AmRest Holdings SE
Consolidated annual financial statements as at and for the twelve months ended December 31, 2015

Contents

Consolidated annual income statement
for the period ended December 31, 2015

In thousands of Polish Zloty

	Notes	For the 12 months ended December 31, 2015	For the 12 months ended December 31, 2014
Continuing operations			
Restaurant sales		3 123 773	2 770 529
Franchise and other sales		214 967	182 122
Total sales	2	3 338 740	2 952 651
Company operated restaurant expenses:			
Food and material		(972 180)	(886 838)
Payroll and employee benefits		(686 198)	(609 537)
Royalties		(153 366)	(136 881)
Occupancy and other operating expenses		(947 661)	(868 230)
Franchise and other expenses		(141 330)	(124 951)
General and administrative (G&A) expenses		(251 600)	(195 359)
Impairment losses	2, 8,10	(16 848)	(40 414)
Other operating income	4	26 186	19 454
Total operating costs and losses	3	(3 142 997)	(2 842 756)
Profit from operations		**195 743**	**109 895**
Finance costs	2,6	(43 694)	(50 688)
Finance income	2,5	9 646	5 929
Income from associates	2,28	588	195
Profit before tax		**162 283**	**65 331**
Income tax expense	2,7	(4 944)	(19 261)
Profit for the period		**157 339**	**46 070**
Profit attributable to:			
Non-controlling interests		(2 697)	(5 597)
Equity holders of the parent		160 036	51 667
Profit for the period		**157 339**	**46 070**
Basic earnings per share in Polish zloty	26	7,54	2,44
Diluted earnings per share in Polish zloty	26	7,54	2,44

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

Consolidated annual comprehensive income statement
for the period ended December 31, 2015

In thousands of Polish Zloty	**Notes**	**For the 12 months ended December 31, 2015**	**For the 12 months ended December 31, 2014**
Profit for the period		157 339	46 070
Other comprehensive income:			
Currency translation differences from conversion of foreign Entities		(21 283)	(65 583)
Net investment hedges	17	(476)	(17 161)
Income tax concerning net investment hedges	7,17	91	3 261
Total items that may be reclassified subsequently to profit or loss		(21 668)	(79 483)
Other comprehensive income for the period, net of tax		**(21 668)**	**(79 483)**
Total comprehensive income for the period		**135 671**	**(33 413)**
Total comprehensive income/(loss) attributable to:			
Equity holders of the parent		135 420	(36 731)
Non-controlling interests		251	3 318

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

Consolidated annual statement of financial position
as at December 31, 2015

In thousands of Polish Zloty	Notes	31.12.2015	31.12.2014
Assets			
Property, plant and equipment	8	1 060 019	1 016 329
Goodwill	2,11	583 091	578 322
Other intangible assets	10	574 109	528 070
Investment properties	9	22 152	22 152
Investments in associates	28	828	403
Other non-current assets	12	51 801	47 060
Deferred tax assets	7	33 352	28 434
Total non-current assets		2 325 352	2 220 770
Inventories	13	64 346	51 638
Trade and other receivables	14,31	92 090	66 345
Corporate income tax receivables	7	5 458	6 735
Other current assets	15	44 007	19 184
Cash and cash equivalents	16	317 871	257 171
Total current assets		523 772	401 073
Total assets	2	**2 894 124**	**2 621 843**
Equity			
Share capital		714	714
Reserves	17	678 306	692 624
Retained earnings		464 456	304 420
Translation reserve	17	(110 447)	(86 216)
Equity attributable to shareholders of the parent		1 032 973	911 542
Non-controlling interests	17	71 045	64 100
Total equity		1 104 074	975 642
Liabilities			
Interest-bearing loans and borrowings	18	1 035 946	1 116 047
Finance lease liabilities	23	7 921	7 312
Employee benefit liability	19	26 677	39 606
Provisions	20	3 680	9 305
Deferred tax liability	7	90 492	103 591
Other non-current liabilities	21	14 901	17 145
Total non-current liabilities		1 179 617	1 293 006
Interest-bearing loans and borrowings	18	89 418	337
Finance lease liabilities	23	1 323	767
Trade and other accounts payable	22	461 774	344 873
Corporate income tax liabilities	7	12 918	7 218
Total current liabilities		565 433	353 195
Total liabilities	2	1 745 050	1 646 201
Total equity and liabilities		**2 849 124**	**2 621 843**

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

Consolidated annual cash flow statement
for period ended December 31, 2015

In thousands of Polish Zloty	Notes	For the 12 months ended December 31, 2015	For the 12 months ended December 31, 2014
Cash flows from operating activities			
Profit before tax	2,7	162 283	65 331
Adjustments for:			
Share of profit of associates	28	(588)	(195)
Amortization	2,10	26 947	21 520
Depreciation	2,8	196 934	184 545
Interest expense, net	5,6	33 285	40 120
Foreign exchange result	5,6	(5 204)	(2 181)
Loss on disposal of property, plant and equipment and intangibles	8	(320)	11 339
Impairment of property, plant and equipment and intangibles	2,8,10	13 249	33 025
Equity-settled share-based payments expenses	19	26 240	8 098
Working capital changes:	16		
Change in receivables		(27 373)	14 831
Change in inventories		(12 890)	(4 555)
Change in other assets		(28 412)	(702)
Change in payables and other liabilities		111 401	376
Change in other provisions and employee benefits		(5 431)	2 036
Income tax paid		(14 988)	(31 058)
Interest paid	6	(36 508)	(43 523)
Interest received	5	3 223	3 403
Dividends received from associates		158	-
Other		(251)	(6 484)
Net cash provided by operating activities		**441 755**	**295 926**
Cash flows from investing activities			
Expenses on acquisition of subsidiaries, decrease by cash	2	(64 025)	-
Proceeds from the sale of property, plant and equipment, and intangible assets	8,10	5 599	324
Acquisition of property, plant and equipment	8	(256 527)	(299 797)
Acquisition of intangible assets	10	(20 296)	(18 486)
Expense on loans given to other entities		198	1 737
Net cash used in investing activities		**(335 051)**	**(316 222)**
Cash flows from financing activities			
Proceeds from share issuance (employees options)		9 332	2 408
Expense on acquisition of own shares (employees options)		(49 779)	(6 645)
Expense on settlement of employee stock option in cash		(8 740)	-
Proceeds from loans and borrowings		12 018	177 879
Repayment of loans and borrowings		(7 211)	(152 627)
Dividends paid to non-controlling interest owners		(1 470)	(3 964)
Proceeds/(repayment) of finance lease payables		1 102	(666)
Proceeds of finance lease receivables		-	150
Net cash provided by/(used in) financing activities		**(44 748)**	**16 535**
Net change in cash and cash equivalents		**61 956**	**(3 761)**
Balance sheet change of cash and cash equivalents		60 700	(2 339)
Cash and cash equivalents, beginning of period		257 171	259 510
Effect of foreign exchange rate movements		(1 256)	1 422
Cash and cash equivalents, end of period		**317 871**	**257 171**

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

AmRest Holdings SE

Consolidated annual statement of changes in equity for the 12 months ended December 31, 2015

	Attributable to equity holders							
	Issued capital	Reserved capital (note 17)				**Total equity**		
		Treasury shares	Other reserved capital	Retained Earnings	Cumulative translation adjustments	**attribu-table to equity hol-ders of the parent**	Non-controlling interest	**Total Equity**
As at January 1, 2014	**714**	**(226)**	**738 255**	**252 753**	**(11 718)**	**979 778**	**64 746**	**1 044 524**
COMPREHENSIVE INCOME								
Income for the period	-	-	-	51 667	-	**51 667**	(5 597)	**46 070**
Currency translation differences (note 17)	-	-	-	-	(74 498)	**(74 498)**	8 915	**(65 583)**
Valuation Impact of net investment hedging instruments	-	-	(17 161)	-	-	**(17 161)**	-	**(17 161)**
Deferred income tax concerning net investment hedges (note 7)	-	-	3 261	-	-	**3 261**	-	**3 261**
Total Comprehensive Income	**-**	**-**	**(13 900)**	**51 667**	**(74 498)**	**(36 731)**	**3 318**	**(33 413)**
TRANSACTION WITH NON-CONTROLLING SHAREHOLDERS								
Dividends paid to non-controlling shareholders	-	-	-	-	-	**-**	(3 964)	**(3 964)**
Total transaction with non-controlling shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**(3 964)**	**(3 964)**
TRANSACTION WITH SHAREHOLDERS								
Employees share option scheme – value of employee services	-	-	8 098	-	-	**8 098**	-	**8 098**
Change of employees share option scheme (note 19)	-	-	(34 939)	-	-	**(34 939)**	-	**(34 939)**
The net result for treasury shares	-	-	(876)	-	-	**(876)**	-	**(876)**
Purchase of treasury shares	-	(3 788)	-	-	-	**(3 788)**	-	**(3 788)**
Total transaction with shareholders	**-**	**(3 788)**	**(27 717)**	**-**	**-**	**(31 505)**	**-**	**(31 505)**
As at December 31, 2014	**714**	**(4 014)**	**696 638**	**304 420**	**(86 216)**	**911 542**	**64 100**	**975 642**
As at January 1, 2015	**714**	**(4 014)**	**696 638**	**304 420**	**(86 216)**	**911 542**	**64 100**	**975 642**
COMPREHENSIVE INCOME								
Income for the period	-	-	-	160 036	-	**160 036**	(2 697)	**157 339**
Currency translation differences (note 17)	-	-	-	-	(24 231)	**(24 231)**	2 948	**(21 283)**
Valuation Impact of net investment hedging instruments	-	-	(476)	-	-	**(476)**	-	**(476)**
Deferred income tax concerning net investment hedges (note 7)	-	-	91	-	-	**91**	-	**91**
Total Comprehensive Income	**-**	**-**	**(385)**	**160 036**	**(24 231)**	**135 420**	**251**	**135 671**
TRANSACTION WITH NON-CONTROLLING SHAREHOLDERS								
Takeover of full control over the subsidiary	-	-	(8 006)	-	-	**(8 006)**	8 006	**-**
Dividends paid to non-controlling shareholders	-	-	-	-	-	**-**	(1 312)	**(1 312)**
Total transaction with non-controlling shareholders	**-**	**-**	**(8 006)**	**-**	**-**	**(8 006)**	**6 694**	**(1 312)**
TRANSACTION WITH SHAREHOLDERS								
Purchase of treasury shares	-	(49 779)	-	-	-	**(49 779)**	-	**(49 779)**
Proceeds from treasury shares	-	32 581	(32 581)	-	-	**-**	-	**-**
Employee stock option plan – value of employee services excerised in the period	-	-	18 180	-	-	**18 180**	-	**18 180**
Employee stock option plan – proceeds from employees - value of disposed shares	-	-	9 332	-	-	**9 332**	-	**9 332**
Employee stock option plan – value of unexercised employee benefits	-	-	12 624	-	-	**12 624**	-	**12 624**
Change of deferred tax related to unexercised employee benefits	-	-	3 716	-	-	**3 716**	-	**3 716**
Total transaction with shareholders	**-**	**(17 198)**	**11 271**	**-**	**-**	**(5 927)**	**-**	**(5 927)**
As at December 31, 2015	**714**	**(21 212)**	**699 518**	**464 456**	**(110 447)**	**1 033 029**	**71 045**	**1 104 074**

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.

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

1. Information on the Group and significant accounting policies

a) General information

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

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

Here after, the Company and its subsidiaries shall be referred to as "the Group". The Group's consolidated financial statements for the 12-month period ended December 31, 2015 cover the Company, its subsidiaries and the Group's shares in associates.

These consolidated financial statements were approved by the Company's Management Board on March 11, 2016.

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

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

On August 18, 2015 WP Holdins B.V. have sold to FCapital Dutch B.V. all owned shares in AmRest Group.

As at December 31, 2015, FCapital Dutch B.V. was the largest shareholder of AmRest and held 31.71% of its shares and voting rights.

Pursuant to the information available to the Company, as at the date of release of this annual report, that is March 11, 2016 the following shareholders submitted information on holding directly or indirectly (through subsidiaries) 5% or more of the total vote at the General Shareholders Meeting of AmRest Holdings SE:

Shareholders	Shares amount	Share in Equity%	Shares amount at AGM	Share at AGM%
FCapital Dutch B.V.*	6 726 790	31.71%	6 726 790	31.71%
Nationale-Nederlanden OFE**	2 539 429	11.97%	2 539 429	11.97%
PZU PTE***	2 120 901	10.00%	2 120 901	10.00%
Aviva OFE	2 100 000	9.90%	2 100 000	9.90%
Other shareholders	7 726 773	36.42%	7 726 773	36.42%

* FCapital Dutch B. V. is the subsidiary of Finaccess Capital, S.A. de C.V.
** The previous name: ING OFE
*** PTE PZU SA manages assets which include funds belonging to OFE PZU "Złota Jesień" and DFE PZU

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

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

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

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

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

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

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

According to „Strategic development agreement", Companies of the Group guaranteed to BKE fulfilling of AmRest sp. z o.o. and AmRest s.r.o obligations resulting from development agreements. Companies of the Group are committed to cover any damages to BKE caused by the developers actions, that is AmRest sp. z o.o. and AmRest s.r.o. At the present moment the Group companies are in the process of renegotiating the terms of contracts, particularly in the area of established development plans, in order to negotiate favorable conditions for further development.

The agreement was concluded for a fixed term until 30 June 2015. Provided that the duration of the contract will be extended until the end of the development agreements concluded with AmRest Sp. z o.o and AmRest s.r.o. On

November 13, 2015 ammendment letter to Strategic Development Agreement was signed extending the terms till December 31 2016.

On January 31, 2014. Between Burger King Europe GmbH (BKE), AmRest Sp. z oo and AmRest Holdings SE, an annex to the "Strategic Development Agreement" ("Strategic Development Agreement"), amending, as part of the above-mentioned "Development Agreement" and the franchise agreement signed with AmRest Sp. z oo, for opening and running Burger King restaurants in Polish in 2013-2015.

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

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

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

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

As at June 24, 2015 Group has started operations of Starbucks in Romania and Bulgaria after 100% share acquisition of sole operators on those markets (note 2).

On September 29, 2015 AmRest Group entities in writting confiremd with Starbucks EMEA Ltd opening obligations in years 2015 – 2020 for 5 markets: Poland, Czech Republic, Romania and Bulgaria.

