679	302 426	62 866	-	1 409 893
Inter- segment revenue							
Operating profit	88 719	11 492	9 972	(5 638)	(10 403)	(1 874)	92 268
Finance income	-	-	-	-	-	-	11 030
Finance costs	-	-	-	-	-	-	(21 934)
Share of profit of associates	(15 081)	-	-	-	-	-	(15 081)
Loss on sale of associates	(10 349)	-	-	-	-	-	(10 349)
Income tax	-	-	-	-	-	-	(16 082)
Profit/(loss) for the period from continuing operations	-	-	-	-	-	-	39 852
Profit/(loss) for the period from discontinuing operations	-	-	-	-	-	-	(10 573)
Profit/(loss) for the period	-	-	-	-	-	-	29 279
Segment assets	229 331	150 789	238 907	275 773	61 307	104 544	1 060 651
Investments in associates	37 725	-	-	-	-	-	37 725
Total assets	267 056	150 789	238 907	275 773	61 307	104 544	1 098 376
Goodwill	911	5 611	155 384	130 470	18 700	-	311 076
Segment liabilities	106 337	36 929	23 051	99 371	19 465	440 913	726 066
Pension, health care, sickness fund state contributions	19 480	16 346	2 454	-	2 567	-	40 847
Depreciation	25 863	13 379	6 104	7 256	3 857	-	56 459
Amortization	2 031	650	614	259	393	-	3 947
Capital investment	88 218	49 467	54 142	189 538	22 016	-	403 381
Impairment fixed assets	(14)	627	-	1 549		-	2 162
Impairment of trade receivables	19	-	-	-	-	-	19
Impairment of loans	(220)	-	-	-	-	-	(220)

Capital expenditure comprises increases in property, plant and equipment (Note 10) and intangible assets (Note 11), and increases in goodwill (Note 12).

The “Other segments” column concerns companies located in Bulgaria, Serbia and Hungary.

The “Not allocated” column relates to 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.

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.

(in PLN thousands unless stated otherwise)

Establishing and acquiring subsidiaries and associates

Establishing and acquiring subsidiaries

Entry to the restaurant market in Russia

DESCRIPTION OF ACQUISITION

On May 15, 2007, AmRest Holdings SE established AmRest Acquisition Subsidiary, Inc, with its registered office in Delaware, USA.

On July 2, 2007, AmRest Acquisition Subsidiary, Inc. acquired from Michael Tseytin 100% shares in US Strategies, Inc., with its registered office in New Jersey, USA, controlling 91% of shares and voting rights in OOO Pizza Nord (current name OOO AmRest) – the franchisee of Pizza Hut and RostiksKFC brands in Russia. On the same date, American Restaurants Sp. z o.o. (a 100% subsidiary of AmRest Holdings SE) acquired the remaining 9% of shares and voting rights in OOO Pizza Nord from independent individuals. As a result of these transactions, the Group effectively gained 100% control over OOO Pizza Nord and its 19 Pizza Hut restaurants and 22 RostiksKFC restaurants operating in Russia (mainly in St. Petersburg and Moscow). As a result, the Group gained effectively a 75% and 20% market share in Pizza Hut and KFC restaurants in Russia, respectively. Several franchisees of KFC and Pizza Hut operate on the Russian market, who do not have exclusive rights to operate within the area.

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

The above transactions were a further step by the Group towards becoming the leading restaurant network in Central and Eastern Europe.

On June 23, 2008 Michael Tseytin was appointed a Member of the Supervisory Board (related entity), he was released from this function as at May 8, 2009.

ALLOCATION OF THE ACQUISITION PRICE

The process of allocating the acquisition price to the purchased assets and acquired liabilities was completed. Details of the fair value of the acquired net assets, goodwill and acquisition price as at the acquisition date are presented below:

	Carrying amount	Adjustment of fair value and other adjustments	Fair value
Cash and cash equivalents	962	-	962
Property, plant and equipment	18 543	14 509	33 052
Intangible assets	209	1 479	1 688
Inventories	1 595	(130)	1 465
Trade and other receivables	7 007	(5 253)	1 754
Other current assets	2 459	(2 421)	38
Other non-current assets	3 930	31 822	35 752
Trade and other payables	(34 193)	(18 366)	(52 559)
Net assets acquired	512	21 640	22 152
Goodwill (Note 12)			128 756
Adjustment for goodwill in 2009			(5 971)
Goodwill after adjustment			122 785
Acquisition price			**144 937**

(in PLN thousands unless stated otherwise)

Amount paid in cash	70 332
Amount paid in treasury shares	99 987
Expenses related to due diligence of the target	784
Adjustment of initial acquisition price	(26 166)
Acquisition price	**144 937**
Amount paid in cash	70 332
Acquired cash and cash equivalents	(962)
Cash outflows on acquisition	**69 370**

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

- fair value measurement of property, plant and equipment;
- measurement of onerous contracts recognized as provisions;
- fair value measurement of liabilities in respect of identified risks;
- measurement of receivables and prepayments from the prior owner of OOO Pizza Nord – operating lease agreement.

PARTIAL PAYMENT IN THE GROUP'S TREASURY SHARES

Part of the acquisition price was paid by issuing the Company's 670 606 shares. As at the acquisition date (July 2, 2007), the fair value of the shares issued (PLN 99 987 thousand) was determined on the basis of the market price of a share (PLN 149.1) according to the quotations on the Warsaw Stock Exchange.

To acquire the necessary number of treasury shares, the Company borrowed them from its shareholder – IRI (as at that date, IRI had 35% of voting rights and shares of AmRest Holdings SE), and then it issued them to the seller. On August 27, 2007, the Company issued 670 606 shares which it returned to IRI on October 12, 2007. The settlement with IRI was based on a specified number of shares, therefore, it was treated as a transaction recognized in equity and no change to the fair value of shares was recognized in the income statement in the period from July 2, 2007 to October 12, 2007.

ADJUSTMENTS TO THE ACQUISITION PRICE AFTER INITIAL RECOGNITION

The acquisition price is conditional because it depends on the amount of profit before interest, tax and amortization and depreciation (EBITDA) earned by OOO AmRest in the period from July 2, 2007 to June 30, 2008, and on the final level of liabilities acquired. As at December 31, 2009, the Management Board estimated the adjustment to the acquisition price at PLN 26 166 thousand (previous purchase price adjustment set as at December 31, 2008 in value of PLN 20 295 thousand was increased by PLN 5 971 thousand and results from achieved EBITDA of this year) from the initial level of PLN 170 319 thousand to PLN 144 153 thousand. Thus, the determined acquisition price as at July 2, 2007 is the Management's best estimate but it is not final and may change as a result of negotiations conducted with the seller. After accounting for foreign exchange differences, the receivables from the seller as at December 31, 2008 amount to PLN 27 562 thousand (Note 15).

COLLATERAL

To secure the Group's potential future claims and receivables from the seller, a pledge on all the shares which were part of the acquisition price was set up. The said claims may follow from the adjustments to the acquisition price described above. The seller is also responsible for all undisclosed liabilities which arose before the acquisition date. For security purpose, the shares were transferred to an escrow account, not directly to the seller, and will be issued gradually over a period of 5 years. Potential receivables and claims in respect of the seller will be satisfied in cash or shares in a number depending on their market price, as agreed. The seller has voting rights related to the shares put up as collateral.

(in PLN thousands unless stated otherwise)

GOODWILL

Goodwill relates mainly to benefits following from access gained to clients on the Russian restaurant market. Due to the specific nature of the restaurant operations, the Group does not maintain a register of its clients, the clients are not tied by any contracts and are not identified individually. Restaurants in Russia operate on the basis of similar franchise agreements as restaurants in Poland, in the Czech Republic and Hungary.

The Management Board believes that the franchise agreement concluded by OOO Pizza Nord is an arms' length agreement and therefore no adjustment was made to the fair value as at the acquisition date. Each individual restaurant on the acquired market is a cash generating unit. However, for management purposes, goodwill was allocated to all the Pizza Hut and KFC restaurants operated in Russia on the basis of particular countries, and not restaurants, and it cannot be objectively allocated to particular restaurants.

The Company conducted a goodwill impairment tests as at December 31, 2008 and December 31, 2009. No impairment was noted on the basis of the tests performed.

Increase in share in the Russian restaurant market by acquiring 9 restaurants from OOO Tetra

On February 26, 2008, the Group acquired 9 RostiksKFC restaurants from OOO Tetra. The total value of the transaction amounted to PLN 26 235 thousand (USD 12 115 000).

The process of allocating the acquisition price to the purchased assets and acquired liabilities was completed.

Details of the fair value of the acquired net assets, goodwill and acquisition price as at the acquisition date are presented below: The fair value of acquired restaurant assets did not differ significantly from their carrying amounts.

Property, plant and equipment	1 089
Goodwill (Note 12)	25 146
	26 235
Paid in cash	26 235
Acquisition price	26 235

The restaurant acquisition transaction was not related to incurring any additional significant costs.

Increase in share in the Russian restaurant market by acquiring 2 restaurants from OOO Fast Food Restaurants Group

On March 31, 2008, the Group acquired 5 RostiksKFC restaurants from OOO Fast Food Restaurants Group. The total value of the transaction amounted to PLN 13 097 thousand (USD 6 156 000). The ownership rights were to be finally transferred when certain terms and conditions were met by the seller, which mainly related to extending the lease agreements in respect of the premises. As a result of the seller not meeting the terms and conditions in respect of 3 restaurants, they were excluded from the scope of the transaction. Therefore, ultimately, the Group acquired 2 restaurants, for a total amount of PLN 3 273 thousand (USD 1 521 000).

The process of allocating the acquisition price was completed at December 31, 2008.

(in PLN thousands unless stated otherwise)

Details of the fair value of the acquired net assets, goodwill and acquisition price as at the acquisition date are presented below: The fair value of acquired restaurant assets did not differ significantly from their carrying value.

Property, plant and equipment	46
Goodwill (Note 12)	3 227
	3 273
Paid in cash	3 273
Acquisition price	3 273

The restaurant acquisition transaction was not related to incurring any additional significant costs.

Increase in share in the Russian restaurant market by acquiring 4 restaurants from OOO Chicken Food

In August 2008, the Group acquired 4 RostiksKFC restaurants from OOO Chicken Food. The total value of the transaction amounted to PLN 12 526 thousand (USD 4 229 000).