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

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

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

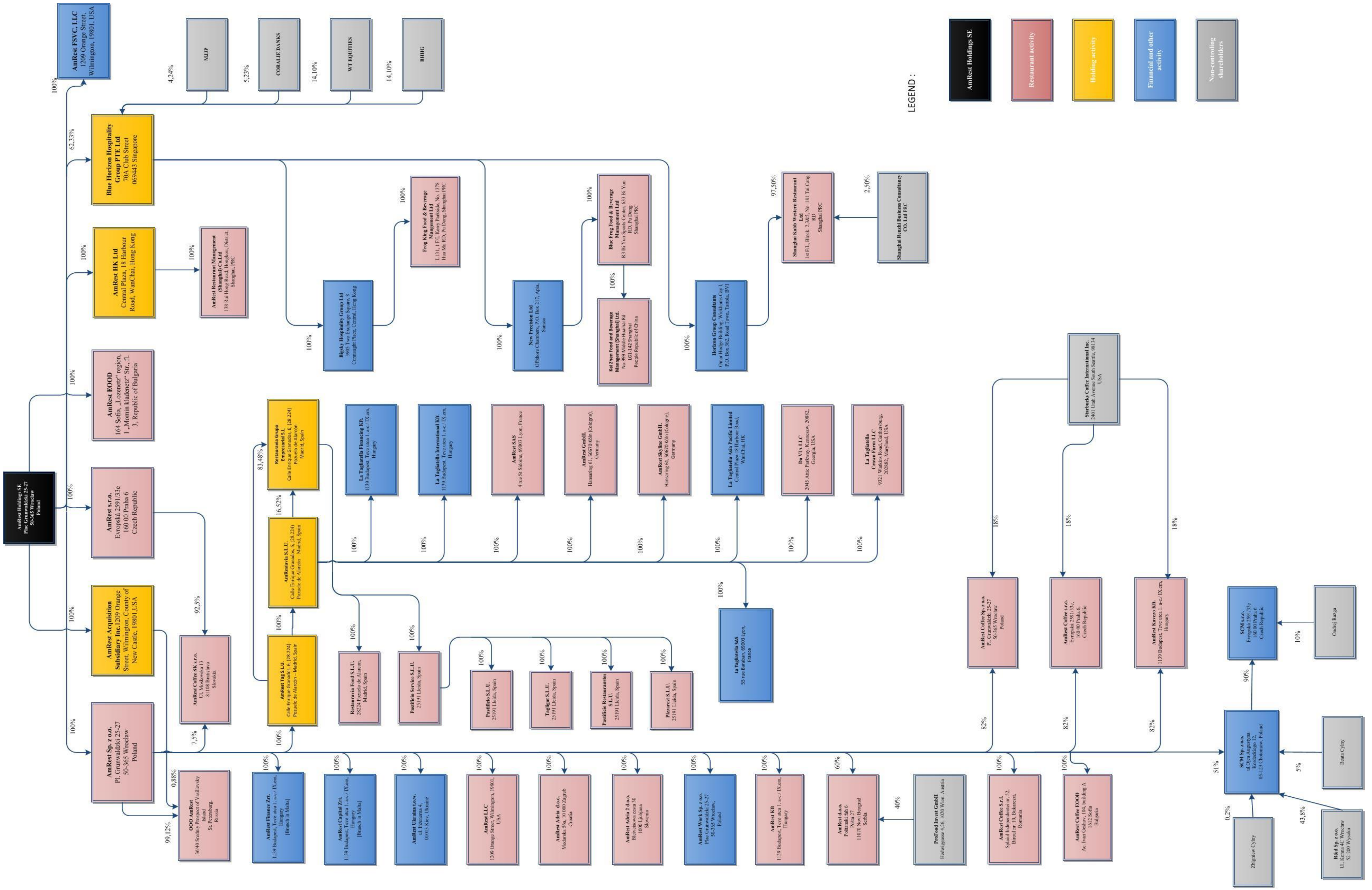
Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

As at December 31, 2015 , the Group comprised the following subsidiaries:

Company name	Seat	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
		Holding activity		
AmRest Acquisition Subsidiary Inc.	Wilmington, USA	AmRest Holdings SE	100.00%	May 2007
AmRest TAG S.L.U	Madrid, Spain	AmRest Sp. z o.o.	100.00%	March 2011
AmRestavia S.L.U.	Madrid, Spain	AmRest TAG S.L.U.	100.00%	April 2011
Restauravia Grupo Empresarial S.L.	Madrid, Spain	AmRestavia S.L.U. AmRest TAG S.L.U.	16.52% 83.48%	April 2011
AmRest HK Ltd	Hong Kong, China	AmRest Holdings SE	100.00%	September 2011
Blue Horizon Hospitality Group PTE Ltd	Singapore, China	AmRest Holdings SE WT Equities BHHG MJJP Coralie Danks	62.33% 14.10% 14.10% 4.24% 5.23%	December 2012
Bigsky Hospitality Group Ltd	Hong Kong, Chiny	Blue Horizon Hospitality Group PTE Ltd	100.00%	December 2012
New Precision Ltd	Apia, Samoa	Blue Horizon Hospitality Group PTE Ltd	100.00%	December 2012
Horizon Group Consultants (BVI)	Road Town, Tortola, BVI	Blue Horizon Hospitality Group PTE Ltd	100.00%	December 2012
		Restaurant activity		
AmRest Sp. z o.o.	Wroclaw, Poland	AmRest Holdings SE	100.00%	December 2000
AmRest s.r.o.	Prague, Czech	AmRest Holdings SE	100.00%	December 2000
AmRest Kft	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	June 2006
AmRest Coffee Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o. Starbucks Coffee International, Inc.	82.00% 18.00%	March 2007
AmRest EOOD	Sofia, Bulgaria	AmRest Holdings SE	100.00%	April 2007
OOO AmRest	Petersburg, Russia	AmRest Acquisition Subsidiary Inc. AmRest Sp. z o.o.	0.88% 99.12%	July 2007
AmRest Coffee s.r.o.	Prague, Czech	AmRest Sp. z o.o. Starbucks Coffee International, Inc.	82.00% 18.00%	August 2007
AmRest Kávézó Kft	Budapest, Hungary	AmRest Sp. z o.o. Starbucks Coffee International, Inc.	82.00% 18.00%	August 2007
AmRest d.o.o.	Belgrad, Serbia	AmRest Sp. z o.o. ProFood Invest GmbH	60.00% 40.00%	October 2007
AmRest LLC	Wilmington, USA	AmRest Sp. z o.o.	100.00%	July 2008
Da Via, LLC	Kennesaw, USA	AmRestavia S.L.U.	100.00%	June 2013
La Tagliatella - Crown Farm, LLC	Gaithersburg, USA	AmRestavia S.L.U.	100.00%	June 2013
Restauravia Food S.L.U.	Madrid, Spain	Restauravia Grupo Empresarial S.L.	100.00%	April 2011
Pastificio Service S.L.U.	Lleida, Spain	Restauravia Grupo Empresarial S.L.	100.00%	April 2011
Pastificio Restaurantes S.L.U.	Lleida, Spain	Pastificio Service S.L.U.	100.00%	April 2011
Tagligat S.L.U.	Lleida, Spain	Pastificio Service S.L.U.	100.00%	April 2011
Pastificio S.L.U.	Lleida, Spain	Pastificio Service S.L.U.	100.00%	April 2011
AmRest Restaurant Management Co. Ltd	Shanghai, China	AmRest HK Ltd	100.00%	November 2012

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

Company name	Seat	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
AmRest Adria d.o.o.	Zagreb, Croatia	AmRest Sp. z o.o.	100.00%	October 2011
AmRest GmbH	Cologne, Germany	AmRestavia S.L.U.	100.00%	March 2012
AmRest SAS	Lyon, France	AmRestavia S.L.U.	100.00%	April 2012
La Tagliatella LLC	Wilmington, USA	AmRestavia S.L.U.	100.00%	April 2012
AmRest Adria 2 d.o.o.	Ljubljana, Slovenia	AmRest Sp. z o.o	100.00%	August 2012
Frog King Food&Beverage Management Ltd	Szanghai, China	Bigsky Hospitality Group Ltd	100.00%	December 2012
Blue Frog Food&Beverage Management Ltd	Szanghai, China	New Precision Ltd	100.00%	December 2012
Shanghai Kabb Western Restaurant Ltd	Szanghai, China	Horizon Group Consultants (BVI)	97.50%	December 2012
		Shanghai Renzi Business Consultancy Co. Ltd	2.50%	
AmRest Skyline GmbH	Cologne, Germany	AmRestavia S.L.U.	100.00%	October 2013
Kai Zhen Food and Beverage Management (Shanghai) Ltd.	Shanghai, China	BlueFrog Food&Beverage Management Ltd	100.00%	March 2014
Pizzarest S.L.U.	Lleida, Spain	Pastificio Service S.L.U.	100.00%	September 2014
AmRest Coffee EOOD	Sofia, Bulgaria	AmRest Sp.z o.o.	100.00%	June 2015
AmRest Coffe S.r.l.	Bucharest, Romania	AmRest Sp. z o.o.	100.00%	June 2015
AmRest Coffee SK s.r.o.	Bratislava, Slovakia	AmRest s.r.o.	92.50%	December 2015
		AmRest Sp. z o.o.	7.50%	
Financial services for the Group				
AmRest Capital Zrt	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	November 2011
AmRest Finance Zrt	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	November 2011
La Tagliatella International Kft	Budapest, Hungary	AmRestavia S.L.U.	100.00%	November 2012
La Tagliatella Financing Kft	Budapest, Hungary	AmRestavia S.L.U.	100.00%	November 2012
La Tagliatella Asia Pacific Ltd	Hong Kong, China	AmRestavia S.L.U.	100.00%	November 2012
La Tagliatella SAS	Lyon, France	AmRestavia S.L.U.	100.00%	March 2014
AmRest FSVC, LLC	Delaware, USA	AmRest Holdings SE	100,00%	November 2014
Supply services for restaurants operated by the Group				
SCM Sp. z o.o.	Chotomow, Poland	AmRest Sp. z o.o.	51.00%	October 2008
		R&d Sp. z o.o.	43.80%	
		Beata Cylny	5.00%	
		Zbigniew Cylny	0.20%	
Lack of business activity				
AmRest Ukraina t.o.w.	Kiev, Ukraine	AmRest Sp. z o.o.	100.00%	December 2005
AmRest Work Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o	100.00%	March 2012


LEGEND :
AmRest Holdings SE
Restaurant activity
Holding activity
Financial and other activity
Non-controlling shareholders
AmRest FSVC, LLC 1209 Orange Street, Wilmington, 19801, USA
Blue Horizon Hospitality Group PTE Ltd 70A Club Street 069443 Singapore
AmRest HK Ltd Central Plaza, 18 Harbour Road, WanChai, Hong Kong
AmRest EOOD
AmRest s.r.o. Evropská 2591/33e 160 00 Praha 6 Czech Republic
AmRest Acquisition Subsidiary Inc.
AmRest Sp. z o.o. Pl. Grunwaldzki 25-27 50-365 Wrocław Poland

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

As at December 31, 2015 the Group posses the following associated entities included in the financial statements under the equity method:

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

The Group's office is in Wroclaw, Poland. At December 31, 2015 the restaurants operated by the Group are located in Poland, the Czech Republic, Hungary, Russia, Bulgaria, Romania, Serbia, Croatia, Spain, Germany, France and China.

At December 31, 2015 and December 31, 2014 the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group:

Summarised balance sheet

2015	AmRest HK Ltd***	Blue Horizon Hospitality Group PTE Ltd.	AmRest Coffee s.r.o.	AmRest Kávézó Kft	AmRest Coffee Sp. z o.o.	SCM Sp. z o.o.	AmRest d.o.o.
Current Assets	501	27 770	16 872	7 193	7 446	16 129	2 678
Liabilities	(3 377)	(42 954)	(10 856)	(5 447)	(11 186)	(4 986)	(1 373)
Total current net assets	(2 876)	(15 184)	6 016	1 746	(3 740)	11 143	1 305
Non-current assets	-	90 866	29 537	12 368	36 208	3 594	2 919
Liabilities	-	(12 765)	(180)	(1)	(4)	(381)	(7)
Total non-current net assets	-	78 101	29 357	12 367	36 204	3 213	2 912
Net assets	(2 876)	62 917	35 373	14 113	32 464	14 356	4 217

2014	AmRest HK Ltd	Blue Horizon Hospitality Group PTE Ltd.	AmRest Coffee s.r.o.	AmRest Kávézó Kft	AmRest Coffee Sp. z o.o.	SCM Sp. z o.o.	AmRest d.o.o.
Current Assets	1 660	18 553	12 289	5 256	8 794	12 460	2 024
Liabilities	(8 684)	(29 890)	(7 815)	(3 206)	(8 602)	(2 915)	(1 577)
Total current net assets	(7 024)	(11 337)	4 474	2 050	192	9 545	447
Non-current assets	-	74 341	25 074	11 686	39 689	2 759	3 139
Liabilities	-	(11 387)	(105)	(259)	(696)	(89)	(7)
Total non-current net assets	-	62 954	24 969	11 427	38 993	2 670	3 132
Net assets	(7 024)	51 617	29 443	13 477	39 185	12 215	3 579

Summarised income statement

2015	AmRest HK Ltd***	Blue Horizon Hospitality Group PTE Ltd.	AmRest Coffee s.r.o.	AmRest Kávézó Kft	AmRest Coffee Sp. z o.o.	SCM Sp. z o.o.	AmRest d.o.o.
Total sales	417	208 017	60 352	25 885	73 918	36 377	13 484
Profit before tax	(1 944)	(13 021)	6 407	946	(6 707)	5 421	674
Income tax expense/income	-	2 285	(1 379)	(375)	-	(1 191)	-
Profit/loss for the period	(1 944)	(10 736)	5 028	571	(6 707)	4 230	674
Profit/loss for the period allocated to Non-controlling interests	(738)	(4 102)**	905	103	(1 207)	2 073	270

2014	AmRest HK Ltd	Blue Horizon Hospitality Group PTE Ltd.	AmRest Coffee s.r.o.	AmRest Kávézó Kft	AmRest Coffee Sp. z o.o.	SCM Sp. z o.o.	AmRest d.o.o.
Total sales	5 371	142 157	47 218	22 127	63 956	30 166	12 877
Profit before tax	(16 186)	(7 172)	2 317	956	(11 421)	5 610	(611)
Income tax expense/income	-	(279)	(589)	(299)	-	(1 199)	-
Profit/loss for the period	(16 186)	(7 451)	1 728	657	(11 421)	4 411	(611)
Profit/loss for the period allocated to Non-controlling interests	(2 930)	(2 958)*	311	118	(2 056)	2 161	(244)

* On June 13, 2014 Company passed a resolution of increase share capital in Blue Horizon Hospitality PTE LTD in amount of TUSD 3.915 which resulted additional 3.58% of shares.

** On January 30, 2015 Company passed a resolution of increase share capital in Blue Horizon Hospitality PTE LTD in amount of TUSD 4 454 which resulted additional 2.78% of shares. On July 13, 2015 the process of issuing shares has finished and resulted in reduction of shares by 0.63%.

*** On November 30, 2015 an agreement was signed in the amount of TUSD 18 under which AmRest Holdings became the sole shareholder of AmRest HK Ltd.

The subsidiaries in which they have non-controlling interest, there are no significant restrictions on the possibility of accesses to the assets or their use and settlement of obligations.

Group companies with non-controlling interests at the date of publication of this report, did not prepare the cash flows in accordance with the International Financial Reporting Standards. From the point of view of the Group, they are not meaningful, because to a large extent they are by transactions with related parties.

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, 2015. As at December 31, 2015, there are no discrepancies between the accounting policies adopted by the Group and the standards referred to above. The accounting policies which have been applied in the preparation of the annual consolidated financial statements comply with those used in preparing the annual consolidated financial statements for the year December 31, 2014, with the exception of the new standards binding as of January 1, 2015.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2015:

- **Annual Improvements to IFRSs 2011-2013**

  International Accounting Standards Board issued in December 2013 'Annual Improvements to IFRSs 2011-2013'. The improvements consist of changes to four standards. The amendments include changes in presentation, recognition and valuation and include terminology and editorial changes.
  The Group considers this change did not have a significant impact on the consolidated financial statements.

- **IFRIC 21 - Levies**

  The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional.

The Group considers this change did not have a significant impact on the consolidated financial statements.