The process of allocating the acquisition price to the purchased assets and acquired liabilities was not completed as at Decemebr 31, 2008.

In year 2009 Group has resigned from project of this restaurants acquisition, an adjustment of previously recognized goodwill was made in the value of PLN 11 649 thousands and elimination of liabilities resulting from purchase of restaurants.

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

Property, plant and equipment	877
Goodwill (Note 12)	11 649
	12 526
Paid in cash	877
Remaining to be paid (Note 26)	11 649
Acquisition price	12 526

The restaurant acquisition transaction was not related to incurring any additional significant costs.

In the acquisitions described above, the goodwill relates mainly to the benefits from gaining better access to the Russian restaurant market clients. Due to the specific nature of the restaurant operations, the Group does not maintain a register of its clients, the clients are not tied by and contracts and are not identified individually. Restaurants in Russia operate on the basis of similar franchise agreements as restaurants in Poland, in the Czech Republic and Hungary.

Each individual restaurant is a cash generating unit. However, goodwill related to the acquisition of the above restaurants was allocated to the whole Russian segment.
For management purposes, goodwill is monitored on the basis of particular countries, and not restaurants, and it cannot be objectively allocated to particular restaurants. The Company conducted a goodwill impairment test as at December 31, 2008 and as at December 31, 2009. No impairment was noted on the basis of the test.

Entry to the restaurant market in the USA

Acquisition of AppleGrove Holdings, LLC

On July 4, 2008, AmRest Holdings SE established AmRest, LLC, with its registered office in Delaware, USA. AmRest, LLC was established to acquire 80% of shares in AppleGrove Holdings LLC.

On July 9, 2008, AmRest LLC ("AmRest USA") purchased 80% of shares in AppleGrove Holdings, LLC ("AGH"), a limited liability company with its registered office in Delaware, USA from Grove Ownership Holding, LLC ("the Seller"), a limited liability company with its registered office in Georgia, USA.

On November 24, 2009 Group has acquired 20% of shares from Steve Grove, as an effect of purchase option and becomes 100% AppleGrove Holdings LLC, share owner.

The above transaction allowed the Group to enter the American restaurant market by acquiring 104 Applebee's® restaurants.

Details of the estimated fair value of the acquired net assets, goodwill and acquisition price as at the acquisition date are presented below (in PLN thousands).

	Carrying amount	Adjustment of fair value and other adjustments	Fair value
Cash and cash equivalents	3 810	-	3 810
Property, plant and equipment	91 083	(29 608)	61 475
Intangible assets	10 645	2 800	13 445
Inventories	4 090	-	4 090
Trade and other receivables	8 925	4 249	13 174
Other current assets	1 309	(3)	1 306
Other non-current assets	408	(20)	388
Trade and other payables	(45 264)	(20 914)	(66 178)
Total net assets	75 006	(43 496)	31 510
Purchased share in net assets (80%)			25 208
Goodwill from preliminary settlement (Note 12)			81 130
Goodwill from final settlement (Note 12)			17 245
Acquisition price			**123 583**
Amount paid in cash			123 526
Expenses related to due diligence of the target			767
Adjustment of initial acquisition price			(711)
Acquisition price			**123 583**
Amount paid in cash			123 526
Acquired cash and cash equivalents			(3 810)
Cash outflows on acquisition			**119 716**

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 intangible assets;
- fair value measurement of liabilities in respect of identified risks.

Goodwill was calculated based on the fair values of acquired net assets and relates mainly to the benefits resulting from acquired access to American Applebee's® restaurant chain clients.

The final acquisition price was adjusted compared with the initially determined price at PLN 123 526 thousand (USD 59 101 000) by PLN 711 thousand and finally amounted to PLN 123 583 thousand (USD 58 754 000). The adjustment was made on the basis of the profit before interest, tax and amortization and depreciation (EBITDA), which was realized by AppleGrove Holdings, LLC in the period from April 1, 2007 to March 31, 2008.

In accordance with the provisions of the AppleGrove Holdings, LLC acquisition agreement, for USD 5 million, AmRest purchased an option which entitles it to purchase the remaining 20% shares in AppleGrove Holdings, LLC, within three years of July 9, 2008, on certain terms and conditions. The price of the option was considered to be an intrinsic element of the acquisition price of 80% of shares in AppleGrove Holdings, LLC and as such does not constitute the Group's separate asset.

As at November 24, 2009 Group purchased 20% of shares from Steve Grove as a result of put option exercise owned by him, and owns 100% of shares in AppleGrove Holdings, LLC. As a result of this settlement Group has recognized income in the value of PLN 16 446 Thousands due the fact that final settlement of option was at lower than described above valuation.

Goodwill relates mainly to benefits following from access gained to clients on the American restaurant market. Due to the specific nature of the restaurant operations, the Group does not maintain a register of its clients, the clients are not tied by and contracts and are not identified individually.

Each individual restaurant on the acquired market is a cash generating unit. However, goodwill was allocated to all the Applebees's restaurants operated in the USA, as it is monitored for management purposes on the basis of particular countries and not restaurants, and it cannot be objectively allocated to particular restaurants. The Company conducted a goodwill impairment test as at December 31, 2008 and December 31, 2009. No impairment was noted on the basis of the test.

IMPACT OF ACQUISITION ON THE CONSOLIDATED POSITION

The process of allocating the acquisition price to the purchased assets and acquired liabilities was completed. As a result, the temporary values of the assets and liabilities acquired as at December 31, 2008 were adjusted and the data in the financial statements for 2008 were restated as follows:

- fair value of tangibles were updated (19642 PLN thousands) and depreciation was adjusted for the period till December 31, 2008 (472 PLN thousands) addressing updated knowledge about acquired assets,
- adjusted settlement with former owner following legal obligations (5.485 PLN thousands),
- Above mentioned adjustments influenced non controlling equity in the value of 26 thousands PLN and net income by 912 thousands PLN together with foreign exchange recalculation effect of 125 thousands PLN.

Detailed description above described adjustment are presented in below schedule:

(in PLN thousands unless stated otherwise)

	31.12.2008 before adjustments	Adjustments	31.12.2008 adjusted
Assets			
Property, plant and equipment	493 035	(18 973)	474 062
Goodwill	300 628	15 508	316 136
Other intangible assets	43 931	-	43 931
Investments in associates	37 725	-	37 725
Other non-current assets	57 359	-	57 359
Deferred tax assets	16 113	-	16 113
Total non-current assets	948 791	(3 465)	945 326
Inventories	20 878	-	20 878
Trade and other receivables	66 162	5 485	71 647
Corporate income tax receivables	1 098	-	1 098
Other current assets	12 263	-	12 263
Derivative financial instruments	9 254	-	9 254
Cash and cash equivalents	37 583	-	37 583
Total current assets	147 238	5 485	152 723
Total assets	1 096 029	2 020	1 098 049
Equity			
Share capital	545	-	545
Reserves	314 808	-	314 808
Retained earnings	13 770	912	14 682
Translation reserve	24 750	125	24 875
Equity attributable to shareholders of the parent	353 873	1 037	354 910
Non-controlling interests	16 812	261	17 073
Total equity	370 685	1 298	371 983
Liabilities			
Interest-bearing loans and borrowings	391 934	-	391 934
Finance lease liabilities	4 024	-	4 024
Employee benefit liability	1 548	-	1 548
Provisions	5 529	-	5 529
Deferred tax liability	10 589	-	10 589
Other non-current liabilities	551	-	551
Total non-current liabilities	414 175	-	414 175
Interest-bearing loans and borrowings	40 536	-	40 536
Finance lease liabilities	597	-	597
Trade and other accounts payable	269 642	722	270 364
Income tax liabilities	394	-	394
Derivative financial instruments	-	-	-
Total current liabilities	**311 169**	722	**311 891**
Total liabilities	**725 344**	722	**726 066**
Total equity and liabilities	**1 096 029**	2 020	**1 098 049**

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

	2008 przed korektami	Korekty	2008 po korektach
Restaurant sales	1 427 408	-	1 427 408
Restaurant expenses:			
Costs of food	(464 953)	-	(464 953)
Direct marketing costs	(61 509)	-	(61 509)
Direct depreciation and amortization expenses	(60 080)	589	(59 491)
Payroll and employee benefits	(324 157)	-	(324 157)
Continuing franchise fees	(87 350)	-	(87 350)
Occupancy and other operating expenses	(269 933)	-	(269 933)
Total restaurant expenses	(1 267 982)	589	(1 267 393)
Gross profit on sales	159 426	589	160 015
General and administrative expenses (G&A) without	(92 516)	-	(92 516)
Depreciation and amortization expenses (G&A)	(3 664)	-	(3 664)
Other operating income	18 484	-	18 484
(Loss)/gains on disposal of property, plant and equipment and intangibles	6 635	-	6 635
Impairment losses	(7 272)	-	(7 272)
Operating profit	81 093	589	81 682
Finance income	3 709	-	3 709
Finance costs	(22 486)	552	(21 934)
Share of profit of associates	(15 081)	-	(15 081)
Impairment of shares in associates	(10 349)	-	(10 349)
Profit before tax	36 886	1 141	38 027
Income tax expense	(16 082)	-	(16 082)
Profit for the period	**20 804**	**1 141**	**21 945**
Profit/ loss attributable to:			
Non controlling interests	(3 319)	229	(3 090)
Equity holders of the parent	24 123	912	25 035
Basic earnings per share in Polish zloty	1,70	-	1,70
Diluted earnings per share in Polish zloty	1,69	-	1,69

Increase of shares in SCM Sp.z o.o.

As at October 6, 2008 year Group has purchased 6% shares in SCM sp. z o.o. Through acquiring this shares Group has increase overall share in SCM sp. z o.o to the level of 51% (from 45% as at November 5, 2008). Due this transaction the Entity was qualified as subsidiary and started its consolidation.
Details of fair value of acquired net assets, goodwill and purchase price are presented below (in thousands PLN):

	Book value	Adjustment of fair value and other adjustments	Fair value
Cash and cash equivalents	1 241		1 241
Property, plant and equipment	99		99
Inventories	54		54
Trade and other receivables	1 684		1 684
Other current assets	29		29
Other non-current assets	3 542	(1 673)	1 869
Trade and other accounts payable	(1 316)	(3 560)	(4 876)
Total net assets	5 333	(5 233)	100
Purchased share in net assets (6%)			6
Goodwill (Note 12)			598
Acquisition price			**604**
Amount paid in cash			604
Acquisition price			**3 194**
Amount paid in cash			604
Acquired cash and cash equivalents			(1 241)
Cash outflows on acquisition			**637**

Goodwill and other adjustment presented in table above are mostly for the Group parent entity shares elimination and recognition of retained earnings.

Goodwill is mostly for the benefits resulting from Group results from charges on logistic services organization and difficult to measure value of established contacts and expertise in the supply chain management by employees and organization.

Acquisition of associates

On August 21, 2008 AmRest announced a call for the sale of 11.20% of shares in Sfinks Polska S.A. (“Sfinks”). After accounting for the call on September 22, 2008 and concluding additional transactions on the exchange, AmRest increased its holdings to 3 061 786 shares which was 32.99% of Sfinks’s share capital and entitled it to 3 061 786 voting rights, i.e. 32.99% of the total number of votes at Sfinks’s General Shareholders’ Meeting.

Thus, the Group gained a significant influence over Sfinks Polska S.A., qualified the Company as an associate and started to value it under the equity method.

The total price for the shares purchased in Sfinks amounted to PLN 59 272 thousand. Additional information on investments in associates can be found in Note 32.

In March 22, 2009 on the basis of agreement signed with Mr Tomasz Morawski, Group has sold all shares in Sfinks Polska S.A.

(in PLN thousands unless stated otherwise)

4 Operating expenses

Operating expenses are as follows:

	2009	2008
Depreciation (Note 10)	82 811	56 459
Amortization (Note 11)	5 514	3 947
Food and materials	656 307	495 706
Utilities	75 731	40 486
External services	195 384	128 981
Payroll	495 796	304 867
Social security and employee benefits	96 147	70 308
Operating leases (occupancy cost) (Note 28)	185 052	122 605
Continuing franchise fees	106 301	87 350
Insurance	9 977	3 373
Business travel	7 099	7 930
Other	13 296	10 965
	1 929 415	1 332 977
Total restaurant expenses	1 814 171	1 245 054
Depreciation and amortization expenses (G&A)	7 609	3 659
Other general and administrative expenses	107 635	84 264
	1 929 415	1 332 977

Impairment costs are as follows:	2009	2008
Impairment on borrowings	-	(220)
Impairment on trade receivables (note 15, 35)	977	19
Impairment on receivables (Note 14)	14	-
Total impairment of non-current assets	991	(201)
Impairment of property, plant and equipment (Note 10,11)	8 272	2 162
Total impairment of non-current assets	8 272	2 162
Total impairment of assets	9 263	1 961

5 Other operating income

	2009	2008
Management fees	994	459
Sublease income (Note 28)	1 970	2 418
Marketing income	9 866	3 363
Sales of logistics services	5 100	3 353
Income from Nevsky option	4 980	-
Other operating income	2 205	1 002
	25 115	10 595

Income from Nevsky options for the period of 12 month ending December 31, 2009 are result of settlement of option recognised as receivables and concerning purchase of one of real estate when operates restaurants of the AmRest Group. In the result of this settlement excess of bought real estate value over recognized value of purchase put option was recognized in income statement.

(in PLN thousands unless stated otherwise)

6 Finance income

	2009	2008
Income from bank interest	564	1 101
Net foreign exchange gains	-	9 561
Income from put option valuation	16 446	-
Other	-	368
	17 010	11 030

Income from valuation of option in the period of 12 months ended December 31, 2009 are result of valuation of option payables considering purchase of 20% of shares in AppleGrove Holdings LLC (additional information are in note 3).

7 Finance costs

	2009	2008
Interest expense	(30 087)	(22 001)
Net foreign exchange loss	(843)	-
Other	(1 491)	67
	(32 421)	(21 934)

8 Income tax expense

	2009	2008
Current tax	(8 119)	(19 451)
Change in deferred tax assets/provisions	(1 832)	3 369
Deferred tax recognized in the income statement	(9 951)	(16 082)

The income tax rates in force in the Group are as follows:

	Netherlands	Poland	Czech Republic	Hungary	Ukraine	Russia	Serbia	Bulgaria	USA
2009	-	19.0%	20.0%	16.0%	25.0%	20.0%	10.0%	10.0%	38.0%
2008	29.1%	19.0%	24.0%	16.0%	25.0%	24.0%	10.0%	10.0%	38.0%

Deferred income tax assets and provisions for were calculated using the following rates:

	Netherlands	Poland	Czech Republic	Hungary	Ukraine	Russia	Serbia	Bulgaria	USA
2009	-	19.0%	19.0%	16.0%	25.0%	20.0%	10.0%	10.0%	38.0%
2008	29.1%	19.0%	24.0%	16.0%	25.0%	20.0%	10.0%	10.0%	38.0%

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:

(in PLN thousands unless stated otherwise)

	2009	2008
Profit before tax from continued operations	74 297	66 507
Loss before tax from discontinued operations	(12 886)	(10 573)
Income tax calculated according to domestic tax rates applicable to income in particular countries	14 602	10 551
Effect of permanent differences	1 648	2 451
Utilization of tax losses not recognized in the prior periods	-	-
Tax loss for the current period for which no deferred tax asset was recognized	5 214	3 315
Deferred income tax assets recognized on tax losses (not recognized in prior periods)	-	241
Effect of the remaining differences	(11 513)	(476)
Corporate income tax in the income statement	9 951	16 082

The applicable weighted average tax rate amounted to 19.75% (for the period ended 31.12.2008: 21.2%).

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

	31.12.2009	31.12.2008
Deferred tax asset:		
Deferred tax asset to be recovered after more than 12 months	175	935
Deferred tax asset to be recovered within 12 months	14 496	15 178
	14 671	16 113
Deferred tax provision:		
Deferred tax provision to be used after more than 12 months	-	91
Deferred tax provision to be used within 12 months	13 030	10 498
	13 030	10 589

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

	Asset		Provision	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Property, plant and equipment and intangible assets	3 572	3 492	590	3 068
Receivables	303	171	-	306
Provisions and impairments	4 539	2 166	10 169	-
Tax loss carryforwards	5 491	2 686	-	-
Other differences	766	7 598	2 271	7 215
	14 671	16 113	13 030	10 589

(in PLN thousands unless stated otherwise)

Temporary differences before the offset are as follows:

	Asset		Provision	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Property, plant and equipment and intangible assets	3 572	3 492	18 802	3 068
Receivables	303	171	-	306
Provisions	4 539	2 166	10 169	-
Tax losses	5 491	2 686	-	-
Other differences	16 809	13 021	102	12 638
	30 714	21 536	29 073	16 012

As at December 31, 2009, tax loss carryforwards are as follows:

Poland	8 473
Czech Republic	6 418
Hungary	14 422
Ukraine	1 973
	31 286

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
2010	3 878	-	3 878
2011	2 540	-	2 540
2012	2 076	-	2 076
2013	4 237	-	4 237
2014	2 160	-	2 160
No time limit	16 395	14 376	2 019
	31 286	14 376	16 910

As at December 31, 2009 the Group did not recognize a deferred tax asset in respect of all tax loss carryforwards. The reason for not recognizing the remaining portion of the deferred tax asset was, among other things, the inability to utilize the losses in connection with the planned restructuring of the Group and no operating activity in some of the Group companies.

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.

9 Discontinued operations

Following the decision of excluding from AmRest Group portfolio proprietary brands Freshpoint and Rodeo Drive as at December 31, 2009 have been negotiated terms of carving out and disposing from the Group operations of above mentioned brands. Final execution of this transaction will take place in 2010. As ate the balance sheet date assets concerning proprietary brands were classified as available for sale and results of their were classified as discontinued according to IFRS 5.

Results of own brand for the reporting years are presented below:

In thousands of zlotys	2009	2008
Restaurant sales	15 719	17 515
Restaurant expenses:		
Costs of food	(5 698)	(6 464)
Direct marketing costs	(843)	(654)
Direct depreciation and amortization expenses	(1 963)	(2 730)
Payroll and employee benefits	(6 093)	(5 741)
Occupancy and other operating expenses	(6 669)	(6 736)
Total restaurant expenses	(21 266)	(22 325)
Gross loss on sales	(5 547)	(4 810)
General and administrative expenses (G&A) without depreciation and amortization	(826)	(687)
Depreciation and amortization expenses (G&A)	(6)	(5)
Other operating income	240	324
(Loss)/gains on disposal of property, plant and equipment and intangibles	(1 568)	(83)
Impairment losses	(5 179)	(5 311)
Operating loss	(12 886)	(10 572)
Loss before tax	(12 886)	(10 572)
Income tax	-	-
Loss from discontinued operations	(12 886)	(10 573)

Own brands are as at December 31, 2009 operating fully in Polish segment.

Basic categories of assets for discontinued operations classified as available for sale assets as at December 31, 2009 are presented below:

In thousands of zlotys	2009	2008
Aktywa		
Property, plant and equipment	3 320	-
Inventories	114	-
Assets of discontinued operations classified as available for sale	3 434	-

In year 2008 proprietary brands approximately generated 2. 800 thousands PLN of operating expenses and in year 2009 it was about 3 000 thousand PLN.

(in PLN thousands unless stated otherwise)

10 Property, plant and equipment

The table below presents changes in the value of property, plant and equipment in 2009 and 2008.