In these consolidated financial statements, the Group decided not to early adopt the following published standards, interpretations and amendments to existing standards prior to the date of application:

a. IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 and will be effective for annual periods beginning on or after 1 January 2018.
IFRS 9 introduces one model, according to which financial as sets are required to be classified into two measurement categories: those to be measured subsequently at fair value and those to be measured subsequently at amortised cost.
Classification on initial recognition is driven by the entity’s business model for managing the financial assets and the contractual cash flows characteristics. IFRS 9 introduces a new model for the recognition of impairment loss es – the expected credit losses (ECL) model.
Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The key change is the requirement to present in other comprehensive income, a significant change in credit risk relating to financial liabilities designated to be measured at fair value through profit and loss.
Hedge accounting requirements were amended to align accounting more closely with risk management.
The Group will apply the change after approval by the European Union.
The Group considers this change will not have a significant impact on the consolidated financial statements.
At the date of preparation of these consolidated financial statements, this change has not yet been approved by the European Union.

b. Defined Benefit Plans: Employee Contributions - Amendments to IAS 19

The amendment changes to IAS 19 Employee Contributions was issued in November 2013 and is effective for annual periods beginning 1 February 2015 or after that date.
The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service.
The Group will apply these amendments to IFRS from 1 January 2016. The Group considers this change will not have a significant impact on the consolidated financial statements.

c. Amendments to IFRS 2010-2012

International Accounting Standards Board has published in December 2013 “Improvements to IFRSs 2010-2012” which amend 7 standards . The amendments include changes in presentation, recognition and valuation and include terminology and editorial changes. The amendments are effective for the most part for annual periods beginning on or after 1 February 2015 .
The Group will apply these amendments to IFRS from 1 January 2016.
The Group considers this change will not have a significant impact on the consolidated financial statements.

d. IFRS 14 “Regulatory Deferral Accounts”

IFRS 14 is effective for annual periods beginning on or after 1 January 2016 or after that date. This standard allows individuals who produce financial statements in accordance with IFRS for the first time, to the recognition of the amounts resulting from the activities of regulated prices in accordance with the previously applied accounting principles. To improve comparability with units which already apply IFRS and do not show such amounts in accordance with the published IFRS 14, the amounts resulting from the activities of regulated prices, should be subject to the presentation in a separate location, either in the statement of financial position as well as in the income statement and statement of other comprehensive income.
The Group will apply these amendments to IFRS from 1 January 2016.
The Group considers this change will not have a significant impact on the consolidated financial statements.
At the date of preparation of these consolidated financial statements, IFRS 14 has not yet been approved by the European Union.

e. Amendments to IFRS 11 on the purchase of a share in a common activity

This amendment to IFRS 11 requires the investor when he acquires a share in a common business activity which is as defined in IFRS 3 application to acquire its share of the accounting rules on businesses connections in accordance with IFRS 3 and the rules under other standards, unless they are in contrary to the guidelines contained in IFRS 11.
The change is effective for annual periods beginning on or after 1 January 2016.
The Group will apply the change from 1 January 2016.
The Group considers this change will not have a significant impact on the consolidated financial statements.

f. Amendments to IAS 16 and IAS 38 concerning Depreciation

The amendment clarifies that the use of the depreciation method based on revenues is not appropriate because the revenues generated in the business, which uses data assets also reflect factors other than the consumption of economic benefits from the asset.
The change is effective for annual periods beginning on or after 1 January 2016.
The Group will apply the change from 1 January 2016. The Group considers this change will not have a significant impact on the consolidated financial statements.

g. IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 was published by the International Accounting Standards Board on 28 May 2014 and is effective for annual periods beginning on or after 1 January 2018 or after that date.
The principles set out in IFRS 15 will apply to all contracts resulting in revenue. The fundamental principle of the new standard is to recognize revenue at the time of the transfer of goods or services to the client, in the amount of the transaction price. Any goods or services sold in packages that can be distinguished in the package, should be recognized separately, moreover, any discounts and rebates on the transaction price should in principle be allocated to the various elements of the package. If the amount of revenue is variable, according to the new standard for the amount of variables are included in the income, if there is a high probability that in the future there will be no reversal of the recognition of income as a result of revaluation. Furthermore, in accordance with IFRS 15 costs incurred to acquire and secure a contract with the customer must be activated and deferred for a period of consumption of the benefits of this contract.
The Group will apply IFRS 15 from 1 January 2018. The Group considers this change will not have a significant impact on the consolidated financial statements. At the date of preparation of these consolidated financial statements, IFRS 15 has not yet been approved by the European Union.

h. Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41

The amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms, which now should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.
Amendments are effective for annual periods beginning on 1 January 2016. The Group will apply the change from 1 January 2016.

i. Amendments to IAS 27 concerning the equity method in the separate financial statements

The amendments in IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
The amendments are effective for annual periods beginning on or after 1 January 2016.
The Group will apply the change from 1 January 2016.
The Group considers this change will not have a significant impact on the consolidated financial statements.

j. Amendments to IFRS 10 and IAS 28 concerning sales or transfers of assets between the investor and its associates or joint ventures

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss, considering the interests of other investors, is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.
The amendments were published on 11 September 2014 and will be effective for annual periods beginning on or after a date to be determined by the IASB.
The Group will apply the change accordingly to IASB resolutions.
The Group considers this change will not have a significant impact on the consolidated financial statements.
At the date of preparation of these consolidated financial statements, this change has not yet been approved by the European Union.

k. Amendments to IFRS 2012-2014

International Accounting Standards Board published in September 2014 “Improvements to IFRSs 2012-2014” , that change four standards: IFRS 5, IFRS 7, IAS 19 and IAS 34. The amendments are effective for annual periods beginning on or after 1 January 2016 .
The Group will apply these amendments to IFRS from 1 January 2016 .
The Group considers this change will not have a significant impact on the consolidated financial statements.

l. Amendments to IAS 1

In December 2014 in result of the works on so-called initiative on disclosure, the International Accounting Standards Board an amendment to IAS 1 issued. The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The revised IAS 1 explained that

the items presented in the statement of financial position and statement of results and other comprehensive income may be aggregated or disaggregated according to their relevance. It also introduced additional guidance relating to the presentation of subtotals in these statements. The amendments are effective for annual periods beginning on or after 1 January 2016.
The Group will apply the above change from 1 January 2016.
The Group considers this change will not have a significant impact on the consolidated financial statements.

m. Amendments to IFRS 10, IFRS 12 and IAS 28 concerning deconsolidation of investment units

On December 18, 2014 the IASB published the so-called amendment to a limited extent. Amendment to IFRS 10, IFRS 12 and IAS 28 'Investment Units: deconsolidation' clarifies requirements for investment entities and introduces some facilitations.
The Standard was amended to clarify that an investment entity should measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. In addition, the exemption from preparing consolidated financial statements if the entity's ultimate or any intermediate parent produces consolidated financial statements available for public use was amended to clarify that the exemption applies regardless whether the subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10 in such ultimate or any intermediate parent's financial statements.
The standard clarifies that an entity should measure at fair value through profit or loss all of its subsidiaries, which are units of investment. In addition, clarified that the exemption from preparing consolidated financial statements if the parent company prepares a higher degree of financial statements available to the public concerns made regardless of whether the subsidiaries are consolidated or at fair value through profit or loss in accordance with IFRS 10 in the report of the ultimate parent or senior. The amendments are effective for annual periods beginning on or after 1 January 2016.
The Group will apply these changes from 1 January 2016. The Group considers this change will not have a significant impact on the consolidated financial statements.
At the date of preparation of these consolidated financial statements, amendments to IFRS has not yet been approved by the European Union.

n. IFRS 16 "Leases"

IFRS 16 "Leases" was issued on January 13, 2016 and is effective for annual periods beginning on or after 1 January 2019.
The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement.
IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
The Group will apply the change accordingly to IASB resolutions. The Group is currently assessing the impact of the amendments on its financial statements. Taking into considaration large scale and value of signed lease agreements, the Group expects a significant impact of the amendments on the consolidated financial statements.
At the date of preparation of these consolidated financial statements, this change has not yet been approved by the European Union.

o. Recognition of Deferred Tax Assets for Unrealised Losses - amendments to IAS 12

The amendment has clarified the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. The entity will have to recognise deferred tax asset for unrealised losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains.

The amendments are effective for annual periods beginning on or after 1 January 2017.

The Group will apply these changes from 1 January 2017. The Group considers this change will not have a significant impact on the consolidated financial statements.

At the date of preparation of these consolidated financial statements, amendments to IFRS has not yet been approved by the European Union.

p. Disclosure Initiative - Amendments to IAS 7

Amendments to IAS 7 are effective for annual periods beginning on or after 1 January 2017. The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities.

The Group will apply these changes from 1 January 2017. The Group considers this change will not have a significant impact on the consolidated financial statements.

At the date of preparation of these consolidated financial statements, amendments to IFRS has not yet been approved by the European Union.

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

c) Form of presentation of the consolidated financial statements

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

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

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

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

Note 30 describes the assessments made by the Management Board in connection with the use of IFRSs which have a significant impact on the financial statements and the estimates which are at risk of significant adjustments in the following period.

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

d) Basis of preparation of the consolidated financial statements

Subsidiaries

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

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

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

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

Non-controlling interests and transactions with non-controlling interests

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

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

Associates

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

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

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

e) Going concern assumption

Information presented below should be read together with information provided in note 32 and 18, describing accordingly: significant post balance sheet events after December 31, 2015 and borrowings.

Consolidated financial statements for the period of 12 months ended December 31, 2015 were prepared in accordance with going concern assumption by the Group in foreseeable future, what assumes realization of assets and liabilities throughout the normal terms of Group business operations. Annual consolidated financial statements do not account for adjustments, which would be essential in such events. As at the date of consolidated financial statement issuance in assessment made by Group Parent Entity, there are no circumstances indicating threats for Group business going concern.

As it was described in note 21 "borrowings", financial liabilities resulting from loan agreement signed September 10, 2013 between AmRest Holdings SE, AmRest Sp. z o.o. and AmRest s.r.o. and Bank Polska Kasa Opieki S.A., Bank Zachodni WBK S.A., Rabobank Polska S.A. (currently Bank BGŻ BNl Paribas S.A.) and ING Bank Śląski Polska S.A. Management of Group Parent Entity had analyzed cash-flows for 12 months since balance sheet date of December 31, 2015 and available financing scenarios. In note 30 Management presents analysis of liabilities repayment.

f) Foreign exchange trading

Functional currency and presentation currency

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

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

Transactions denominated in foreign currencies

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

Financial statements of foreign operations

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

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

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

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

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

The functional currency of none of the subsidiaries is the currency of a hyperinflationary economy as at December 31, 2015.

g) Franchise, licence agreements and other fees

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

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

Non-reimbursable preliminary fees currently amount to USD 48.8 thousand per each restaurant whereas the fees related to the renewal of an agreement were set at 50% of the preliminary fee for each of the restaurants, indexed over the period of a given franchise agreement being in force with the consumer Price Index in the USA (“US Consumer Price Index”).

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

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

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

- The fee for development and the fee for providing services of USD 950 thousand, relating to the preliminary operating support (settled from other assets into general and admin expenses of Starbucks subsidiaries).
- The preliminary franchise fee of USD 25 thousand per each opened Starbucks café (capitalized as intangible asset and amortized during the franchise agreement period).

- A fixed licence fee equal to 6% of sales revenues of each of the Starbucks cafés (added to the income statement when it incurred in category continuing franchise fees).
- The local marketing fee the amount of which will be determined annually between the parties to the agreements (added to the income statement when it incurred in category direct marketing costs).

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

- Generally the franchise agreement covers a 10 year period and provides an option of extension for another 10 (for agreements signed after 2006) or 5 years (for agreements signed before 2006). Some franchise agreements were signed for the period from 9 to 20 years.
- Revenues of the Group consist of sales by Company operated restaurants and fees from franchisees and license are recognized when payment is rendered at the time of sale.
- Fees for using own brand paid by franchisees to the Group as a 6% from the sales (continued fees) are recognized as earned.
- Intangible assets, covering relationships with franchise clients, recognized during the acquisition process are amortized within the average period of the contractual relationship with franchise clients.
- Own brands systematically as at the purchase date are analysed from the point of depreciation and amortisation periods. Currently:
    - La Tagliatella brand is treated as not amortized asset due to indefinite useful life, as a consequence of successful franchise activity,
    - Blue Frog brand is treated as amortized asset in 20-year period.

h) Property, plant and equipment

Property, plant and equipment owned by the Group

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

The financial costs relating to the liabilities incurred to finance the purchase of property, plant and equipment are recognized in the income statement as interest expenses. This is due to the company's policy to most of the expenditure on property , plant and equipment adjusted arbitrarily after the date of delivery.

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

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

Assets related to opening restaurants

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

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

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

Leased assets

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

Costs incurred after commissioning fixed assets

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

Amortization and depreciation

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

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

* shorter of 10 years and the lease term.

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

i) Investment Properties

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

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

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

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

j) Intangible assets

Computer software

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

Favourable lease agreements

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

Trademark

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

Relationships with Franchisees

Relationships with Franchisees acquired under purchase and connections are recognized at fair value at the acquisition date . Relationships with Franchisees are each evaluated for life. At the present moment the Group has relationships with Franchisees arising as a result of the acquisition of the Spanish group.

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

See note 1g) of the accounting policies.

Other intangible assets

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

Within the other intangible assets the exclusivity rights of brand operators on separated markets are presented.

Amortization

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

The expected useful lives of assets are as follows:

• Computer software	3 - 5 years
• Favourable lease agreements	2 - 10 years*
• Trademark	5 - 10 years
• Own mark Blue Frog	20 years
• Rights to the Pizza Hut , KFC, Burger King and	10 years
• Relations with franchisees	20- 24 years**
• Exclusivity rights brand operator	8 - 12 years***
• Other intangible assets	5 -10 years

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

k) Goodwill

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

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

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

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

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

l) Financial assets

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

Available-for-sale financial assets

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

Financial assets at fair value through profit or loss

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

Financial assets held to maturity

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. They are recognized at amortized cost net of impairment write-downs and recognized as current assets in the balance sheet, under “Trade and other receivables” (See note (m) of accounting policies below), if they mature within 12 months of the balance sheet date.

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

m) Trade and other receivables

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

n) Inventories

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

o) Cash and cash equivalents

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

p) Impairment

As at each balance sheet date the Group verifies the carrying amount of assets other than inventories (See note (n) of the accounting policies) and deferred income tax assets (note x) 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 in the revaluation of assets.

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 whole market in each country.

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

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

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

Reversal of impairment write-downs

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

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

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

q) Loans and borrowings

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

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

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

r) Share capital

Ordinary shares are included in equity.

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

s) Employee benefits

Share-based payments

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

For share-based payment transactions in which the terms of the arrangement provide either the entity / the Group or the counterparty with the choice of whether the entity settles the transaction in cash or by issuing equity instruments, the entity / the Group shall account for that transaction, or the components of that transaction, as a cash-settled share-based payment transaction if, and to the extent that, the entity has incurred a liability to settle in cash, or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

In 2014 the share-based payment plans (plan 2) were modified so that it may be settled in cash instead of shares. As a result the group re-measures the liability at the date of change using the modification date fair value of the equity-settled award or the present value of the future cash outflows, based on the elapsed portion of the vesting period.

The subsequent settlement of the liability follows the requirements for a cash-settled share-based payment.

The liability will subsequently be measured at its fair value at every balance sheet date and recognised to the extent the service vesting period passed. In addition, the entity must ensure that at least the original grant date fair value of the equity instruments is recognised as an expense (share-based payment expense cannot be minimises or reduced by simply adding a cash alternative to the scheme when share price drops subsequent to the grant date).

At the date of settlement, the Group shall remeasure the liability to its fair value. The actual settlement method selected by the employees, will dictate the accounting treatment:

- if cash settlement is chosen, the payment will reduce the entirely recognised liability; Any equity component previously recognised will remain within equity, but it could be reclassified to other components of equity;
- if the settlement is in shares, the balance of the liability is transferred to equity, being consideration for the shares granted. Any equity component previously recognised shall remain within equity.

Long-term employee benefits dependent on their years in service

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

Retirement benefit contributions

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

Management incentive program for Group employees in local markets

During acquisition of the Spanish business, AmRest Group has issued management incentive program towards employees of Spanish group based on financial result for Spanish, Portugal and France markets. This plan provides minimal hurdle rate of Spanish business economic value increase, which surplus in comparison to reference value at acquisition date (April 28, 2011) in the moment of plan reconciliation, will be subject of benefit settlement. However the maximum value cannot exceed 10% of Spanish business value increase. As at the date of financial statement issuance the benefit plan pull was allocated in 33%. Management of the Group values this program according to best estimates, including forecasts Spanish business value and evaluation of plan settlement dates.

After acquisition of the Chinese business, AmRest Group has issued management incentive program towards employees of Chinese group based on financial result for Chinese market. This plan provides minimal hurdle rate of Chinese business value increase, which surplus in comparison to reference value in the moment of plan reconciliation, will be subject of benefit settlement. Benefit is vested and paid in two instalments 50% at the end of second year and 50% at the end of forth year. For one of employee minimum payout level is set for third and fifth year of continued employment. year Management of the Group values this program according to best estimates, including forecasts Spanish business value and evaluation of plan settlement dates.

t) Provisions

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

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

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

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

Onerous contracts

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

u) Trade and other payables

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

v) Revenues

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

w) Finance and operating leases

Operational leasing, rent costs

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

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

Finance lease

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

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

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

x) Income tax expense

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

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

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

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

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

y) Derivative financial instruments and hedge accounting

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

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

The group designates certain derivatives as either:

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

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

Movements on the hedging reserve in other comprehensive income are shown in note 17.

Cash flow hedge

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

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

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

Net investment hedge

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

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

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

z) Segment reporting

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

aa) Non-current assets held for sale

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

bb) Business combinations of entities under joint control

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

cc) Seasonal fluctuations in production and sales

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

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

2. Segment reporting

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

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

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

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

Below are presented data relating to operating segments for the 12 months period ended December 31, 2015 and for the comparative period ended Decmeber 31, 2014.

	CEE	Spain	New Markets	Russia	Unallo-cated	Total
12 months ended December 31, 2015						
Revenue from external customers	1 987 790	704 412	243 700	402 838	-	3 338 740
Operating profit/ (loss)	157 777	94 386	(30 188)	14 001	(40 233)	195 743
Finance income	-	-	-	-	9 646	9 646
Finance costs	-	-	-	-	(43 694)	(43 694)
Share of profit of associates	588	-	-	-	-	588
Income tax	-	-	-	-	(4 944)	(4 944)
Deferred tax assets	23 521	2 100	-	-	7 731	33 352
Profit for the period	-	-	-	-	157 339	157 339
Segment assets	1 137 372	1 176 592	237 800	245 451	51 081	2 848 296
Investments in associates	828	-	-	-	-	828
Total assets	1 138 200	1 176 592	237 800	245 451	51 081	2 849 124
Goodwill	32 868	381 751	94 049	74 423	-	583 091
Segment liabilities	333 285	100 969	41 777	20 109	1 248 910	1 745 050
Employee benefits (note 19)	82 512	32 565	20 571	19 052	17 698	172 398
Depreciation (note 8)	117 710	36 211	17 810	25 203	-	196 934
Amortization (note 10)	13 333	11 058	1 282	1 100	174	26 947
Capital investment	228 747	48 496	26 119	38 094	140	341 596
Impairment of fixed assets (note 8,10)	1 785	4 345	6 966	153	-	13 249
Impairment of trade receivables (note 3,31)	740	407	1 512	(1)	20	2 678
Impairment of inventories (note 3,13)	(15)	33	112	-	-	130
Impairment of other assets (note 3)	-	(77)	868	-	-	791

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

	CEE	Spain	New Markets	Russia	Unallo-cated	Total
12 months ended December 31, 2014						
Revenue from external customers	1 727 723	621 559	192 511	410 858	-	2 952 651
Operating profit/ (loss)	96 448	86 836	(71 323)	14 946	(17 012)	109 895
Finance income	-	-	-	-	5 929	5 929
Finance costs	-	-	-	-	(50 688)	(50 688)
Share of profit of associates	195	-	-	-	-	195
Income tax	-	-	-	-	(19 261)	(19 261)
Deferred tax assets	22 242	6 192	-	-	-	28 434
Profit for the period	-	-	-	-	46 070	46 070
Segment assets	965 437	1 144 477	214 307	264 311	32 908	2 621 440
Investments in associates	403	-	-	-	-	403
Total assets	965 840	1 144 477	214 307	264 311	32 908	2 621 843
Goodwill	23 208	381 823	88 438	84 853	-	578 322
Segment liabilities	240 475	85 774	38 606	16 076	1 265 270	1 646 201
Employee benefits (note 19)	69 060	29 472	10 357	18 251	4 629	131 769
Depreciation (note 8)	111 600	31 721	16 276	24 948	-	184 545
Amortization (note 10)	8 081	11 011	1 272	1 061	95	21 520
Capital investment (note 8,10)	138 475	59 374	28 877	91 340	217	318 283
Impairment of fixed assets (note 8,10)	12 785	323	17 740	2 177	-	33 025
Impairment of trade receivables (note 3, 31)	1 993	195	1 015	85	-	3 288
Impairment of inventories (note 3, 13)	20	792	318	-	-	1 130
Impairment of other assets (note 3)	781	(7)	2 197	-	-	2 971

Capital expenditure comprises increases and acquisition in property, plant and equipment (note 8), intangible assets (note 10).

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

	For the 12 months ended December 31, 2015	For the 12 months ended December 31, 2014
Revenue from external customers	1 331 156	1 193 706
	31.12.2015	**31.12.20153**
Total of non-current assets other than financial instruments, deferred tax assets (employment benefit asset and rights under insurance contracts are not recorded)	538 297	514 012

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. For goodwill testing purposes the Group complies with policy described in p).

Business combinations

Entrance into Romania restaurant market and strengthening Bulgaria presence – acquisition of Starbucks operators

DESCRIPTION OF THE ACQUISITION

As at June 24, 2015 Group has acquired by AmRest sp. z o.o. from Marinopoulos Coffee SEE B.V. 100% shares in both S.C. Marinopoulos Coffee Company III S.r.l. (currently AmRest Coffee S.r.l.) and Marinopoulos Coffee Company Bulgaria EOOD (currently AmRest Coffee EOOD) for PLN 67.168 thousands (EUR 16.4 million). Transaction was based on agreement signed as at March 4, 2015.

AmRest Coffee S.r.l. and AmRest Coffee EOOD are the only Starbucks operators on Romania and Bulgaria teritories owing at acquisition date 18 and 5 coffeeshops accordingly.

As a result of the transaction mentioned above the Group has strengthened its presence on Central European market and accelerated development of the Starbucks brand. Entrance into Romanian market, being the second in the Central Europe, with brand in which operations Group is experienced, echoes strategic directions. Expansion of existing business in Bulgaria facilitates expectations of economies of scale, improvements, offer enhancement and optimizations.

PROVISIONARY ALLOCATION OF THE ACQUISITION PRICE

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

S.C. Marinopoulos Coffee Company III S.r.l. (currently AmRest Coffee S.r.l.)	**Carrying amount**	**Adjustment of fair value and other adjustments**	**Fair value**
Cash and cash equivalents	2 713	-	2 713
Property, plant and equipment	11 708	102	11 810
Other intangible assets	1 359	-	1 359
Other intangible assets - exclusivity right of Starbucks brand operator	-	49 412	49 412
Other non-current assets	1 311	-	1 311
Inventories	2 603	-	2 603
Trade and other receivables	854	-	854
Loans granted	6 054	-	6 054
Other current assets	1 657	-	1 657
Deferred tax liability	-	(7 768)	(7 768)
Provisions	-	(4 851)	(4 851)
Trade and other payables	(14 985)	(1 929)	(16 914)
Net assets acquired	13 274	34 966	48 240
Amount paid in cash			67 164
Purchase price adjustment (note 15)			(9 557)
Total payment for acquisition			57 607
The fair value of net assets			48 240
Goodwill			9 367
Amount paid in cash			(67 164)
Acquired cash and cash equivalents			2 713
Cash outflows on acquisition			(64 451)

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

Marinopoulos Coffee Company Bulgaria EOOD (currently AmRest Cofee EOOD)	**Carrying amount**	**Adjustment of fair value and other adjustments**	**Fair value**
Cash and cash equivalents	430	-	430
Property, plant and equipment	1 114	-	1 114
Other intangible assets	274	-	274
Other intangible assets - exclusivity right of Starbucks brand operator	-	1 260	1 260
Other non-current assets	38	-	38
Inventories	606	-	606
Trade and other receivables	372	-	372
Other current assets	1	-	1
Loans and borrowings	(6 054)	-	(6 054)
Trade and other payables	(2 810)	-	(2 810)
Net assets acquired	(6 029)	1 260	(4 769)
Amount paid in cash			4
Purchase price adjustment (note 15)			(4 773)
Total payment for acquisition			(4 769)
The fair value of net assets			(4 769)
Goodwill			0
Amount paid in cash			(4)
Acquired cash and cash equivalents			430
Cash flow on acquisition			426

Fair value adjustment are as follows:

	Title	**Methods/key assumptions**
Other intangible assets	Identification of exclusivity right of Starbucks brand operator in Romania and Bulgaria	Independent valuation based on MEEM method (accordingly for Romania and Bulgaria: significance of exclusivity right 46.7% and 22.4%; WACC 12.4% and 8.58%)
Property plant and equipment	Impairment provision on unused assets	Asset count
Provisions	Potential long term tax exposures from previous periods	Management estimate - based on due dilligence report
Trade and other payables	Liabilities recognition	Assessment and review of liabilities recognition
Deferred tax liability	Deferred tax on net assets fair value	16 % income tax rate

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

- fair value measurement of intangible assets;

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

- fair value measurement of tangible assets;
- fair value measurement of provisions and trade and other payables;
- fair value measurement of deferred tax liability.

Fair value adjustments resulted from independent appraisal prepared in order to apply acquisition method to the aforementioned transaction.

As at the date of acquisition transaction in purchase price allocation a management estimate of consideration adjustment was included. It was done accordingly to the agreement, were the hedge of asset settlement will be secured with Escrow account funds.

Goodwill was calculated on the basis of the fair value of acquired net assets and refers mainly to benefits from access to Romanian coffeshop market clients, experienced management team and opportunity to develop other business concepts on Romania market.

The process of allocating the acquisition price to the purchased assets and acquired liabilities has not been completed due the ongoing process of integration and verification of certain risks, especially tax settlements and owned business assets portfolio. Due to this fact fair values of assets and liabilities, purchase price and goodwill was presented provisionary.

<u>IMPORTANT TERMS OF ACQUISITION AGREEMENT</u>
All purchase price adjustments result from specific arrangements with the seller according to the Agreement. Agreement on 100% share acquisition in S.C. Marinopoulos Coffee Company III S.r.l. (currently AmRest Coffee S.r.l.) and Marinopoulos Coffee Company Bulgaria EOOD (currently AmRest Coffee EOOD) required opening of escrow account for 18 months after transaction execution date. The escrow account covered part of the acquisition price in value of PLN 13.642 thousands (EUR 3.3 million) and was provided for settling of potential adjustments resulting from certain events after acquisition but caused before that.

In result of exercise the terms of acquisition agreement, on 26 February 2016 the Group received total amount from the escrow account, which confirms relevance of including asset from price adjustment in the settlement. Therefore the Group adjusted acquisition price in the consolidated financial statements for the year ended 31 Decemeber 2015.

<u>INFLUENCE OF THE ACQUISITION ON THE CONSOLIDATED INCOME STATEMENT</u>
As the acquisition of Marinopoulos Coffee Company Bulgaria EOOD (presently AmRest Coffee EOOD) and S.C. Marinopoulos Coffee Company III S.r.l. (presently AmRest Coffee S.r.l.) occurred in last days of June 2015, the results of acquired assets for the first six months of 2015 have not been reported in the financial statements. If described above acquisition would have happened as at January 1, 2015 estimated consolidated revenues for the 12 months ended December 31, 2015 r would grew by PLN 25.726 thousand and net profit would grew by PLN 1.759 thousand. In period for the 12 months ended December 31, 2015 the cost of PLN 720 thousand related to the transaction has been recognized as general and administrative expense.

3. Operating expenses

Operating expenses are as follows:

	For the 12 months ended December 31, 2015	**For the 12 months ended December 31, 2014**
Depreciation (note 2, 8)	196 934	184 545
Amortization (note 2,10)	26 947	21 520
Food and materials	1 118 475	1 009 487
Utilities	126 063	112 799
External services, including marketing	265 180	229 979

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

	For the 12 months ended December 31, 2015	For the 12 months ended December 31, 2014
Payroll	715 156	651 327
Social security and employee benefits	172 398	131 769
Operating leases (occupancy cost) (note 24)	315 097	280 122
Continuing franchise fees	153 366	136 881
Insurance	3 042	3 751
Business travel	16 855	16 201
Other	43 142	32 076
	3 152 655	**2 810 457**
The costs of food	972 180	886 838
Payroll and employee benefits	686 198	609 537
Cost of license fees (franchise)	153 366	136 881
Occupancy and other operating expenses	947 981	868 891
Total restaurant expenses	**2 759 725**	**2 490 147**
Depreciation and amortization expenses (Franchise and other expenses)	11 173	11 003
Total Franchise and other expenses	130 157	113 948
Depreciation and amortization expenses (G&A)	14 520	9 883
Other general and administrative expenses	237 080	185 476
	3 152 655	**2 810 457**
Gain/loss from fixed assets disposal (note 8)	(320)	11 339
	3 152 335	**2 821 796**

In current and previous period impairment costs were as follows:	For the 12 months ended December 31, 2015	For the 12 months ended December 31, 2014
Impairment on trade receivables (note 31)	2 678	3 288
Impairment on inventory (note 13)	130	1 130
Impairment on other assets	791	2 971
Total impairment of non-current assets	**3 599**	**7 389**
Impairment of property, plant and equipment (note 8)	13 081	31 991
Impairment of intangible asset (note 10)	168	1 034
Total impairment of non-current assets	13 249	33 025
Total impairment of assets	**16 848**	**40 414**

In 2015 marketing costs were incurred of the value of PLN 129.667 thousand, in 2015 they amounted to PLN 116.398 thousand.