2009	Land	Buildings and expenditure on development of restaurants	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	Total
Gross value							
As at 1/1/2009	1 049	422 853	281 935	1 312	33 212	38 290	778 651
Acquisitions (Note 3)	-	-	-	-	-	-	-
Additions Nevsky building	-	37 991	-	-	-	-	37 991
Additions	2 175	69 327	53 212	302	11 728	11 017	147 761
Disposals	-	(16 130)	(16 883)	(304)	(1 099)	(3 188)	(37 604)
Discontinued operations	-	(5 276)	(3 020)	-	-	-	(8 296)
Foreign exchange gains/losses	(7)	(7 246)	(5 274)	19	(522)	(342)	(13 372)
As at 31/12/2009	3 217	501 519	309 970	1 329	43 319	45 777	905 131
	-	-	-	-	-	-	-
Accumulated depreciation							
As at 1/1/2009	-	162 053	121 420	737	9 805	62	294 077
Acquisitions	-	-	-	-	-	-	-
Additions	-	34 888	39 977	211	7 735	-	82 811
Disposals	-	(6 567)	(11 472)	(300)	(1 118)	(59)	(19 516)
Discontinued operations	-	(2 776)	(2 200)	-	-	-	(4 976)
Foreign exchange gains/losses	-	(1 141)	(2 481)	23	(195)	(3)	(3 797)
As at 31/12/2009	-	186 457	145 244	671	16 227	-	348 599
	-	-	-	-	-	-	-
Impairment write-downs							
As at 1/1/2009	-	10 493	10	-	8	1	10 512
Additions	-	5 819	1 374	-	1 057	-	8 250
Disposals	-	(472)	(17)	-	(8)	-	(497)
Foreign exchange gains/losses	-	(378)	(5)	-	-	-	(383)
As at 31.12.2009	-	15 462	1 362	-	1 057	1	17 882
	-	-	-	-	-	-	-
Net book value as at 1/1/2009	**1 049**	**250 307**	**160 505**	**575**	**23 399**	**38 227**	**474 062**
Net book value as at 31/12/2009	**3 217**	**299 600**	**163 364**	**658**	**26 035**	**45 776**	**538 650**

(in PLN thousands unless stated otherwise)

2008	Land	Buildings and expenditure on development of restaurants	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	Total
Gross value							
As at 1/1/2008	919	293 982	176 781	1 100	13 680	30 631	517 093
Acquisitions (Note 3)	-	22 367	40 615	17	215	303	63 517
Additions	1	98 139	45 639	430	21 962	7 413	173 584
Disposals	-	(15 448)	(8 141)	(289)	(4 072)	(3 704)	(31 654)
Foreign exchange differences	129	23 813	27 041	54	1 427	3 647	56 111
As at 31/12/2008	1 049	422 853	281 935	1 312	33 212	38 290	778 651
Accumulated depreciation							
As at 1/1/2008	-	143 795	91 421	757	5 628	-	241 601
Additions continued operations	-	24 223	24 924	123	7 130	59	56 459
Disposals	-	(11 174)	(2 961)	(182)	(3 603)	-	(17 920)
Additions discontinued operations	-	1 075	1 660	-	-	-	2 735
Foreign exchange differences	-	4 134	6 376	39	650	3	11 202
As at 31/12/2008	-	162 053	121 420	737	9 805	62	294 077
Impairment write-downs							
As at 1/1/2008	-	2 622	8	-	7	192	2 829
Additions continued operations	-	2 162	-	-	-	-	2 162
Additions discontinued operations	-	5 311	-	-	-	-	5 311
Disposals	-	149	-	-	-	(191)	(42)
Foreign exchange differences	-	249	2	-	1	-	252
As at 31/12/2008	-	10 493	10	-	8	1	10 512
Net book value as at 1/1/2008	**919**	**147 565**	**85 352**	**343**	**8 045**	**30 439**	**272 663**
Net book value as at 31/12/2008	**1 049**	**250 307**	**160 505**	**575**	**23 399**	**38 227**	**474 062**

(in PLN thousands unless stated otherwise)

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 31/12/2009	922	3 055	15 806	82	461	20 326
Accumulated depreciation as at 31/12/2009	-	1 336	7 992	42	303	9 673
Net value as at 31/12/2009	922	1 719	7 814	40	158	10 653
Gross value as at 31/12/2008	929	3 794	16 528	86	490	21 827
Accumulated depreciation as at 31/12/2008		1 193	6 811	36	271	8 311
Net value as at 31/12/2008	929	2 601	9 717	50	219	13 516

The table below shows the calculation of the loss on sale of property, plant and equipment and intangible assets, and a summary of impairment write-downs of property, plant and equipment in the period of twelve months ended 31 December 2009 and 2008:

	2009	2008
Proceeds from the sale of property, plant and equipment and intangible assets	11 019	20 425
Net cost of property, plant and equipment and intangible assets sold	(18 122)	(13 707)
Loss on disposal of non-financial non-current assets	(7 103)	6 718
Gain/(loss) on sale of non-financial non-current assets and non-current assets held for sale	(7 103)	6 718

The depreciation was charged to the costs of restaurant operations – PLN 77 886 thousand (prior period: PLN 53 631 thousand) and administrative expenses PLN 4 925 thousand (prior period: PLN 2 828 thousand).

The increases of impairment provisions both for continued and discontinued operations are fully for provisions created in 2009 (prior period: also only created).

The increases of impairment provisions are for provisions reversed in 2009 – 497 thousands PLN (prior period: 42 thousands PLN).

According to loan agreement with Wells Fargo Group is obliged to secure this liability with given non-current assets owned by AmRest LLC. As at December 31, 2009 Group has not taken the loan and there is no valid security on non-current assets.

Center generating cash is a restaurant. Recoverable value of particular centers generating cash is calculated on the basis of value in use and discount rate 11,6%.

(in PLN thousands unless stated otherwise)

11 Other intangible assets

The table below presents changes in the value of intangible assets in 2009 and 2008.

2009	Trademarks	Favourable lease and licence agreements	Licences for the use of Pizza Hut, KFC, Burger King Starbucks and Applebee's trademarks	Other intangible assets	Total
Gross value					
As at 1/1/2009	-	10 570	38 725	29 097	78 392
Increases	-	577	4 440	5 144	10 161
Decreases	-	(8 530)	(364)	1 075	(7 819)
Transfers	-	-	-	-	-
Foreign exchange differences	-	(35)	(684)	(249)	(968)
As at 31/12/2009	-	2 582	42 117	35 067	79 766
Accumulated amortization					
As at 1/1/2009	-	7 400	20 697	6 948	35 045
Increases	-	319	2 175	3 020	5 514
Decreases	-	(6 975)	(313)	1 002	(6 286)
Transfers	-	-	-	-	-
Foreign exchange differences	-	(5)	(282)	1	(286)
As at 31/12/2009	-	739	22 277	10 971	33 987
Impairment write-downs					
As at 1/1/2009	-	-	-	-	-
Increases	-	-	9	13	22
Decreases	-	-	-	-	-
Foreign exchange differences	-	-	-	1	1
As at 31/12/2009	-	-	9	14	23
Net value as at 1/1/2009	-	**3 170**	**18 028**	**22 149**	**43 347**
Net value as at 31/12/2009	-	**1 843**	**19 831**	**24 082**	**45 756**

2008	Software licences	Favourable lease and licence agreements	Licences for the use of Pizza Hut, and KFC trademarks	Other intangible assets	Total
Gross value					
As at 1/1/2008	-	9 465	19 775	11 402	40 642
Acquisitions (note 3)	-	780	4 590	8 075	13 445
Increases	-	-	7 362	6 165	13 527
Decreases	-	-	(983)	(437)	(1 420)
Foreign exchange differences	-	325	3 402	3 869	7 596
As at 31/12/2008	-	10 570	34 146	29 074	73 790
Accumulated amortization					
As at 1/1/2008	-	7 103	12 151	7 363	26 617
Increases	-	297	4 571	307	3 947

(in PLN thousands unless stated otherwise)

Decreases	-	-	(786)	(549)	(1 335)
Foreign exchange differences	-	-	182	(196)	1 214
As at 31/12/2008	-	7 400	16 118	6 925	30 443
Impairment write-downs					
As at 1/1/2008	-	-	70	-	70
Increases	-	-	-	-	-
Decreases	-	-	(70)	-	(70)
Foreign exchange differences	-	-	-	-	-
As at 31/12/2008	-	-	-	-	-
Net value as at 1/1/2008	-	2 362	7 554	4 039	13 955
Net value as at 31/12/2008	-	3 170	18 028	22 149	43 347

Other intangible assets cover mainly computer software.

There are no intangible assets created internally and capitalized by the Group.

The amortization was charged to the costs of restaurant operations – PLN 2 830 thousand (prior period: - PLN 3 116 thousand) and administrative expenses - PLN 2 684 thousand (prior period: PLN 831 thousand).

The decreases of impairment provisions consist of usage in value of 70 thousands PLN in 2008 and in 2009 there was no decrease.

12 Goodwill

The table below presents changes in the value of goodwill:

	2009	2008
Gross value		
At the beginning of the period	311 076	136 504
Increases		139 308
Decreases	(11 649)	-
Foreign exchange differences	(14 213)	35 264
At the end of the period	285 214	311 076
Impairment write-downs		
At the beginning of the period	-	-
Increases	-	-
Decreases	-	-
Foreign exchange differences	-	-
At the end of the period	-	-
Net book value as at the beginning of the period	317 047	142 475
Net book value as at the end of the period	**285 214**	**311 076**

(in PLN thousands unless stated otherwise)

Acquisitions in prior years

Goodwill (as at January 1, 2009) of PLN 18 700 thousand (PLN 18 527 thousand as at January 1, 2010 after decreasing by foreign exchange losses of PLN 173 thousand) relates to the acquisition of AmRest Restaurants Kft in June 2006 (previous name: Kentucky System Kft).

Goodwill as at January 1, 2009 of PLN 5 611 thousand (PLN 5 567 thousand as at January, 2010 after being decreased by foreign exchange losses of PLN 44 thousand) relates to the acquisition of miklik's food s.r.o. in May 2005.

Goodwill as at January 1, 2009 of PLN 115 362 thousand (PLN 106 280 thousand as at January 1, 2010 after decreasing by foreign exchange losses of PLN 9 082 thousand relates to gaining control over OOO Pizza Nord operating in Russia, in July 2007 (note 3).

Goodwill in value of PLN 25 146 thousand relates to purchase of 9 restaurants Rostiks KFC. Goodwill in value of 3 227 thousand is for the acquisition of 5 RostiksKFC. Goodwill as at Janaury 1, 2009 in value of PLN 11 649 thousand is for purchase of 4 restaurants RostiksKFC and because of Group resignation from purchase of 4 RostiksKFC restaurants provisional goodwill was reversed from Group financial statements.

Goodwill as at January 1, 2009 of PLN 130 470 thousand (PLN 125 566 thousand as at January 1, 2010 after decreasing by foreign exchange loss of PLN 4 914 thousand) relates to the acquisition of Apple Grove Holdings in the USA.