4. Other operating income

	For the 12 months ended December 31, 2015	For the 12 months ended December 31, 2014
Sublease income (note 24)	1 302	930

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

Marketing income	6 147	6 976
Sales of logistics services	427	144
Reversal of cost accruals	958	2 305
PFRON income	-	2 218
Income from recycling	1 535	1 355
Income from direct taxes correction	12 048	2 283
Other operating income	3 769	3 243
	26 186	**19 454**

5. Finance income

	For the 12 months ended December 31, 2015	For the 12 months ended December 31, 2014
Income from bank interest	3 223	3 403
Net income from foregin exchange differences	5 204	2 181
Other	1 219	345
	9 646	**5 929**

6. Finance costs

	For the 12 months ended December 31, 2015	For the 12 months ended December 31, 2014
Interest expense	(36 508)	(43 523)
Cost from arrangement fee	(3 555)	(3 431)
Other	(3 631)	(3 734)
	(43 694)	**(50 688)**

7. Income tax expense

	For the 12 months ended December 31, 2015	For the 12 months ended December 31, 2014
Current tax	(19 154)	(39 422)
Change in deferred tax assets/liabilities	18 017	23 422
Change in deferred tax assets/liabilities directly reported in equity – hedge instruments valuation	(91)	(3 261)
Change in deferred tax assets/liabilities directly reported in equity – liability valuation of employee benefits	(3 716)	-
Deferred tax recognized in the income statement	**(4 944)**	**(19 261)**

	For the 12 months ended December 31, 2015	For the 12 months ended December 31, 2014
Deferred tax asset		
Opening balance	28 434	21 796
Closing balance	33 352	28 434
Deferred tax liability		
Opening balance	103 591	120 375

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

Closing balance	90 492	103 591
Change in deferred tax assets/liabilities	**18 017**	**23 422**
Of which		
Deffered income tax recognized in income statement	21 977	20 161
Deffered income tax regarding titles directly reported in goodwill (note 2)	(7 767)	-
Deffered income tax regarding titles directly reported in equity	3 807	3 261

	The income tax rates in force in the Group are as follows:		**Deferred income tax assets and liabilities for were calculated using the following rates:**	
	2015	**2014**	**2015**	**2014**
Poland	19.00%	19.00%	19.00%	19.00%
Czech	19.00%	19.00%	19.00%	19.00%
Hungary	10.00%	10.00%	10.00%	10.00%
Ukraine	18.00%	18.00%	18.00%	18.00%
Russia	20.00%	20.00%	20.00%	20.00%
Serbia	15.00%	15.00%	15.00%	15.00%
Bulgaria	10.00%	10.00%	10.00%	10.00%
USA	37.44%	37.44%	37.44%	37.44%
Spain	25.00%	28.00%	25.00%	28.00%
Germany	15.00%	15.00%	15.00%	15.00%
France	33.33%	33.33%	33.33%	33.33%
Croatia	20.00%	20.00%	20.00%	20.00%
Hong Kong	16.50%	16.50%	16.50%	16.50%
China	25.00%	25.00%	25.00%	25.00%
Romania	16.00%	-	16.00%	-

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

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

	For the 12 months ended December 31, 2015	**For the 12 months ended December 31, 2014**
Profit before tax	162 283	65 331
Income tax calculated according to domestic tax rates applicable to income in particular countries	26 611	6 660
Effect of permanent differences non tax deductible	(12 948)	4 627
Utilization of tax losses not recognized in the prior periods	(14 161)	(135)
Tax loss for the current period for which no deferred tax asset was recognized	1 428	2 626
Effect of the remaining differences	4 014	5 483
Corporate income tax in the income statement	**4 944**	**19 261**

The applicable weighted average tax rate amounted to 16.40% (for the period ended December 31, 2014: 10.20%).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The current financial situation and strategic plans allow to consider the level of recognized assets and deferred tax assets to be reasonable. Before the offset, the following amounts are disclosed in the consolidated financial statements:

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

	31.12.2015	31.12.2014
Deferred tax asset:		
Deferred tax asset to be recovered after more than 12 months	5 315	10 120
Deferred tax asset to be recovered within 12 months	28 037	18 314
	33 352	**28 434**
Deferred tax liability:		
Deferred tax liability to be used after more than 12 months	73 619	92 761
Deferred tax liability to be used within 12 months	16 873	10 830
	90 492	**103 591**

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

	Asset		Liability	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Property, plant and equipment and intangible assets	18 253	8 377	114 270	114 862
Receivables	2 515	-	238	210
Provisions, liability and impairments	19 516	9 456	-	-
Tax loss carryforwards	10 966	12 608	2 013	1 225
Other differences	9 906	12 169	1 774	1 469
	61 156	**42 610**	**118 295**	**117 766**

Temporary differences after the offset are as follows:

	Asset		Liability	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Property, plant and equipment and intangible assets	3 999	3 805	100 018	110 291
Receivables	(238)	(210)	(2 515)	-
Provisions, liability and impairments	18 498	9 383	(1 018)	(73)
Tax losses	4 110	5 483	(4 843)	(5 901)
Other differences	6 983	9 973	(1 150)	(726)
	33 352	**28 434**	**90 492**	**103 591**

As at December 31, 2015 and December 31, 2014, tax loss carry forwards are as follows:

	31.12.2015	31.12.2014
Poland	35 287	36 718
Hungary	24 881	28 518
France	31 806	54 545
Germany	61 379	21 995
USA	-	43 378
Croatia	2 348	2 343
Ukraine	518	717
China	7 751	2 455
Bulgaria	13 382	8 704
Serbia	1 848	1 865
Russia	23 440	26 725
	202 640	227 963

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
2016	9 845	1 513	8 332

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

2017	9 397	1 558	7 839
2018	16 738	11 301	5 437
2019	13 734	10 166	3 568
2020	3 151	-	3 151
2024	23 440	14 527	8 913
No time limit	126 335	22 684	103 651
	202 640	61 749	140 891

As at December 31, 2015 the Group recognized a deferred tax asset from tax losses in the amount PLN 4.110 thousand. The reason for not recognizing the remaining portion of the deferred tax asset was, among other things, the inability to utilize the losses.

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

On June 28, 2012 began the inspection of corporate income tax for 2010 in AmRest Sp. z o.o. and was ended up by decision issued on October 6, 2014. As at May 6, 2015 Regional Administrative Court (WSA) in Wroclaw, has dismissed Company complaint and support first instance decision. Date of the hearing before the WSA till the date of the Financial Statement has not been determinated. This judgment is the subject of a cassation appeal to the Supreme Administrative Court (WSA). The date of the hearing before the Supreme Administrative Court has not been determined to the date of the financial statements.

On September 29, 2014 was began the fiscal control on tax returns for the period from January 1, 2010 to December 31, 2012 in AmRest OOO. It was ended with a decision issued on December 19, 2014. The allegations presented in a decision of the first instances and second instance are the subject of the appeal. Appeal first hearing is scheduled for March 21 2016.

8. Property, plant and equipment

The table below presents changes in the value of property, plant and equipment in 2015 and 2014:

2015	Land	Buildings and expenditure on development of restaurants	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	**Total**
Gross value							
As at As at 01.01.2015	21 414	1 123 225	606 464	3 939	97 869	68 514	**1 921 425**
Acquisition	-	5 859	2 626	-	4 439	-	**12 924**
Additions	-	75 825	48 697	2 872	15 806	112 871	**256 071**
Transfers	-	77 418	36 217	-	9 565	(123 200)	**-**
Disposals	-	(20 576)	(20 555)	(691)	(7 352)	-	**(49 174)**
Foreign exchange differences	(1 340)	(5 915)	(3 443)	9	(382)	(1 117)	**(12 188)**
As at 31.12.2015	20 074	1 255 836	670 006	6 129	119 945	57 068	**2 129 058**
Accumulated depreciation							
As at 01.01.2015	-	441 710	299 403	1 621	43 114	-	**785 848**
Additions	-	100 621	75 288	1 204	19 821	**-**	**196 934**
Disposals	-	(15 419)	(19 414)	(480)	(6 040)	-	**(41 353)**
Foreign exchange differences	-	(1 736)	(3 388)	(43)	(426)	-	**(5 593)**
As at 31.12.2015	-	525 176	351 889	2 302	56 469	-	**935 836**
Impairment write-downs							

As at 01.01.2015	-	86 538	26 961	-	2 226	3 523	**119 248**
Additions	-	7 616	1 990	-	1 254	2 221	**13 081**
Disposals	-	(1 055)	(605)	-	-	(912)	**(2 572)**
Foreign exchange differences	-	1 922	1 071	-	53	400	**3 446**
As at 31.12.2015	-	95 021	29 417	-	3 533	5 232	**133 203**
Net book valuet As at 01.01.2015	**21 414**	**594 977**	**280 100**	**2 318**	**52 529**	**64 991**	**1 016 329**
Net book value As at 31.12.2015	**20 074**	**635 639**	**288 700**	**3 827**	**59 943**	**51 836**	**1 060 019**

2014	Land	Buildings and expenditure on development of restaurants	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	**Total**
Gross value							
As at 1.01.2014	22 920	942 394	544 691	3 463	140 154	100 409	**1 754 031**
Additions	6 273	139 399	82 636	525	18 442	52 522	**299 797**
Transfers	(2 368)	69 875	25 021	-	(55 570)	(36 958)	-
Disposals	-	5 992	(24 346)	(96)	(4 344)	(39 623)	**(62 417)**
Foreign exchange differences	(5 411)	(34 435)	(21 538)	47	(813)	(7 836)	**(69 986)**
As at 31.12.2014	21 414	1 123 225	606 464	3 939	97 869	68 514	**1 921 425**
Accumulated depreciation							
As at 1.01.2014	-	352 326	247 093	1 317	56 053	-	**656 789**
Additions	-	99 788	67 289	685	16 783	-	**184 545**
Transfers	-	15 843	9 749	-	(25 592)	-	-
Disposals	-	(16 843)	(17 440)	(393)	(4 351)	-	**(39 027)**
Foreign exchange differences	-	(9 404)	(7 288)	12	221	-	**(16 459)**
As at 31.12.2014	-	441 710	299 403	1 621	43 114	-	**785 848**
Impairment write-downs							
As at 1.01.2014	-	67 590	21 079	-	686	2 178	**91 533**
Additions	-	29 357	4 596	-	1 296	713	**35 962**
Disposals	-	(12 835)	(165)	-	216	(184)	**(12 968)**
Foreign exchange differences	-	2 426	1 451	-	28	816	**4 721**
As at 31.12.2014	-	86 538	26 961	-	2 226	3 523	**119 248**
	-	-	-	-	-	-	-
Net book value as at 31.12.2014 after acquisition	**22 920**	**522 478**	**276 519**	**2 146**	**83 415**	**98 231**	**1 005 709**
Net book value as at 31.12.2014	**21 414**	**594 977**	**280 100**	**2 318**	**52 529**	**64 991**	**1 016 329**

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 31.12.2015	935	7 777	36	3 223	-	11 971
Accumulated depreciation As at 31.12.2015	-	(2 163)	(36)	(938)	-	(3 137)
Impairment As at 31.12.2015	-	(756)	-	-	-	(756)

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

Net value as at 31.12.2015	935	4 858	-	2 285	-	8 078
Gross value as at 31.12.2014	912	7 700	36	1 243	-	9 891
Accumulated depreciation As at 31.12.2014	-	(2 076)	(36)	(442)	-	(2 554)
Impairment As at 31.12.2014	-	(756)	-	-	-	(756)
Net value as at 31.12.2014	912	4 868	-	801	-	6 581

The table below presents the calculation of the loss on sale of property, plant and equipment and intangible assets in the period of 12 months ended December 31, 2015 and 2014:

	For the 12 months ended December 31, 2015	**For the 12 months ended December 31, 2014**
Proceeds from the sale of property, plant and equipment and intangible assets	5 599	324
Net cost of property, plant and equipment and intangible assets sold	(3 283)	(926)
Loss on sale of non-financial non-current assets and non-current assets held for sale	**2 316**	**(602)**
Net cost of property, plant and equipment and intangible assets disposal	(1 996)	(10 737)
Loss on disposal and sales of non-financial non-current assets and non-current assets held for sale	**320**	**(11 339)**

The depreciation was charged to the costs of restaurant operations – PLN 188.575 thousand (prior period: PLN 180.637 thousand), franchise expenses and other – PLN 3.629 thousand (prior period: PLN 3.432 thousand) and administrative expenses PLN 4.730 thousand (prior period: PLN 476 thousand).

The recoverable amount of an asset is determined at the level of a single restaurant as the smallest unit (or set of assets) generating cash flows that are largely independent of the cash inflows generated by other assets / group assets.

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

	The pre-tax discount rate	Budgets average EBITDA margin	Expected long-term growth rate used to calculate the planned future results	The pre-tax discount rate	Budgets average EBITDA margin	Expected long-term growth rate used to calculate the planned future results
	Year 2015			Year 2014		
Poland	10.17%			8.97%		
Czech Republic	7.95%			6.89%		
Hungary	11.61%			11.42%		
Russia	22.59%			19.88%		
Serbia	14.76%			15.57%		
Bulgary	10.16%	Determined individually for each individual restaurant		10.28%	Determined individually for each individual restaurant	
USA	10.28%			9.75%		
Spain	11.13%			11.61%		
Germany	7.83%			6.82%		
France	9.49%			8.50%		
Croatia	13.28%			12.55%		
China	11.40%			11.08%		
Romania	11.86%			9.97%		

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

9. Investment property

The table below presents changes in the value of investment property in 2015 and 2014:

	31.12.2015	31.12.2014
Gross value		
At the beginning of the period	22 152	22 152
Increases	-	-
At the end of the period	22 152	22 152
Impairment write-downs		
At the beginning of the period	-	-
At the end of the period	-	-
Net value at the beginning of the period	**22 152**	**22 152**
Net value at the end of the period	**22 152**	**22 152**

The valuation of fair value performed with discounted cash flows method did not differ materially to the balance sheet amount. In Management Board's opinion there have not occured any indicators for update of valuation in 2015.

Results connected with investment properties are presented below:

	For the 12 months ended December 31, 2015	For the 12 months ended December 31, 2014
Sublease income	2 297	2 039
Investment property costs	(1 007)	(942)
Operating profit	**1 290**	**1 097**

10. Other intangible assets

The table below presents changes in the value of intangible assets in 2015 and 2014:

2015	Proprietary brands	Favou-rable leases and licence agree-ments	Licenses for use of Pizza Hut, KFC, Burger King, Starbucks, La Tagliatella trademarks	Other intangible assets	Relations with franchisees	**Total**
Gross value						
As at 1.01.2015	298 441	6 260	64 926	95 574	183 278	**648 659**
Acquisition	-	-	1 627	50 678	-	**52 305**
Increases	-	-	7 687	12 609	-	**20 296**
Decreases	-	-	(299)	(4 910)	-	**(5 209)**
Foreign exchange differences	1 256	(3)	(670)	816	(34)	**1 365**
As at 31.12.2015	299 697	6 257	73 271	154 947	183 244	**717 416**

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

2015	Proprietary brands	Favourable leases and licence agreements	Licenses for use of Pizza Hut, KFC, Burger King, Starbucks, La Tagliatella trademarks	Other intangible assets	Relations with franchisees	**Total**
Accumulated amortization						
As at 1.01.2015	2 253	4 193	31 158	49 183	28 000	**114 787**
Increases	1 326	1 053	5 254	11 819	7 496	**26 947**
Decreases	-	-	(838)	(886)	-	**(1 704)**
Foreign exchange differences	132	15	18	124	137	**426**
As at 31.12.2015	3 711	5 261	35 592	60 260	35 632	**140 456**
Impairment write-downs						
As at 1.01.2015	101	-	1 414	4 287	-	**5 802**
Increases	-	-	112	56	-	**168**
Decreases	-	-	-	(3 480)	-	**(3 480)**
Foreign exchange differences	-	-	6	355	-	**361**
As at 31.12.2015	101	-	1 532	1 218	-	**2 851**
Net value as at 1.01.2015	**296 087**	**2 067**	**32 354**	**42 284**	**155 278**	**528 070**
Net value as at 31.12.2015	**295 885**	**996**	**36 147**	**93 469**	**147 612**	**574 109**

2014	Proprietary brands	Favourable leases and licence agreements	Licenses for use of Pizza Hut, KFC, Burger King, Starbucks, Applebee's, La Tagliatella trademarks	Other intangible assets	Relations with franchisees	**Total**
Gross value						
As at 1.01.2014	288 373	6 386	58 850	86 866	178 330	**618 805**
Increases	-	-	9 133	9 353	-	**18 486**
Decreases	-	-	(363)	(1 722)	-	**(2 085)**
Foreign exchange differences	10 068	(126)	(2 694)	1 257	4 948	**13 453**
As at 31.12.2014	298 441	6 260	64 926	95 754	183 278	**648 659**
Accumulated amortization						
As at 1.01.2014	947	3 206	26 920	43 200	19 814	**94 087**
Increases	1 073	1 079	4 891	6 978	7 499	**21 520**
Decreases	-	-	(181)	(1 476)	-	**(1 657)**
Foreign exchange differences	233	(92)	(472)	481	687	**837**
As at 31.12.2014	2 253	4 193	31 158	49 183	28 000	**114 787**
Impairment write-downs						

As at 1.01.2014	101	-	1 207	3 678	-	**4 986**
Increases	-	-	315	773	-	**1 088**
Decreases	-	-	(114)	(628)	-	**(742)**
Foreign exchange differences	-	-	6	464	-	**470**
As at 31.12.2014	101	-	1 414	4 287	-	**5 802**
Net value as at 1.01.2014	**287 325**	**3 180**	**30 723**	**39 988**	**158 516**	**519 732**
Net value as at 31.12.2014	**296 087**	**2 067**	**32 354**	**42 284**	**155 278**	**528 070**

Other intangible assets cover mainly computer software and exclusivity rights.

Own brands value (La Tagliatella) with indefinite useful life as at December 31, 2015 was equal PLN 277.050 thousand and as at December 31, 2014 PLN 277.101 thousand.
The amortization was charged to the costs of restaurant operations – PLN 9.613 thousand (prior period: 4.542 PLN thousand), franchise expenses and other – PLN 7.544 thousand (prior period: PLN 7.537 thousand) and administrative expenses - PLN 9.790 thousand (prior period: PLN 9.407 thousand).

Impairment testing of own brands

As at December 31, 2015, the Group conducted own brand value (La Tagliatella) impairment tests with respect to the acquisitions of businesses in Spain.

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

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

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

Impairment testing was realized taking into consideration following assumptions:

	2015	2014
Discount rate before tax	11.13%	11.61%
Budgeted average EBITDA margin	19.34%	19.70%
Expected mid-term growth rate used for the calculation of planned future results	19.73%	18.29%
Residual growth rate	2.00%	2.00%

If discount rates in period of 12 months ended December 31, 2015 were bigger/smaller by 3 percentage points, it would not result in recognition of additional impairment provision.

If Ebitda in period of 12 months ended December 31, 2015 were bigger/smaller by 3 percentage points, it would not result in recognition of additional impairment provision.

11. Goodwill

The table below presents changes in the value of goodwill:

	31.12.2015	31.12.2014

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

Gross value		
At the beginning of the period	579 769	603 137
Acquisition (note 2)	9 367	-
Foreign exchange differences	(4 670)	(23 368)
At the end of the period	584 466	579 769
Impairment write-downs		
At the beginning of the period	1 447	1 793
Foreign exchange differences	(72)	(346)
At the end of the period	1 375	1 447
Net book value as at the beginning of the period	**578 322**	**601 344**
Net book value as at the end of the period after adjustment	**583 091**	**578 322**

Acquisitions in previous years

Below table presents changes of goodwill in division of particular acquisitions as at December 31, 2015 and December 31, 2014.

	Acquisition date	**As at 01.01.2015**	Acquisition	Foreign exchange differences	**As at 31.12.2015**
miklik's food s.r.o.	May 2005	5 506	-	144	5 650
AmRest Kft (previously: Kentucky System Kft)	June 2006	16 790	-	78	16 868
OOO AmRest (previously: OOO Pizza Nord)	July 2007	66 204	-	(8 084)	58 120
9 restaurants RostiksKFC	April 2008	16 514	-	(2 078)	14 436
5 restaurants RostiksKFC	June 2008	2 136	-	(269)	1 867
SCM Sp.z o.o.	October 2008	911	-	-	911
Restauravia Grupo Empresarial S.L.	April 2011	381 823	-	(72)	381 751
Blue Horizon Hospitality PTE Ltd.	December 2012	88 438	-	5 611	94 049
AmRest Coffee S.R.L.	June 2015	-	1 461	16	1 477
		578 322	**1 461**	**(4 654)**	**575 129**

	Acquisition date	**As at 01.01.20154**	Acquisition	Foreign exchange differences	**As at 31.12.2014**
miklik's food s.r.o.	May 2005	5 420	-	86	5 506
AmRest Kft (previously: Kentucky System Kft)	June 2006	17 324	-	(534)	16 790
OOO AmRest (previously: OOO Pizza Nord)	July 2007	100 611	-	(34 407)	66 204
9 restaurants RostiksKFC	April 2008	24 989	-	(8 475)	16 514
5 restaurants RostiksKFC	June 2008	3 232	-	(1 096)	2 136
SCM Sp.z o.o.	October 2008	911	-	-	911
Restauravia Grupo Empresarial S.L.	April 2011	371 512	-	10 311	381 823
Blue Horizon Hospitality PTE Ltd.	December 2012	77 345	-	11 093	88 438
		601 344	**-**	**(23 022)**	**578 322**

Impairment testing

As at December 31, 2015, the Group conducted goodwill impairment tests with respect to the acquisitions of businesses in Hungary, Russia, Spain, Romania, Bulgaria and China where goodwill is important.

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

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

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

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

Goodwill has been allocated and is monitored for internal management purposes at the team level of cash generating units (restaurants in different countries) and is therefore a test for impairment of goodwill is made of the level of the individual countries.

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

Impairment testing was realized taking into consideration following assumptions:

	Hungary	Russia	Spain	China	Romania
	Year 2015				
Discount rate before tax	10.45%	18.07%	8.02%	8.55%	9.97%
Budgeted average EBITDA margin	15.46%	12.75%	19.34%	9.03%	26.62%
Expected mid-term growth rate used for the calculation of planned future results	16.77%	18.72%	19.73%	26.34%	14.75%
Residual growth rate	2.00%	2.00%	2.00%	2.00%	2.00%
	Year 2014				
Discount rate before tax	10.28%	15.90%	11.61%	8.31%	-
Budgeted average EBITDA margin	16.62%	12.79%	19.70%	15.00%	-
Expected mid-term growth rate used for the calculation of planned future results	16.41%	17.07%	18.29%	25.33%	-
Residual growth rate	2.00%	2.00%	2.00%	2.00%	-

Expected future cash flows are analyzed in the perspective of the period settled in the lease agreement concerned tested cash generating units. The length of the period (usually 10 years) results mainly from the long-term nature of the franchise agreements and the long-term nature of investments in the restaurant business. Budgeted EBITDA margin is calculated based on actual forecasts and financial performance expectations regarding given cash generating unit and takes into account all applicable factors influencing this ratio.

If discount rates in period of 12 months ended December 31, 2015 were bigger by 3 percentage points, it would not result in recognition of additional impairment provision, except for Russia. In the case when discount rates were increased by 3 percentage points of the possible impairment provision would amount to PLN 43 milion. Management believes this scenario is remote, because the current analysis is based on the historical record levels of discount rates, using the most current strategic plans of setting up development plans for the Russian market. Development plans involve a cost to both new openings and capital expenditures. Group analysis shows that the restriction of these plans provides additional factors keeping up defending against adverse market conditions underlying the calculation of the discount factor.

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

If EBITDA for the period of 12 months ended December 31, 2015 were bigger/smaller by 3 percentage points, it would not result in recognition of additional impairment.

12. Other non-current assets

As at December 31, 2015 and December 31, 2014, the balances of other non-current assets were as follows:

	31.12.2015	**31.12.2014**
Prepaid rental fees	2 412	3 174
Deposits in respect of rentals	43 467	38 600
Other	5 922	5 286
	51 801	**47 060**

13. Inventories

As at December 31, 2015 and December 31, 2014, inventories cover mainly food and packaging used in the restaurants and additionally finished goods and work in progress prepared by central kitchen for the sale of La Tagliatella restaurants purposes.
Due to the nature of its business and the applicable standards of the Group treats the whole inventory as materials.
Inventories are presented in net value including write-downs.

Value of impairment provisions for inventory as at December 31, 2015 and December 31, 2014 is presented in table below:

	31.12.2015	**31.12.2014**
Value for the beginning of the period	278	1 157
Provision created (note 2, 8)	130	1 130
Provisions used	(151)	(2 009)
Value for the end of the period	**257**	**278**

14. Trade and other receivables

	31.12.2015	**31.12.2014**
Trade receivables from non-related entities	44 888	43 837
Trade receivables from related entities (note 29)	7	33
Other tax receivables	40 659	21 707
Deposits due above 3 months	9 214	-
Other	7 862	8 232
Write-downs of receivables (note 2, 31)	(10 540)	(7 464)
	92 090	**66 345**

15. Other current assets

	31.12.2015	**31.12.2014**
Prepaid costs in respect of deliveries of utilities	238	4 193
Prepaid lease costs	9 799	5 091
Prepaid property insurance	1 105	1 213
Prepaid professional services cost	552	323

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

Prepaid marketing costs	336	283
Asset from purchase price adjustment (note 2)	14 330	-
Other	17 897	11 052
Write-downs of other current assets	(250)	(2 971)
	44 007	**19 184**

Other current assets are presented in net value taking into consideration impairment provisions.

16. Cash and cash equivalents

Cash and cash equivalents as at December 31, 2015 and December 31, 2014 are presented in the table below:

	31.12.2015	**31.12.2014**
Cash at bank	293 553	235 093
Cash in hand	24 318	22 078
	317 871	**257 171**

Reconciliation of working capital changes as at December 31, 2015 and December 31, 2014 is presented in the table below:

2015	The balance sheet change	Change of stock option plan liability	Foreign exchange differences	Increase resulted from the acquisition (note 2)	Working capital changes
Change in receivables	(25 745)	-	(2 854)	1 226	(27 373)
Change in inventories	(12 708)	-	(3 391)	3 209	(12 890)
Change in other assets	(29 564)	-	(16 181)	17 333	(28 412)
Change in payables and other liabilities	114 657	-	16 469	(19 725)	111 401
Change in other provisions and employee benefits	(18 554)	13 310	4 664	(4 851)	(5 431)

2014	The balance sheet change	Stock option plan liability	Foreign exchange differences	Transfer to other items in the cash flow statement	Working capital changes
Change in receivables	16 770	-	(1 939)	-	14 831
Change in inventories	(4 441)	-	(114)	-	(4 555)
Change in other assets	(154)	-	(548)	-	(702)
Change in payables and other liabilities	3 368	-	(2 992)	-	376
Change in other provisions and employee benefits	36 675	(34 959)	320	-	2 036

17. Equity

Share capital

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

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

As at December 31, 2015, the Company held 21 213 893 issued, fully paid-up shares. The Company's target capital is 500 000 shares. Nominal value of one share is 1 eurocent (0.01 EUR).

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

Other supplementary capital

Structure of other supplementary capital is as follows:

	Surplus over nominal value (share premium)	Non-refundable additional contributions to capital without additional issuance of shares made by the Group's shareholders before their debut on the WSE	Impact of put option value-tion	Employee options	Treasury shares	Hedges valuation influence	Trans-actions with non control-ling interests	Reserves total
As at 01.01.2014	**755 692**	**6 191**	**(176 536)**	**25 043**	**(226)**	**3 164**	**124 701**	**738 029**
COMPREHENSIVE INCOMES								
Impact of net investment hedges valuation	-	-	-	-	-	(17 161)	-	**(17 161)**
Deferred income tax concerning net investment hedges	-	-	-	-	-	3 261	-	**3 261**
Comprehensive income total	-	-	-	-	-	(13 900)	-	**(13 900)**
TRANSACTIONS WITH SHAREHOLDERS								
Net result on tresury shares transaction	-	-	-	(876)	-	-	-	**(876)**
Own shares purchase	-	-	-	-	(3 788)	-	-	**(3 788)**
Employees share option scheme –value of service	-	-	-	8 098	-	-	-	**8 098**
Change of employees share option scheme	-	-	-	(34 939)	-	-	-	**(34 939)**
Transactions with shareholders total	-	-	-	(27 717)	(3 788)	-	-	**(31 505)**
As at 31.12.2014	**755 692**	**6 191**	**(176 536)**	**(2 674)**	**(4 014)**	**(10 736)**	**124 701**	**692 624**
As at 01.01.2015	**755 692**	**6 191**	**(176 536)**	**(2 674)**	**(4 014)**	**(10 736)**	**124 701**	**692 624**
COMPREHENSIVE INCOMES								
Impact of net investment hedges valuation	-	-	-	-	-	(476)	-	**(476)**
Deferred income tax concerning net investment and cashflow hedges	-	-	-	-	-	91	-	**91**
Comprehensive income total	-	-	-	-	-	(385)	-	**(385)**
TRANSACTIONS WITH NON-CONTROLLING INTEREST								
Acqusition of control in associates company	-	-	-	-	-	-	(8 006)	**(8 006)**
Transactions with non-controlling interest total	-	-	-	-	-	-	(8 006)	**(8 006)**
TRANSACTIONS WITH SHAREHOLDERS								
Own shares purchase	-	-	-	-	(49 779)	-	-	**(49 779)**
Proceeds from treasury shares	-	-	-	(32 581)	32 581	-	-	-
Employee stock option plan – value of employee services excerised in the period	-	-	-	18 180	-	-	-	**18 180**

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

Employee stock option plan – proceeds from employees - value of disposed shares	-	-	-	9 332	-	-	-	**9 332**
Employee stock option plan – value of unexercised employee benefits	-	-	-	12 624	-	-	-	**12 624**
Change of deferred tax related to unexercised employee benefits	-	-	-	3 716	-	-	-	**3 716**
Transactions with shareholders total	-	-	-	11 271	(17 198)	-	-	**(5 927)**
As at 31.12.2015	**755 692**	**6 191**	**(176 536)**	**8 597**	**(21 212)**	**(11 121)**	**116 695**	**678 306**

Within the bank loans as at December 31, 2015 loan for the amount of EUR 75 million was disclosed, which is hedging net investment in Hungarian subsidiary AmRest Capital Zrt, it hedges Group against the foreign currency risk resulting from revaluations of net assets. Gain or loss from revaluation at appropriate exchange rate as of end of financial period of this liability balance are reflected into reserve capital in order to net the effect gains and losses on net investment in subsidiaries revaluation. During the period for the 12 months ended December 31, 2015 hedge was fully effective.

In loans and borrowings as at December 31, 2015 loans for value of EUR 75 million are included that are net investment hedges in Spanish subsidiary AmRest TAG S.L., hedging Group from currency exchange risk resulting from revaluation of net assets. Gain or loss from revaluation at appropriate exchange rate as of end of financial period of this liability balance are reflected into reserve capital in order to net the effect gains and losses on net investment in subsidiaries revaluation. During the period for the 12 months ended December 31, 2015 hedge was fully effective.