Goodwill as at January 1, 2009 in value of PLN 911thousands is related to increase in shares of SCM sp z o.o. (see note 3).

Impairment testing

As at December 31, 2009, the Group conducted goodwill impairment tests with respect to the acquisitions of businesses in Hungary, Russia and the USA.

Individual restaurants constitute cash generating units on the Hungarian, Russian and American markets. However, goodwill is allocated to groups of restaurants acquired in particular countries.

Groups of cash generating units are consistent with the segment accounting policies adopted in accordance with IFRS 8. 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 3.

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	USA
		Year 2009	
Discount rate before tax	16.3%	11.8%	9.9%
Budgeted average EBITDA margin	8.5%	11.3%	3.5%
Expected long-term growth rate used for the calculation of planned future results	8.1%	7.2%	1.3%

(in PLN thousands unless stated otherwise)

	Year 2008		
Discount rate before tax	11.6%	11.6%	11.6%
Budgeted average EBITDA margin	9.2%	13.0%	5.0%
Expected long-term growth rate used for the calculation of planned future results	2.5%	3.0%	0.5%

Changes in key factor, when comparing to 2008, results mainly from influence of starting base decrease and interpretation of market trends. Expected future cash flows are analyzed in the perspective of the following 10 years. 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.

13 Other non-current assets

As at December 31, 2009 and 2008, the balances of other non-current assets were as follows:

	31.12.2009	31.12.2008
Prepaid rental fees	10 171	11 295
Receivables from the prior owner of OOO Pizza Nord – operating lease agreement	-	22 087
Prepayments from the prior owner of OOO Pizza Nord – operating lease agreement	-	9 272
Deposits in respect of rentals	8 334	8 366
Other	4 827	6 339
	23 332	57 359

In year 2009 took place final reconciliation of option concerning purchase of one of real estate in which Amrest Group restaurants operate. As a result of it excess of fair value of purchased real estate (PLN 37 991 thousand) over recognized valuation of repurchase option, in the value of prepaid rents to prior OO Pizza Nord owner (PLN 33 011 thousand – as at the date of transaction settlement after effect of fair valuation), recognized in income statement as other operating income (PLN 4 980 thousand). Detailed information on Russian acquisition please refer to note 3.

14 Inventories

As at December 31, 2009 and 2008, inventories cover mainly food and packaging used in the restaurants. Inventories are presented net of inventory write-downs. Inventory write-downs as at December 31, 2009 and 2008 amounted to PLN 823 thousand. New inventory write-down recorded in the income statement for the year ended December 31, 2009 amounted for PLN 14 thousand.

15 Trade and other receivables

	31.12.2009	31.12.2008
Trade receivables from non-related entities	24 614	32 785
Trade receivables from related entities (Note 33)	983	1 150
Receivables from Michael Tseytin (acquisition of OOO AmRest Pizza Nord) (Note 5)	-	27 562
Receivable from Steve Grove (acquisition of AppleGrove Holdings LLC)	-	711
Other tax receivables	8 993	10 224
Other	3 439	8 754
Write-downs of receivables (Note 35)	(4 545)	(3 568)
	33 484	77 618

(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 fro finance lease liability – value of current minimal lease payments:

	31.12.2009	31.12.2008
Up to 1 year	119	-
From 2 to 5 years included	715	-
More than 5 years	-	-
	834	-

Receivables from finance lease – value of minimal lease payments:

	31.12.2009	31.12.2008
Up to 1 year	214	-
From 2 to 5 years included	818	-
More than 5 years	-	-
Total miniaml lease payments	1 032	-
Future un-received finance income from finance lease	(198)	-
Current value of minimal lease payments	834	-

17 Other current assets

	31.12.2009	31.12.2008
Prepaid costs in respect of deliveries of utilities	4 084	3 577
Prepaid lease costs	2 900	3 474
Prepaid property insurance	432	294
Prepaid professional services cost	1 322	1
Prepaid marketing costs	1 025	171
Prepaid costs of financial services	1 092	276
Other	4 342	4 470
	15 197	12 263

18 Cash and cash equivalents

Cash and cash equivalents as at December 31, 2009 and 2008 are presented in the table below:

	31.12.2009	31.12.2008
Cash at bank	146 406	26 270
Cash in hand	12 742	11 313
	159 148	37 583

19 Financial assets available for sale

.	31.12.2009	31.12.2008
Ordinary shares	3 514	-
Financial assets available for sale	3 514	-

Financial assets available for sale are from the “Poland” segment, their fair value was based on valid stock exchange quoting being an active market.

(in PLN thousands unless stated otherwise)

20 Equity

Share capital

As described in Note 1a. On April 27, 2005, the shares of AmRest Holding N. V. were floated on the Warsaw Stock Exchange ("GPW").

As at December 31, 2009, the Company held 14 186 356 issued, fully paid-up shares. The Company's target capital is 15 000 000 shares. Nominal value of one share is 1 eurocent (0.01 euro).

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.

Shareholders structure as at the date of this financial statements issuance is presented below:

Shareholders	Shares amount	Share in Equity %	Amount of votes in AGM	Share at AGM %
BZ WBK AIB AM *	3 583 623	25,26%	3 583 623	25,26%
ING OFE	2 791 976	19,68%	2 791 976	19,68%
Henry McGovern **	1 295 110	9,13%	1 295 110	9,13%
Commercial Union OFE	1 000 000	7,05%	1 000 000	7,05%
PZU OFE	745 257	5,25%	745 257	5,25%

* BZ WBK AIB AM governs asset which are accounted mostly for funds owned by BZ WBK AIB TFI

** shares owned directly by Henry McGovern and companies directly related to him i.e. IRI oraz MPI.

Other supplementary capital

Structure of other supplementary capital is as follows:

	31.12.2009	31.12.2008
Surplus over nominal value (share premium)	311 673	311 673
Employees share option scheme (Note 23)	8 488	5 624
Non-refundable capital deposit without additional share issue, made by shareholders of the Group before entry on GPW	6 191	6 191
PUT option valuation	(23 496)	(23 496)
Purchase of non controlling interests	10 750	-
Impact of cash flow hedging	-	9 254
Deferred income tax concerning cash flow hedges	-	(1 758)
Functional currency translation	(31 125)	(31 125)
Own shares recognition	-	145
Total supplementary capital	282 481	276 508

Other supplementary capital of PLN 6 191 thousand relates to non-refundable additional contributions to capital without additional issuance of shares made by the Group's shareholders before their debut on the GPW.

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 Company's foreign operations into Polish zloties.

Foreign differences on translation reflected in the capital were recognized on the following items:

(in PLN thousands unless stated otherwise)

21 Borrowings

Borrowings as at December 31, 2009 and 2008 are presented in the table below:

Long-term	31.12.2009	31.12.2008
Bank loans	112 512	391 934
	112 512	391 934

Short-term	31.12.2009	31.12.2008
Bank loans	424 526	40 536
	424 526	40 536

Bank loans

Currency	Lender/ bookbuilder	Effective interest rate	31.12.2009	31.12.2008
In PLN	ABN Amro	7,03%	356 071	337 195
In CZK	ABN Amro	4,77%	65 532	69 514
In RUB	Raiffaisen Bank	6,02%	6 127	6 335
In USD	WCM Investors	-	-	19 426
In PLN	Bonds 5 years	7,68%	109 308	-
			537 038	**432 470**

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

On December 15, 2008, a credit agreement was signed between Amrest Holdings SE, AmRest Sp. z o.o. and American Restaurants s.r.o. (“Borrowers”) and ABN AMRO Bank (Polska) S.A.(currently RBS Bank (Polska) S.A.), ABN AMRO Bank N.V., Bank Polska Kasa Opieki S.A. and Bank Zachodni WBK S.A. Under the above-mentioned agreement the Group was granted a loan amounting to PLN 440 million. The loan should be repaid by December 31, 2010. It covers two tranches and is earmarked for repayment of liabilities resulting from the credit agreement with ABN Amro Bank N.V. dated April 4, 2005 and further financing of the development of AmRest. All the Borrowers are jointly and severally responsible for discharging the obligations resulting from the credit agreement. Additionally, two Group companies – OOO AmRest and AppleGrove Holdings, LLC – 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.

The Group is obliged to maintain specific financial ratios at a level specified in the agreement. This includes net gearing (net debt to annualized EBITDA), interest coverage ratio and balance sheet structure ratio (net asset ratio defined as consolidated net capital per the shareholders of the Parent company divided by the balance sheet total). As at December 31, 2009, the above ratios were not exceeded.

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.

(in PLN thousands unless stated otherwise)

As at December 7, 2009 AmRest Holdings SE signed with RBS Bank (Polska) S.A. nad Bank Pekao S.A. agreement for bonds issuance ("5years bonds"), on the basis of which was realeased option program for corporate bonds of AmRest, allowing to issue 11 000 bonds for total nominal value of PLN 110 million. Agreement was signed for agreed period till July 9, 2015 with period extension options till repayment of all issued bonds.

The maturity break-down of long- and short-term borrowings as at December 31, 2009 and 2008 is presented in the table below:

	31.12.2009	31.12.2008
Up to 1 year	424 526	40 536
Between 1 and 2 years	2 564	372 508
Between 2 and 5 years	109 948	19 426
More than 5 years	-	-
	537 038	**432 470**

The Group has the following unused, awarded credit limits as at December 31, 2009 and 2008:

	31.12.2009	31.12.2008
With floating interest rate		
- expiring within one year	9 846	16 322
- expiring beyond one year	16 103	48 951
	25 949	**65 273**

Additionally, the Group has an active AmRest corporate bond plan in the total amount of PLN 300 million. As at December 31, 2009, were issued and sold bond for PLN 110 million, PLN 40 million bonds were sold subsequently at March 24, 2010 and the available limit under this plan was PLN 150 million.

22 Other financial liabilities

In July 2008, AmRest Sp. z o.o. signed a bond issue agreement with ABN Amro Bank (Polska) S.A.(currently RBS Bank (Polska) S.A.). On the basis of the agreement an AmRest corporate bond issue plan was launched enabling issuance of short and medium term bonds with a total value of PLN 300 million.

As at December 31, 2008, the Group had total liabilities in respect of bonds issued of PLN 9 817 thousand (Note 26). They relate to 100 bonds with a nominal value of PLN 100 thousand each, which mature on 31 March 2009. The average issue price of the bonds was PLN 98 166.34 thousand, and the effective interest rate was 7.40%.

On 31 March 2009, the above-mentioned bonds matured and the Group redeemed them all.

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. The Group provided for these long-service bonuses in the amount of PLN 1 032 thousand as at December 31, 2009 and PLN 1 520 thousand as at December 31, 2009. The actuarial assumptions adopted for the valuation assume a discount rate of 5.5% and the expected turnover of employees at an annual level of 50% in 2009, accordingly 5,5% and 40% for year 2008.

Employee share option plan 1

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

Employee share option plan 2

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

(in 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.

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				
April 30, 2005	79 300	5 years, gradually, 20% per annum	24.0	10 years
April 30, 2006	75 000	5 years, gradually, 20% per annum	48.4	10 years
April 30, 2007	89 150	5 years, gradually, 20% per annum	96.5	10 years
April 30, 2008	105 250	5 years, gradually, 20% per annum	86.0	10 years
June 12, 2008	21 000	5 years, gradually, 20% per annum	72.5	10 years
April 30, 2009	102 370	5 years, gradually, 20% per annum	47.6	10 years
October 5, 2009	3 000	5 years, gradually, 20% per annum	73.0	10 years
Total	475 070			

In the table below we present the number and weighted average of the exercise price of the options from both plans for the twelve-month period ended December 31, 2009 and 2008.

	2009			2008		
	Weighted average option exercise price	Number of options Plan 2	Number of options Plan 1	Weighted average option exercise price	Number of options Plan 2	Number of options Plan 1
At the beginning of the period	PLN 70.78	298 800	131 200	PLN 45.22	210 140	131 200
Utilized during the period	PLN 34.46	(1 400)	-	PLN 31.51	(15 750)	-
Redeemed during the period	PLN 47.13	(17 910)	(300)	PLN 80.27	(21 840)	-
Awarded during the period	PLN 48.32	105 370	-	PLN 83.75	126 250	-
At the end of the period	PLN 53.27	384 860	130 900	PLN 55.26	298 800	131 200
Available for exercising as at the end of the period	PLN 39.99	131 550	130 900	PLN 33.30	86 047	128 200

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.

(in PLN thousands unless stated otherwise)

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

	Awarded in the period from 1/1/2009 to 31/12/2009	Awarded in the period from 1/1/2008 to 31/12/2008	Awarded in the period from 1/1/2007 to 31/12/2007	Awarded in the period from 1/1/2006 to 31/12/2006	Awarded in the period from 1/1/2005 to 31/12/2005		Awarded until the end of 2004
	Plan 2	Plan 2	Plan 2	Plan 2	Plan 2	Plan 1	Plan 1
Average fair value of option as at the date of award	PLN 27.38	PLN 29.81	PLN 36.09	PLN 15.5	PLN 8.9	PLN 6.8	PLN 6.6
Average price of share at the date of measurement/award	PLN 48.32	PLN 83.8	PLN 96.5	PLN 48.3	PLN 25.7	n/a	n/a
Average exercise price	PLN 48.32	PLN 83.8	PLN 96.5	PLN 48.3	PLN 24.0	PLN 18.6	PLN 18.6
Expected fluctuations of share prices (expressed as the weighted average fluctuation in share prices used in the trinomial model)*	41%	37%	33%	31%	40%	40%	40%
Expected term to maturity of the options (expressed as the weighted average period to maturity of the options used in the trinomial model)	7.6 lat	8.9 lat	9.9 lat	9.9 lat	9.9 lat	7.0 lat	7.5 lat
Expected dividend (as of 2009)	-	18.8%	18.8%	18.8%	18.8%	19.4%	19.4%
Risk-free interest rate (based on Treasury bills)	5.8%	5.8%	5.5%	4.98%	4.5%	4.5%	5.8%

* 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.

(in PLN thousands unless stated otherwise)

The costs recognized in connection with the plans relating to share-based payments for the period of twelve months ending on December 31, 2009 and 2008 respectively are presented below:

	31.12.2009	31.12.2008
Value of employee services	2 816	2 406
	2 816	2 406

Retirement benefit contributions

The costs recognized in connection with the retirement benefit contributions for the period of twelve months ending on December 31, 2009 and 2008 respectively are presented below:

	2009	2008
Retirement benefit contributions	70 606	40 847
	70 606	40 847

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:

December 31, 2009	As at 01.01.2009	Increases	Utilization	Releases	Foreign exchange differences	As at 31.12.2009
Onerous contracts	4 832	718	(1 120)	-	(181)	4 249
Provision for court fees	697	1 026	(356)	-	(2)	1 365
Provision for tax risks	-	3 366	-	-	-	3 366
	5 529	5 110	(1 476)	-	(183)	8 980

December 31, 2008	As at 01.01.2008	Increases	Utilization	Releases	Foreign exchange differences	As at 31.12.2008
Onerous contracts	5 190	1 414	(1 838)	(151)	217	4 832
Provision for court fees	697	-	-	-	-	697
	5 887	1 414	(1 838)	(151)	217	5 529

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. The provision was calculated using the 10.9% discount rate. The increase in the discount rate of 10 % (from 10.9% to 12%) would result in a decrease in the provision of PLN 9 thousand. Those agreements are finishing within 10 incoming years.

(in PLN thousands unless stated otherwise)

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 2010.

25 Other non-current liabilities

Other non-current liabilities cover mainly the long-term portion of deferred income in respect of advertising services provided to one of the Group's suppliers (a non-related entity). The current portion of those liabilities is shown in Note 26. In the prior periods, the Group received a fee of USD 750 thousand in respect of advertising services provided within five years of 1 January 2006. Deferred income in this respect amounted to PLN 0 thousand and PLN 1 014 thousand respectively as at December 31, 2009 and 2008.

26 Trade and other payables

Trade and other payables as at December 31, 2009 and 2008 cover the following items:

	31.12.2009	31.12.2008
Payables to non-related entities, including:	**154 169**	**237 667**
Trade payables	80 058	97 587
Payables in respect of uninvoiced lease fees and deliveries of food	15 037	19 210
Employee payables	17 588	19 707
Social insurance payables	5 929	6 065
Other tax payables	13 593	15 349
Bond liabilities	-	9 817
Put option liabilities	-	33 818
Gift voucher liabilities	10 368	10 917
Liabilities in respect of acquisitions executed	-	11 650
Other payables to non-related entities	11 596	13 547
Liabilities to related entities (Note 33)	177	1 271
Accruals, including:	**45 315**	**30 464**
Employee bonuses	8 871	7 206
Marketing services	2 677	2 561
Holiday pay accrual	8 166	5 277
Professional services	822	847
Franchise fees	4 216	5 082
Lease cost provisions	4 860	3 220
Tax risk provisions	-	4 103
Investment payables accrual	12 334	-
Other	3 369	2 168
Deferred income – short-term portion (Note 25)	692	668
Social fund	293	294
	200 646	**270 364**

(in PLN thousands unless stated otherwise)

27 Finance lease liabilities

Financial lease liabilities – current portion:

	31.12.2009	31.12.2008
Payable within 1 year	516	597
Payable from 1 to 5 years	966	887
Payable after 5 years	2 442	3 137
	3 924	4 621

Finance lease liabilities – minimum lease payments:

	31.12.2009	31.12.2008
Payable within 1 year	1 253	1 314
Payable from 1 to 5 years	3 643	2 863
Payable after 5 years	3 782	5 908
Total minimum lease payments	8 678	10 085
Future finance costs in respect of finance leases	(4 754)	(5 464)
Present value of finance lease liabilities	3 924	4 621

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 an 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:

	31.12.2009	31.12.2008
Payable within 1 year	126 933	118 096
Payable from 1 to 5 years	660 049	582 226
Payable after 5 years	782 739	840 761
Total minimum lease payments	1 569 721	1 541 083

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 2009 and 2008 are as follows:

	2009			2008		
	Fixed fee	Conditional fee	Total	Fixed fee	Conditional fee	Total
Czech Republic	25 351	5 278	30 629	17 974	2 449	20 423
Hungary	6 104	276	6 380	4 414	318	4 732
Poland	53 613	3 753	57 366	26 801	23 854	50 655
Russia	22 660	724	23 384	20 882	581	21 463
Bulgaria	1 167	-	1 167	1 229	-	1 229
Serbia	496	-	496	421	-	421
USA	58 153	7 477	65 630	23 425	257	23 682
	167 544	17 508	185 052	95 146	27 459	122 605

(in PLN thousands unless stated otherwise)

The Group is also 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 2009 and 2008 are as follows:

	31.12.2009	31.122008
Russia	349	238
Czech Republic	199	81
Hungary	376	42
USA	67	-
Poland	979	2 057
	1 970	2 418

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 Sp. z o.o. and American Restaurants s.r.o.) are jointly and severally responsible for paying the liabilities resulting from credit agreements. Additionally, two Group companies – OOO AmRest and AppleGrove Holdings, LLC – 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. December 31, 2010.

As at December 4, 2009 Amrest Group entitites AmRest, LLC, WCM Oregon and Restaurant Concepts (currently merged in one AmRest, LLC) signed a current loan agreement with Wells Fargo Bank, National Association. One of agreement terms provides collateral towards repayment of loan backed with assets of five chosen restaurants. Maximum amount of credit loan fiacility is 3 000 000 USD what consistutes 8 550 900 PLN as at December 31, 2009 after revaluation to polish zlotys. As at December 31, 2009 Group Entity Amrest LLC has not used received loan limit therefore value of collateral is equal to 0.- PLN.