As at December 31, 2015 acummulated value of currency revaluation recognized in reserve capital (resulted from net investment hedges) amounted to PLN 476 thousand and deferred tax concerning this revaluation PLN 91 thousand.

Impact of hedges valuation:	Net investemnt in EUR	Valuation effects of security together
As at 01.01.2014	**3 164**	**3 164**
Impact of net investment hedges valuation	(17 161)	**(17 161)**
Deferred income tax	3 261	**3 261**
As at 31.12.2014	**(10 736)**	**(10 736)**
As at 01.01.2015	**(10 736)**	**(10 736)**
Impact of cash flow hedges valuation	(476)	(476)
Deferred income tax	91	91
As at 31.12.2015	**(11 121)**	**(11 121)**

Retained Earnings

Retained Earnings of a Group according to 16th resolution of Annual Shareholders Meeting dated June 10, 2011 includes also reserve fund in value of PLN 50 million for purchase of treasury shares only for share option redemption to every existing and future employee and managerial motivational stock option plans, including Management Board members of Group entities. In 2015 (as it was disclosed in statement of changes in equity) transaction on treasury shares for existing stock option plans (note 19) were realized amounting PLN 17 198 thousand (accordingly in 2014 PLN 3 788 thousand).

Foreign exchange differences on translation

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

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

	For the 12 months ended December 31, 2015	For the 12 months ended December 31, 2014
At the beginning of the period	(86 216)	(11 718)
Foreign exchange differences from net assets revaluation in subsidiaries	(24 231)	(74 498)
At the end of the period	**(110 447)**	**(86 216)**

Foreign exchange differences on translation

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

	31.12.2015	31.12.2014
Blue Horizon Hospitality Group PTE Ltd.	47 915	48 092
AmRest Coffee Sp. z o.o.	5 845	7 053
SCM Sp. z o.o.	6 813	6 052
AmRest Coffee s.r.o.	6 362	5 259
AmRest Kávézó Kft	2 553	2 438
AmRest d.o.o.	1 557	1 303
AmRest HK Ltd*	-	(6 097)
Non-controlling interests	**71 045**	**64 100**

**From December 1, 2015 AmRest Holdings SE has full control in subsidiary entity AmRest HK Ltd.*

18. Borrowings

Borrowings as at December 31, 2015 and December 31, 2014 are presented in the table below:

Long-term	**31.12.2015**	**31.12.2014**
Bank loans	756 790	837 272
Bonds	279 156	278 775
	1 035 946	**1 116 047**

Short-term	**31.12.2015**	**31.12.2014**
Bank loans	89 418	337
	89 418	**337**

Bank loans and bonds

Currency	Lender/ bookbuilder	Effective interest rate	31.12.2015	31.12.2014
in PLN	Syndicated bank loan	3.80%	138 781	138 077
in EUR	Syndicated bank loan	2.70%	637 183	636 068
in CZK	Syndicated bank loan	3.00%	63 021	61 194
in PLN	Bonds 5 – years (issued in 2013 & 2014)	4.40%	279 156	278 775
in CNY	Bank loan- China	6.70%	7 223	2 270
			1 125 364	**1 116 384**

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

On September 10, 2013 a Credit Agreement („the Agreement") between AmRest Holdings SE, AmRest Sp. z o.o. (AmRest Poland") and AmRest s.r.o. – jointly „the Borrowers" and Bank Polska Kasa Opieki S.A., Bank Zachodni WBK S.A., Rabobank Polska S.A. (current name: BGŻ BNP Paribas S.A.) and ING Bank Śląski Polska S.A. – jointly „the Lenders" was signed.

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

The loan is provided at a variable interest rate. AmRest is required to maintain liquidity ratios (net debt/EBITDA, equity/total assets, EBITDA/interest) at agreed levels. In particular net debt/EBITDA ratio is to be held at below 3.5 level and AmRest is required not to distribute dividend payments if the mentioned ratio exceeds 3.0 (see note 31).

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.

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

On August 22, 2012 the above mentioned agreement was replaced with the new one signed between AmRest Holding SE, AmRest Sp. z o.o. and Bank PEKAO S.A. for a defined period until December 31, 2019. Program extension is possible until redemption of all bonds issued.

On June 18, 2013 bonds in the amount of PLN 140 million were issued under the new agreement. The issue is part of a plan to diversify financing sources of AmRest. Bonds are issued with variable interest rate 6M WIBOR increased by a margin and are due on June 30, 2018. Interest is paid on semi-annual basis (June 30 and December 30), beginning December 30 2013. Group is required to maintain certain financial ratios (net debt/EBITDA, equity/total assets, EBITDA/interest charge) at levels agreed in the Emission Terms dated June 18, 2013(accordingly: <3.5; >3.5; >0.3). There are no additional securities on the bond issue.

On September 10, 2014 AmRest made an early redemption of bonds for the total value of PLN 131,5m. At the same time, AmRest issued 14 000 bonds in the total nominal value of PLN 140m with maturity date September 10, 2019. The bonds have a variable interest rate of 6M WIBOR increased by margin. The interest is paid semi-annually (on June 30 and December 30). Group is required to maintain certain financial ratios (net debt/EBITDA, equity/total assets, EBITDA/interest charge) at levels agreed in the Emission Terms dated September 10, 2014 (accordingly: <3.5; >3.5; >0.3). There are no additional securities on the bond issue.

On December 30, 2014 AmRest made a redemption of bonds that reached maturity date on Dec 30, 2014 with the face value of PLN 18.5m. At the end of 2015 AmRest has two bond issues outstanding: PLN 140m with maturity date June 30, 2018 and PLN 140m maturing on Sept 10, 2019.

As at December 31, 2015 the payables concerning bonds issued are PLN 279.156 thousand.

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

The maturity of long- and short-term loans as at December 31, 2015 and December 31, 2014 is presented in the table below:

	31.12.2015	31.12.2014
Up to 1 year	89 418	337
Between 1 and 2 years	156 110	82 891
Between 2 and 5 years	879 836	1 033 156
	1 125 364	**1 116 384**

The Group has the following unused, awarded credit limits as at December 31, 2015 and December 31, 2014:

	31.12.2015	31.12.2014
With floating interest rate		
- expiring within one year	28 333	19 530
- expiring beyond one year	200 000	206 457
	228 333	**225 987**

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

Long-term employee benefits dependent on their years in service

In accordance with the terms and conditions of the collective labour agreement, a specific group of employees is entitled to receive long-service bonuses depending on their years in service. The entitled employees receive a one-off amount of USD 300 after five years in service, and USD 1.000 after 10 years in service, translated in both cases into the currency of the given country. In year 2009 Group has added to this service benefit package jubilee gift for 15 years of work, which is equal to value of 100 AmRest Holdings SE shares. Due to unification of jubilee gift policy this system will be valid till the end of 2013. The change resulted in reversal of jubilee gift provision in amount PLN 285 thousands as at December 31, 2015 and PLN 371 thousands as at December 31, 2014.

Employee share option plan 2

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

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

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

In November 2014, Supervisory Board of Group parent entity approved and changed wording of regulations by adding net cash settlement of option value (employee decides about settlement method). Change this resulted in recognition of employee options cash liability in the value of PLN 21.629 thousands as at December 31, 2015 according to group policy (note 1 s). As at December 31, 2015 liablity was recognised in the value of PLN 19.174 thousands.

Employee share option plan 3

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

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

As at December 31, 2015 PLN 12.496 thousands of liabilities were rpresented in equity (note 17) according to group policy (note 1 s).

Value of liability for Employee share option plan as at December 31,2015 and December 31, 2014 was presented below:

	31.12.2015	31.12.2014
Liability for Employee share option plan 2	21 629	19 174
Liability for Employee share option plan 3	-	15 765
Other	5 048	4 667
	26 677	**39 606**

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	20 000	5 years, gradually, 20% per annum	72.5	10 years
August 22, 2008	1 000	5 years, gradually, 20% per annum	65.4	10 years
April 30, 2009	102 370	5 years, gradually, 20% per annum	47.6	10 years
May 10, 2009	3 000	5 years, gradually, 20% per annum	73.0	10 years
April 30, 2010	119 375	5 years, gradually, 20% per annum	70.0	10 years
April 30, 2010	7 975	5 years, gradually, 20% per annum	70.0	10 years
June 20, 2011	105 090	5 years, gradually, 20% per annum	78.0	10 years
September 5, 2011	1 000	5 years, gradually, 20% per annum	70.6	10 years
April 30, 2012	81 500	5 years, gradually, 20% per annum	70.0	10 years
April 30, 2013	91 700	5 years, gradually, 20% per annum	81.0	10 years
April 30, 2014	79 830	5 years, gradually, 20% per annum	81.0	10 years
December 9, 2015	127 865	5 years, gradually, 20% per annum	130.9	10 years
Total	1 089 405			
Plan 3				

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

Award date	Number of share options awarded	Terms and conditions for exercising the options	Option exercise price in PLN	Options term to maturity period
December 13, 2011	616 000	3 years, gradually, 33% per annum	61.00	10 years
October 8, 2012	259 000	3 years, gradually, 33% per annum	64.89	10 years
January 16, 2014	215 000	3 years, gradually, 33% per annum	67.43	10 years
July 8, 2014	50 000	3 years, gradually, 33% per annum	61.00	10 years
October 1, 2014	90 000	3 years, gradually, 33% per annum	82.10	10 years
November 30, 2014	30 000	3 years, gradually, 33% per annum	61.00	10 years
Total	1 260 000			

In the table below we present the number and weighted average of the exercise price of the options from all plans for the 12 months period ended December 31, 2015 and 2014:

	Weighted average option exercise price	Number of options Plan 3	Number of options Plan 2	Weighted average option exercise price	Number of options Plan 3	Number of options Plan 2
		2015			2014	
At the beginning of the period	PLN 67.24	1 030 000	544 506	PLN 66.68	755 000	559 785
Utilized during the period	PLN 78.84	(260 001)	(241 179)	PLN 58.76	-	(24 974)
Redeemed during the period	PLN 65.97	(110 000)	(27 543)	PLN 65.96	(110 000)	(70 135)
Awarded during the period	PLN 130.90	-	127 865	PLN 67.89	385 000	79 830
At the end of the period	PLN 81.34	659 999	403 649	PLN 67.24	1 030 000	544 506
Available for exercising as at the end of the period	PLN 64.86	476 666	139 455	PLN 72.54	549 333	380 424

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

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

Issued in period		Average fair value of option as at the date of award	Average price of share at the date of measurement/award	Average exercise price	Expected fluctuations of share prices (expressed as the weighted average fluctuation in share prices used in the trinomial	Expected term to maturity of the options (expressed as the weighted average period to maturity of the options used in the trinomial model)	Expected dividend (as of 2009)	Risk-free interest rate (based on Treasury bills)
from 1/1/2014 to 31/12/2014	Plan 3	PLN 26.73	PLN 64.65	PLN 64.65	36%	10 years	-	3.50%
from 1/1/2012 to 31/12/2012	Plan 3	PLN 22.57	PLN 61.00	PLN 61.0	38%	10 years	-	5.82%
from 1/1/2011 to 31/12/2011	Plan 3	PLN 25.35	PLN 73.95	PLN 64.89	37%	10 years	-	4.35%
from 1/1/2015 to 31/12/2015		PLN 103.98	PLN195.95**	PLN 130.90	24%	10 years	-	2.37%
from 1/1/2014 to 31/12/2014		PLN 50,87	PLN 81.82	PLN 81.00	36%	10 years	-	3.50%

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from 1/1/2013 to 31/12/2013		PLN 41.34	PLN 81.00	PLN 81.00	34%	10 years	-	3.50%
from 1/1/2012 to 31/12/2012		PLN 39.62	PLN 70.00	PLN 70.00	37%	10 years	-	5.36%
from 1/1/2011 to 31/12/2011		PLN 45.97	PLN 78.00	PLN 78.00	37%	10 years	-	5.61%
from 1/1/2010 to 31/12/2010	Plan 2	PLN 42.61	PLN 70.00	PLN 70.00	40%	10 years	-	5.51%
from 1/1/2009 to 31/12/2009		PLN 27.38	PLN 48.32	PLN 48.32	41%	7.6 years	-	5.80%
from 1/1/2008 to 31/12/2008		PLN 29.81	PLN 83.8	PLN 83.8	37%	8.9 years	18.80%	5.80%
from 1/1/2007 to 31/12/2007		PLN 36.09	PLN 96.5	PLN 96.5	33%	9.9 years	18.80%	5.50%
from 1/1/2006 to 31/12/2006		PLN 15.5	PLN 48.3	PLN 48.3	31%	9.9 years	18.80%	4.98%
from 1/1/2005 to 31/12/2005		PLN 8.9	PLN 25.7	PLN 24.0	40%	9.9 years	18.80%	4.50%
till the end of 2004	Plan 1	PLN 6.8	n/a	PLN 18.6	40%	7.0 years	19.40%	4.50%
		PLN 6.6	n/a	PLN 18.6	40%	7.5 years	19.40%	5.80%

* In connection with the fact that before 2006 the Company was not listed on the GPW, the expected fluctuations in the prices of its shares for measuring awards from before 2006 were based on the historical fluctuations of share prices of 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.
**Option plan grant price are set in April, when market price was in the range of grant price 130 PLN set in 2015. Grant date got postponed due the documentation issues.

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

Other incentive programs

Key managers of the Spanish and Chinese market participate in motivation programs which bases on exceeding goals of the following businesses growth.

Employee benefits costs

The costs recognized in connection with the plans relating to incentive programs for the period of 12 months ending on December 31, 2015 and December 31, 2014 respectively are presented below:

	31.12.2015	**31.12.2014**
Value of employee benfits in employee stock option plan 2	21 458	4 646
Value of employee benfits in employee stock option plan 3	4 782	3 452
Value of employee benfits in local incentive program - Spain	2 730	844
Value of employee benfits in local incentive program - China	834	674
	29 804	**9 616**

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

Pension, health care and other contributions

The costs recognized in connection with the retirement benefit contributions for the period of 12 months ending on December 31, 2015 and December 31, 2014 respectively are presented below:

	31.12.2015	**31.12.2014**
Pension, health care contributions and other	142 594	122 153
	142 594	**122 153**

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

20. Provisions

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

2015	As at **01.01.2015**	Increases	Utilization	Foreign exchange differences	As at **31.12.2015**
Onerous contracts	4 976	2 545	(4 630)	258	3 149
Provision for court fees	1 645	17	(1 587)	(25)	50
Provision for tax risks	2 524	118	(2 328)	165	479
Provision for other	160	-	(159)	1	2
Total	**9 305**	**2 680**	**(8 704)**	**399**	**3 680**

2014	As at **01.01.2014**	Increases	Utilization	Foreign exchange differences	As at **31.12.2014**
Onerous contracts	3 836	1 687	(981)	434	4 976
Provision for court fees	1 417	1 665	(1 437)	-	1 645
Provision for tax risks	2 588	1 351	(458)	(957)	2 524
Provision for other	465	31	(323)	(13)	160
Total	**8 306**	**4 734**	**(3 199)**	**(536)**	**9 305**

The whole reserve is treated as long-term reserves.

Provision for onerous contracts

As at the balance sheet date, the Group showed a provision for onerous lease contracts. These contracts relate to most locations in which the Group does not engage in restaurant operations but only subleases the premises to other entities on unfavourable terms. It is expected that will be used during 2015 and 2016.