30 Earnings per share

The basic and diluted earnings per ordinary share for the 12-month period of 2009 and 2008 was calculated as follows:

	2009	2008
Net profit from continued operations attributable to equity holders of the parent company	51 118	42 942
(Loss) on net profit from discontinued operations attributable to equity holders of the parent company	(12 886)	(10 573)
Net profit attributable to equity holders of the parent company	38 232	32 369
Weighted average number of ordinary shares in issue	14 186 356	14 180 013
Impact of share issuance	-	1 640
Impact of share options awarded in 2005	13 970	45 952
Impact of share options awarded in 2006	1 818	22 090
Impact of share options awarded in 2007	-	-
Impact of share options awarded in 2008	-	-
Impact of share options awarded in 2009	-	-
Weighted average number of ordinary shares for diluted earnings per share	14 202 144	14 249 695
Basic earnings per ordinary share	2.69	2.28
Diluted earnings per ordinary share	2.69	2.27
Basic earnings from continued operations per ordinary share	3.60	3.03
Diluted earnings from continued operations per ordinary share	3.60	3.01
Basic earnings from discontinued operations per ordinary share	(0.91)	(0.75)
Diluted earnings from discontinued operations per ordinary share	(0.91)	(0.74)

(in PLN thousands unless stated otherwise)

The impact of the potential appearance of ordinary shares following the share options granted is slightly dilutive.

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 to 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 to 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 Applebee's and the current and future franchise agreements were described in Note 1 (a) and Note 1 (f).

32 Investments in associates

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

	12 months to December 31, 2009	12 months to December 31, 2008
At the beginning of the period	37 725	2 353
Purchase of shares	-	61 907
Addition through acquisition of subsidiary	-	1 485
Share in profits and losses of associates	53	(15 081)
Impairment of the value of shares	-	(10 349)
Decrease to the control acquisition	-	(2 590)
Disposal of shares in associated companies.	(37 606)	-
Balance as at the end of the year	172	37 725

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, 2009						
SCM s.r.o.	Czech Republic	526	156	868	132	40.50

Name of associate	Country of registration	Assets	Liabilities	Revenues	Profit/ (Loss)	Shares held (%)
December 31, 2008						
Worldwide Communication Services LLC	USA	265	79	-	-	33.33
Global Communication Services Sp. z o.o. in liquidation	Poland	55	107	-	-	33.33
Synergy Marketing Partners Sp. z o.o.	Poland	22	-	-	(37)	26.66
Red 8 Communications Group Sp. z o.o.	Poland	5 671	3 042	16 161	507	17.33
Synergy Marketing Partners s.r.o.	Czech Republic	21	-	168	-	24.00
SCM Sp. z o.o.	Poland	6 649	1 316	6 810	1 445	45.00
SCM s.r.o.	Czech Republic	405	124	654	111	40.50
Sfinks Polska S.A.	Poland	151 148	136 145	-	(48 060)	32.99

(in PLN thousands unless stated otherwise)

As at 31 December 2008, investments in Sfinks Polska S.A. were measured on the basis of their market value and impairment in the value of the shares of PLN 10 349 thousand was disclosed.

33 Transactions with related entities

Trade and other receivables from related entities

	December 31, 2009	December 31, 2008
MPI Sp. z o.o.	982	845
ARC	-	182
Associates	1	123
	983	1 150

Trade and other payables to related entities

	December 31, 2009	December 31, 2008
MPI Sp. z o.o.	173	659
Associates	4	612
	177	1 271

Sales of goods for resale and services

	12 months ended December 31, 2009	12 months ended December 31, 2008
MPI Sp. z o.o.	83	693
ARC	-	147
American Retail Systems Sp. z o.o.	-	11
Associates	25	129
	108	980

Purchase of goods for resale and services

	12 months ended December 31, 2009	12 months ended December 31, 2008
MPI Sp. z o.o.	3 076	2 786
ARC	-	2 524
American Retail Systems Sp. z o.o.	-	1 662
Associates	1 865	2 990
	4 941	9 962

Other related entities

ARC, IRI, American Retail Systems Sp. z o.o., Metropolitan Properties International Sp. z o.o.

In accordance with the description in Note 1(a), as at December 31, 2009, ARC and its subsidiaries – IRI, American Retail Systems Sp. z o.o. are treated as related entities, as at December 31, 2007 Metropolitan

(in PLN thousands unless stated otherwise)

Properties International Sp. z o.o. was a company owned by Mr Henry McGovern. On 14 March 2008, companies owned by Henry McGovern merged. The merger was effected by transferring all the assets of the acquired company, i.e. American Retail Systems Sp. z o.o. to the acquirer, i.e. Metropolitan Properties International Sp. z o.o.

The following people founded ARC: Donald M. Kendall, Sr., Donald M. Kendall, Jr., Christian R. Eisenbeiss and Henry J. McGovern. Donald M. Kendall, Sr., Donald M. Kendall, Jr. and Henry J. McGovern were members of the Supervisory Board of AmRest Holdings SE as at December 31, 2008.

The ownership structure of ARC as at December 31, 2009 is as follows:

	Percentage ownership
Donald M. Kendall, Sr.	30.00%
Donald M, Kendall, Jr.	18.25%
Christian R. Eisenbeiss	28.36%
Henry J. McGovern	22.49%
David A. Bobilya	0.90%

Management and advisory services were also provided by ARC to the Czech and Polish entities of the Group, at the end of 2008 year.. The main duty of ARC is the provision of management services including payment of wages and salaries and other expenses to some members of the Management Board and other key employees of the Group. The Group's subsidiaries receive monthly invoices in respect of the above wages and salaries. The value of fees paid by the Group and its subsidiaries in this respect was PLN 2 524 thousand for 12 months ending on December 31, 2008.
Additionally, in 2008, the Group set up a provision of PLN 1 599 thousand for the expected costs related to the management services provided by ARC. Since 2009, ARC has not provided management services for the Group.

As of April 27, 2005 only ARC is responsible for compensation and meeting all the Company's future commitments in connection with the plan of share-based payments for the Company's employees (Note 23).

Metropolitan Properties International Sp. z o.o. (after merging with American Retail Systems Sp. z o.o.) is involved in operations related to real estate. The Group leases seven restaurants from Metropolitan Properties International Sp. z o.o. on the terms and conditions similar to the lease agreements concluded with non-related entities.

As at December 31,2009, the Group showed a prepayment of PLN 8 180 thousand in its consolidated financial statements. The prepayment was made in 2005 on behalf of ARS in connection with the conclusion of a lease agreement for 4 restaurants for a period of 10 years beginning in 2007.

The lease and other costs incurred by the Group and its subsidiaries on behalf of ARS (till the moment of the merger) amounted to PLN 1 662 thousand for the 12 months ended December 31, 2008.

Lease fees and other fees paid to MPI amounted to PLN 3 076 thousand and PLN 2 786 thousand respectively in the twelve month periods ending December 31, 2009 and December 31, 2008.

The Group's liabilities in respect of those transactions as at December 31, 2009 and 2008 amounted to PLN 173 thousand and PLN 659 thousand respectively

As at December 31, 2009, Bank Zachodni WBK AIB Asset Management was the largest shareholder of AmRest and held 22.27% of its shares and voting rights, and as such was its related entity. Bank Zachodni WBK S.A. is a shareholder of Bank Zachodni WBK AIB Asset Management.

On December 15, 2008, a credit agreement was signed between Amrest Sp. z o.o. and American Restaurants s.r.o. ("the Borrowers") and ABN AMRO Bank (Polska) S.A., ABN AMRO Bank N.V., Bank Polska Kasa Opieki S.A. and Bank Zachodni WBK S.A.

(in PLN thousands unless stated otherwise)

Under the above-mentioned credit agreement dated December 15 2008, BZ WBK granted the Group a loan amounting to PLN 120 million. The loan should be repaid by December 31, 2010.

Additionally, the Group has lease agreements with BZ WBK S.A. for scooters concluded on June 12, 2006 for three years and incurred costs of PLN 78 thousand and PLN 152 thousand accordingly in this respect for the period of twelve months ended December 31, 2009 and December 31, 2008.

Associates

Worldwide Communication Services LLC

Worldwide Communication Services LLS and its related entities (WCS) provided marketing services to the Group until the end of March 2007. This is related to beginning an internal Marketing Department at the beginning of 2007. The fees for the marketing services provided (mainly through a subsidiary of WCS – Synergy Marketing Partners Sp. z o.o., Synergy Marketing Partners s.r.o.) amounted to PLN 612 thousand for the twelve months ending December 31, 2008. As at October 26, 2009 Group has sold shares in Worldwide Communications Services LLC.

Transactions with the management/Management Board, Supervisory Board

Remuneration of the Management and Supervisory Boards

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

	12 months ended December 31, 2009	12 months ended December 31, 2008
Remuneration of the Management Board Members paid by ARC	-	1 044
Remuneration of the members of the Management and Supervisory Boards paid directly by the Group	2 799	1 898
Total remuneration paid to the Management Board and Supervisory Board	2 799	2 942

ARC also pays remuneration to other key employees of the Group (apart from the Management Board, later reinvoiced to the Group). In the 12-month period ended December 31, 2008 total remuneration amounted to PLN 1 526 thousand.

The Group's key employees also participate in an employee share option plan (see note 23). The costs relating to the employee option plan in respect of management amounted to PLN 228 thousand and PLN 275 thousand respectively in the 12 month period ended December 31, 2009 and 2008.

	31 December 2009	31 December 2008
Number of options awarded	44 750	156 500
Number of available options	10 750	115 450
Fair value of options as at the moment of awarding	PLN 884 759	PLN 2 254 894

As at December 31, 2009, there were no liabilities to former employees.

34 Critical accounting estimates, and judgements

Key sources of uncertainties relating to estimates

Estimates and judgements 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 tests goodwill for impairment in accordance with its accounting policies described in Note 1(o). The recoverable value of a cash generating unit is determined on the basis of the calculation of its value in use (Note 12). No goodwill impairment was recognized as at December 31, 2009 and 2008.

Estimated impairment of property, plant and equipment

Group tests impairment of property, plant and equipment for impairment losses according with accounting policy described in note 1(o). For restaurants as cash generating units operating for at least year and a half and incurring negative results there is performed analysis of current value of future cashflows according to actual budgets. This value is compared with assets value and in case of identification of gap in coverage there is recognized impairment loss. In the period of 12 months ending December 31, 2009 and December 31, 2008 were recognized impairment losses according to information presented in note 10.

Estimated depreciation charges

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

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, 2009 of ca. PLN 10 452 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, 2008 of ca. PLN 6 277 thousand.

Provisions

Key uncertainties and estimates are described in Note 24.

Deferred income tax

Uncertainties and estimates related to deferred tax relate mainly to recognizing a deferred tax asset in respect of unused tax losses carried forward. See Note 8.

Critical accounting judgements

Critical accounting judgements relate to the classification of leases – see Notes 27 and 28 and recognition of deferred tax on tax loss carryforwards – Note 8. In classification of agreements for operating lease and finance categories are made critical judgements allowing to classify given agreement to given type of leasing. Judgements consider mainly: period of use, purchase option, alternatives availability, term of agreement cancelation.

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.

(in PLN thousands unless stated otherwise)

Credit risk

Financial instruments especially exposed to credit risk include cash and cash equivalents, receivables 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 977 thousand for the Group's receivables exposed to credit risk in the 12 month period ended December 31, 2009. The maximum credit risk exposure amounts to PLN 193 466 thousand.

The ageing break-down of receivables and receivable write-downs as at December 31, 2009 is presented in the table below:

	current	overdue in days				**Total**
		less than 90	91 - 180	181 - 365	more than 360	
Trade and other receivables	22 997	9 840	817	591	3 784	**38 029**
Receivable write-downs	(312)	-	-	(536)	(3 697)	**(4 545)**
	22 685	**9 840**	**817**	**55**	**87**	**33 484**

Value of impairment provisions for receivables as at December 31, 2009 and December 31, 2008 is presented in table below:

	31.12.2009	31.12.2008
Value for the beginigng of the period	3 568	3 643
Provision created	993	40
Provisions released	(15)	(75)
Provisions used	-	(40)
Other	-	-
Value for the end of the period	4 546	3 568

The Group did not recognize impairment on overdue trade and other receivables of PLN 10 799 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 (see Note 21). As at December 31, 2009 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 are analyzed in quarterly periods.

Had the interest rates on loans denominated in Polish zloties during the 12 months ended December 31, 2009 been 30 base points higher/lower, the profit for the period would have been PLN 962 thousand lower/higher.

Had the interest rates on loans denominated in Czech korunas during the 12 months ended December 31, 2009 been 30 base points higher/lower, the profit for the period would have been PLN 220 thousand lower/higher.

Had the interest rates on loans denominated in Polish zloties during the 12 months ended December 31, 2008 been 30 base points higher/lower, the profit for the period would have been PLN 538 thousand lower/higher.

(in PLN thousands unless stated otherwise)

Had the interest rates on loans denominated in Czech korunas during the 12 months ended December 31, 2008 been 30 base points higher/lower, the profit for the period would have been PLN 203 thousand lower/higher.

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.

To limit foreign exchange risk, the Group is trying to reduce the impact of short-term fluctuations of exchange rates. However, in a longer period, permanent changes in exchange rates and interest rates could have an impact on the Company's consolidated results.

As ate December 31, 2009 has not used any hedges limiting the impact of changes in cash flows following from changes in exchange rates on its results. As at December 31, 2008 the Group used hedges limiting the impact of changes in cash flows following from changes in exchange rates on its results (Forward on EUR i GBP). The Group hedged its cash flows related to the planned raw material purchases. As at 31 December 2008, the total amount of open futures transactions amounted to EUR 10,000 thousand and GBP 1,500 thousand. The transaction will be settled in 2009. The valuation of the transactions as at the end of 2008 was positive and amounted to PLN 9,254 thousand. The hedging transactions described above were accounted for under hedge accounting. Final reconciliation was made fully during 12 months ending December 31, 2009 where valuation in value of PLN 9,254 thousands were reclassified from equity and was recognized income realized on incurred transactions in value of PLN 10,815 thousands.

Volatility analysis

As at December 31 2009, the Group's assets and liabilities are denominated mainly in the functional currencies of the Group members.

As at December 31, 2008, the Group's assets and liabilities are denominated mainly in the functional currencies of the Group members.

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, 2009 and 2008 is presented in the table below:

	December 31, 2009			December 31, 2008		
	Loan instalments	Interest and other charges	Total	Loan instalments	Interest and other charges	Total
Up to 1 year	424 526	27 657	452 183	40 536	26 808	67 344
Between 1 and 2 years	2 564	196	2 760	372 508	24 870	397 378
Between 2 and 5 years	109 948	42 939	152 887	19 426	635	20 061
More than 5 years	-	-	-	-	-	-
	537 038	70 792	607 830	432 470	52 313	484 783

(in PLN thousands unless stated otherwise)

As at December 31, 2009 current liabilities significantly exceed current assets what results mainly from payment dates of described above loan facility. Detailed description of plans and actions taken by Management Board of Parent Entity regarding the solution for this situation please refer to note on going concern.

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 total value of capital employed. Net debt is calculated as the sum of borrowings (comprising loans and advances, and liabilities) net of cash and cash equivalents. The total value of capital is calculated as the carrying amount of equity in the consolidated financial statements plus net borrowings.

The Group's gearing as at December 31, 2009 and 2008 is as follows:

	2009	2008
Total borrowings (Note 21)	537 038	432 470
Total other liabilities	231 166	293 596
Less: Cash and cash equivalents (Note 18)	(159 148)	(37 583)
Net debt	609 056	688 483
Total equity	382 891	372 310
Capital employed	991 947	1 06 793
Gearing ratio	**61%**	**65%**

The decrease in the gearing ratio as at December 31, 2009 results mainly from final settlement of acquisition reconciliations and equity transactions.

36 Events After the Balance Sheet Date

- With effective date of January 12, 2010 Jacek Trybuchowski resigned from the function of Amrest Holdings SE Management Board Member because of personal reasons. Jacek Trybuchowski is still performing vital management functions in subsidiaries og AmRest Group.
- As at March 13, 2010 Supervisory Board of AmRest made a resolution to appoint Piotr Boliński for Amrest Holdings SE Management Board Member.
- As at February 24, 2010 year Group AmRest issued second tranche of bonds in result for financing of development of new restaurants in Central - Eastern Europe planned in 2010. AmRest issued 4,000 dematerialized bearer bonds at a par value of PLN 10,000 per one bond and an issue price equaled to 100% of the par value – the total value of issue amounted to PLN 40,000,000. All bonds have a variable interest rate of 6M WIBOR increased by applicable margin and their maturity date is 30 December 2014. The interest will be paid semi-annually (on 30 June and 30 December) commencing from 30 June 2010. The bond issue has not been additionally secured. The estimated value of AmRest's liabilities as at the last day of the quarter preceding the offer amounted to PLN 766,600 thousand.

- As at April 22, 2010 Management Board of AmRest Holdings SE signed a Share Subscription Agreement between AmRest and WP Holdings VII B.V., registered in Amsterdam, The Netherlands. The Subscriber, which is an affiliate of Warburg Pincus, intends to subscribe for 4,726,263 new shares of the Company at a price of PLN 65 per share, which equates to 24.99% of the diluted share capital. In addition, within 12 months from the date on which the Subscription Shares are registered by the registry court proper for the Company's registered office, the Subscriber will have an option to subscribe for additional shares in up to two installments to the extent that its shareholding does not exceed 33% of the post-issuance share capital. The issuance price for the Additional Subscription Shares will be PLN 75 per share. The Subscription Shares will be issued to the Subscriber pursuant to the authority granted to the Management Board of AmRest on the basis of articles 444-4471 of the Polish Commercial Companies Code and §4 of the Company's statutes and with the approval of the Supervisory Board given in the resolution of 21 April 2010 for excluding the pre-emptive rights of current shareholders of the Company.

  The subscription will be finalized in two stages – Pre-Completion and Completion.

  At Pre-Completion, the Subscriber will transfer the total subscription price for the Subscription Shares to an escrow account. The Pre-Completion is conditional upon: (i) receipt of US regulatory approval (under Hard Scott Rodino Antitrust Improvements Act), (ii) receipt of consent from franchisors under contracts binding the Company (iii) demonstration by AmRest to the Subscriber that refinancing/restructuring of the full amount of AmRest Group's existing bank facilities will be achievable prior to 31 December 2010. If any of the Pre-Completion conditions cannot be satisfied or are waived, at the Subscriber's discretion, within 90 days from the Agreement date, the Agreement shall be terminated unless both parties agree otherwise.

  After the total subscription price has been transferred by the Subscriber, the Company will file an application with the registry court, proper for the Company's registered office, for registration of the Subscription Shares.

  Completion will take place at the moment of registering the increase in the share capital of the Company related to the Subscription Shares by the registry court proper for the Company's registered office. After Completion, the Company has committed to do all within its power to ensure that two candidates nominated by the Subscriber will be appointed to its Supervisory Board. If the registration of the Subscription Shares is not completed within 90 days starting from the date of Pre-Completion, the Subscriber may terminate this Agreement.

  The Company shall prepare a Prospectus to admit all of the Subscription Shares to trading on the Warsaw Stock Exchange as soon as possible after the Completion date and in any event within 120 days from that date. If the Prospectus is not prepared and submitted to the Polish Financial Supervision Authority within 120 days from the date of Completion then the Company shall pay a contractual penalty to the Subscriber of PLN 12 million. This penalty does not exclude Subscriber's right to claim damages exceeding the amount of penalty.

  If the Company does not comply with its obligation to issue the Additional Subscription Shares to the Subscriber then it will pay to the Subscriber a contractual penalty of PLN 6.50 for each Additional Subscription Share not so issued. This penalty does not exclude Subscriber's right to claim damages exceeding the amount of penalty.

  In the period between signing the Agreement and the time when both Subscriber candidates are appointed to the Supervisory Board, the Company shall operate its business in the usual way. At the same time, the Company shall not enter into any non-ordinary agreements, arrangements or obligations where the aggregate value exceeds PLN 12 million, unless the Subscriber agrees otherwise in writing. These limitations will expire after at least two candidates of the Subscriber are appointed to the Supervisory Board or in any event, after the third anniversary of the Completion.

In addition, the Management Board of AmRest announces that the Company has received the following notification in connection with the effected transaction from Mr. Henry McGovern, Chairman of the Supervisory Board of the Company. Mr. McGovern has declared that: (i) he will not resign from his office as a member of the supervisory board of the Company before the expiry of the current 6 (six) year term of his appointment; (ii) he will not reduce his shareholding in the Company or resign from his position with the Company. (iii) he will vote at the first General Meeting convened after the Completion in favor of appointing to the Company's Supervisory Board 2 (two) nominees of the Subscriber (this obligation shall cease to apply when Mr. Henry McGovern and the Subscriber's capital group together hold in aggregate more than 33% of votes).