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 2015 and 2016.

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

Provision for tax liabilities

Group operates in numerous markets with different and changing tax rules and additionally realizes its growth within new investments and often has to decide to create or modify value of tax liability provision. During recognition or modification of such provisions all available information, historical experience, comparison and best estimate is used. It is expected that will be used during 2015 and 2016.

21. Other non-current liabilities

Other non-current liabilities cover the long-term portion of deferred income of rents. Deferred income amount PLN 14.901 thousand and PLN 17.145 thousand respectively as at December 31, 2015 and December 31, 2014.

22. Trade and other payables

Trade and other payables as at December 31, 2015 and December 31, 2014 cover the following items:

	31.12.2015	**31.12.2014**
Payables to non-related entities, including:	356 663	255 072
Trade payables	229 352	154 696
Payables in respect of uninvoiced lease fees and deliveries of food	16 946	14 655
Employee payables	31 662	23 917
Social insurance payables	23 757	19 866
Other tax payables	16 678	13 549
Gift voucher liabilities	1 427	1 373
Other payables to non-related entities	36 841	27 016
Liabilities to related entities (note 29)	94	5
Accruals, including:	98 999	82 124
Employee bonuses	27 491	21 561
Marketing services	8 076	7 427
Holiday pay accrual	13 055	11 136
Professional services	7 315	3 772
Franchise fees	9 742	12 919
Lease cost provisions	15 662	11 237
Investment payables accrual	10 128	7 823
Other	7 530	6 249
Deferred income – short-term portion	5 173	7 295
Social fund	845	377
Total trade and other payables	**461 774**	**344 873**

23. Finance lease liabilities

Financial lease liabilities – current portion:

	31.12.2015	**31.12.2014**
Payable within 1 year	1 323	767
Payable from 1 to 5 years	4 396	2 499
Payable after 5 years	3 525	4 813
	9 244	**8 079**

Finance lease liabilities – minimum lease payments:

	31.12.2015	**31.12.2014**

Payable within 1 year	2 242	1 604
Payable from 1 to 5 years	6 232	4 808
Payable after 5 years	5 131	6 448
Total minimum lease payments	13 605	12 860
Future finance costs in respect of finance leases	(4 361)	(4 781)
Present value of finance lease liabilities	**9 244**	**8 079**

24. Operating leases

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

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

	31.12.2015	**31.12.2014**
Payable within 1 year	309 252	264 688
Payable from 1 to 5 years	1 051 701	947 603
Payable after 5 years	797 978	790 928
Total minimum lease payments	**2 158 931**	**2 003 219**

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 2015 and 2014 are as follows:

	For the 12 months ended December 31, 2015			**For the 12 months ended December 31, 2014**		
	Fixed fee	**Conditional fee**	**Total**	**Fixed fee**	**Conditional fee**	**Total**
Czech	33 476	4 058	37 534	32 300	3 083	35 383
Hungary	12 254	-	12 254	11 000	-	11 000
Poland	49 029	63 520	112 549	40 650	58 330	98 980
Russia	43 115	426	43 541	39 481	4 030	43 511
Bulgaria	1 622	-	1 622	963	-	963
Serbia	1 440	-	1 440	1 410	-	1 410
USA	-	-	-	3 773	1	3 774
Croatia	1 163	-	1 163	1 250	-	1 250
Spain	67 481	136	67 617	60 805	-	60 805
China	33 604	-	33 604	23 046	-	23 046
Romania	3 773	-	3 773	-	-	-
Total	**246 957**	**68 140**	**315 097**	**214 678**	**65 444**	**280 122**

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

The Group is also a party to sublease agreements on the basis of operating leases. Income from sublease fees on the basis of operating leases for the 12 month periods of 2015 and 2014 are as follows:

	31.12.2015	**31.12.2014**
Russia	405	576
Czech	566	129

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

Poland	331	225
Total	**1 302**	**930**

25. Collateral on borrowings

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

26. Earnings per share

The basic and diluted earnings per ordinary share for the 12-month period of 2015 and 2014 were calculated as follows:

	For the 12 months ended December 31, 2015	**For the 12 months ended December 31, 2014**
Net profit from continued operations attributable to equity holders of the parent company	160 036	51 667
Weighted average number of ordinary shares in issue	21 213 893	21 213 893
Weighted average number of ordinary shares for diluted earnings per share	21 213 893	21 213 893
Basic earnings per ordinary share	7.54	2.44
Diluted earnings per ordinary share	7.54	2.44

On December 1, 2014 expired possibility for AmRest Holdings SE to make capital increases to the amount of EUR 5 thousand of the authorized capital (in accordance with paragraph 4.1 of the Articles of Association of the Company). This right was given by the resolutions of the AGM of shareholders No. 13 as at June 10, 2011. As at December 31, 2014 and 2015, the Company was not possible potential issuance of shares for the settlement of the stock option plans. Settlement of share option plans can be made in the form of own shares acquired from stock exchange or cash (please refer to note 19).

27. Future commitments and contingent liabilities

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

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

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

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

The status of the guarantees offered by the Group as at December 31, 2015 is as follows:

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

With respect to the agreement in USA one outstanding is in negotiations with the owners.

28. Investment in associates

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

	31.12.2015	31.12.2014
At the beginning of the period	403	320
Share in profits and losses of associates	588	195
Dividend payment	(163)	-
Sold of shares in associated companies	-	(112)
Balance as at the end of the year	**828**	**403**

On March 15, 2012 it BTW Sp. z o.o. was set up in which SCM Sp. z o.o. has 50% of shares. Its core business is restaurant activity. On November 27, 2014 shares of the company BTW Sp. z o.o. were sold in to outside company.

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, 2015						
SCM s.r.o.	Czech	1 216	193	1 602	588	45.90
December 31, 2014						
SCM s.r.o.	Czech	975	177	1 263	426	45.90

29. Transactions with related entities

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

	31.12.2015	31.12.2014
MPI Sp. z o. o.	7	5
Associates	-	28
	7	**33**

Trade and other payables to related entities

	31.12.2015	31.12.2014

MPI Sp. z o. o.	94	1
Associates	-	4
	94	**5**

Sales of goods for resale and services

	For the 12 months ended December 31, 2015	For the 12 months ended December 31, 2014
MPI Sp. z o. o.	69	32
Associates	39	30
	108	**62**

Purchase of goods for resale and services

	For the 12 months ended December 31, 2015	For the 12 months ended December 31, 2014
MPI Sp. z o. o.	1 575	1 455
Associates	-	-
	1 575	**1 455**

Other related entities

Metropolitan Properties International Sp. z o. o.

As at December 31, 2015. Metropolitan Properties International Sp. z o.o. was a company owned by Henry McGovern. Henry McGovern entered on December 31, 2015. Supervisory Board of AmRest Holdings SE.

Company Metropolitan Properties International Sp. z o.o is involved in activities related to real estate. The Group leases from Metropolitan Properties International Sp. z o.o three restaurants on conditions similar to those lease agreements concluded with third parties. Rental fees and other charges paid MPI amounted to PLN 1.575 thousand and PLN 1.455 thousand a period of twelve consecutive months ending December 31, 2015. and December 31, 2014.

Group shareholders

As at December 31, 2014, WP Holdings VII B.V. was the largest shareholder of AmRest and held 31.71% of its shares and voting rights, and as such was its related entity. No material transactions with WP Holdings VII B.V. related parties were noted.

On August 18, 2015 WP Holdins B.V. have sold to FCapital Dutch B.V. all owned shares in AmRest Group.

As at December 31, 2015, FCapital Dutch B.V. was the largest shareholder of AmRest and held 31.71% of its shares and voting rights, and as such was its related entity. No material transactions with WP Holdings VII B.V. related parties were noted.

Transactions with the management/Management Board, Supervisory Board

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

	For the 12 months ended December 31, 2015	For the 12 months ended December 31, 2014
Remuneration of the members of the Management and Supervisory Boards	9 620	6 891

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

paid directly by the Group		
Total remuneration paid to the Management Board and Supervisory Board	**9 620**	**6 891**

The Group's key employees also participate in an employee share option plan (note 19). The costs relating to the employee option plan in respect of management amounted to PLN 10.078 thousand and PLN 5.332 thousand respectively in the 12 month period ended December 31, 2015 and December 31, 2014.

		For the 12 months ended December 31, 2015	**For the 12 months ended December 31, 2014**
Number of options awarded		637 869	760 750
Number of available options		352 115	555 317
Fair value of options as at the moment of awarding	PLN	20 176 377	18 896 200

As at December 31, 2015 and December 31, 2014, there were no liabilities to former employees.

30. Critical accounting estimates and judgments

Key sources of uncertainties relating to estimates

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that are exposed to a significant risk of introducing a significant adjustment of the carrying amount of assets and liabilities during another financial year relate mainly to the impairment tests in respect of property, plant and equipment and goodwill, amortization and depreciation, provisions and calculation of deferred tax.

Estimated impairment of goodwill

The Group each year tests goodwill for impairment in accordance with its accounting policies described in note 1p). The recoverable value of a cash generating unit is determined on the basis of the calculation of its value in use (note 11). As at December 31, 2015 goodwill impairment wasn't recognized.

Estimated impairment of property, plant and equipment

Once a year Group tests impairment of property, plant and equipment for impairment losses according to the accounting policy described in note 1p). This value is compared with assets value and in case of identification of gap in coverage there is impairment loss recognized. In the period of 12 months ended December 31, 2015 and December 31, 2014 were recognized impairment losses according to information presented in note 8 and 10.

Estimated depreciation charges

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

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, 2015 by ca. PLN 20.070 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, 2014 by ca. PLN 18.733 thousand.

Fair value estimation

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

As at financial statement publishing date fair value of financial instruments which are in turnover on active market bases on market quotation. Fair value of financial instruments which aren't in turnover on active market is calculated by using valuation techniques.

The Group uses different methods and assumes assumptions based on market conditions as at each balance sheet date. Fair value of financial assets and investment property available for sale, which aren't in turnover on active market, is calculated with using sector indexes and last available information concerning the investment. Fair value of currency exchange rate option and forwards is calculated based on valuation made by banks which issued the instrument.

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

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

Fair value of investment property, which was not in turnover on active market, was calculated with use of valuation techniques.

	Note	Level 1	Level 2	Level 3	31.12.2015
Investment property	9	-	22 152	-	22 152

Investment property belongs to the "CEE" segment.

For the purpose of the risk management related to certain transaction within the Group, forward currency contracts are used. Open contracts are not designated as cash flow hedges, fair value hedges or net investment hedges in foreign operations. They are signed for periods not longer than risk exposition periods, prevailing for one to twelve months. As at December 31, 2015 the Group was not in possession of open contracts.

Provisions

Key uncertainties and estimates are described in note 20.

Gift card liability estimates

Subsidiaries of the Group are performing operations also within sales and realization of gift cards. Group records a liability in the period in which gift cards are issued and proceeds are received. As gift cards are redeemed, this liability is reduced and revenue is recognized. The liability for gift cards not redeemed after two years is recognized as revenue. Following own and industry experience, historical and legal analysis this approach should be treated as best available estimate regarding gift cards. Value of gift card liability is presented in note 22.

Deferred income tax

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

Critical accounting judgments

Critical accounting judgments relate to the classification of leases – notes 23 and 24 and recognition of deferred tax on tax loss carryforwards – note 7. In classification of agreements for operating lease and finance categories critical judgments are made allowing to classify given agreement to given type of leasing. Judgments consider mainly: period of use, purchase option, alternatives availability, term of agreement cancelation.

31. Financial instruments

Fair value

The table below presents financial instruments in the Group, which are not measured at fair value, in their book value and fair value, in division on classes and categories of assets and liabilities:

In thousands of Polish Zloty				31.12.2015		31.12.2014	
Financial instrument	**IAS 39 category**	**Fair value hierachy**	**Notes**	**Fair value**	**Book value**	**Fair value**	**Book value**
Other non-current assets, except for prepayments	A	3	12	49 389	49 389	43 886	43 886
Trade and other receivables	A	*	14,31	51 431	51 431	44 638	44 638
Other current assets, except for prepayments	A	*	15	14 330	14 330	-	-
Cash and cash equivalents	A	*	16	317 871	317 871	257 171	257 171
Interest-bearing loans and borrowings (long term)	B	3	18	756 790	756 790	837 272	837 272
Bonds	B	3	18	279 156	279 156	278 775	278 775
Finance lease liabilities (long term)	B	3	23	7 921	7 921	7 312	7 312
Employee benefits financial liability	B	3	19	3 564	3 564	1 518	1 518
Other non-current financial liabilities	B	3	21	700	700	895	895
Interest-bearing loans and borrowings (short term)	B	*	18	89 418	89 418	337	337
Finance lease liabilities (short term)	B	*	23	1 323	1 323	767	767
Trade and other accounts payable (short term)	B	*	22	373 348	373 348	269 716	269 716

A - loans and receivables measured at amortised cost
B - financial liabilities measured at amortised cost
* It is assumed, that fair value almost equals the book value, therefore no fair value measurement techniques have been used to valuation of these items.

Book values of short-term: receivables, other assets, payables, loans and liabilities are similar to their fair values due to their short term settlement. According to the estimations of the Group, fair values of non-current assets and liabilities immaterially differs from their respective book values.
As at December 31, 2015 the Group did not possess financial instruments measured at fair value. As at December 31, 2015 the Group did not recognize the transfers between levels of fair value valuations.

Risk management

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

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

Credit risk

Financial instruments especially exposed to credit risk include cash and cash equivalents, receivables, derivatives and investments held to maturity. The Group invests cash and cash equivalents with highly reliable financial institutions. There is no significant concentration of credit risk in respect of trade and other receivables due to the fact that sales are based mainly on cash and credit card payments. The Group set up an additional impairment write-down of PLN 1.446 thousand for the Group's receivables exposed to credit risk. The maximum credit risk exposure amounts to PLN 409.961 thousand.

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

The ageing break-down of receivables and receivable write-downs as at December 31, 2015 is presented in the table below:

	current	overdue in days				Total
		less than 90	91 - 180	181 - 365	more than 365	
Trade and other receivables	92 414	4 128	311	348	5 429	102 630
Receivable write-downs	(4 836)	(517)	-	-	(5 187)	(10 540)
Total	87 578	3 611	311	348	242	92 090

Value of impairment provisions for receivables as at December 31, 2015 and December 31, 2014 is presented in table below:

	31.12.2015	**31.12.2014**
Value for the beginning of the period	7 464	6 472
Provision created	2 678	3 330
Provisions released	-	(42)
Provisions used	(98)	(1 358)
Other	496	(938)
Value for the end of the period	**10 540**	**7 464**

The Group did not recognize impairment on overdue trade and other receivables of PLN 4.512 thousand because it believes that they will be recovered in full.

Interest rate risk

Bank borrowings drawn by the Group are most often based on fluctuating interest rates (note 18). As at December 31, 2015 the Group does not hedge against changes in cash flows resulting from interest rate fluctuations which have an impact on the results. The Group analyzes the market position relating to interest on loans in terms of potential refinancing of debt or renegotiating the lending terms and conditions. The impact of changes in interest rates on results is analyzed in quarterly periods.

Had the interest rates on loans denominated in Polish zloties during the 12 months ended December 31, 2015 30 base points higher/lower, the profit before tax for the period would have been PLN 1.257 thousand lower/higher (2014: PLN 1.293 thousand).

Had the interest rates on loans denominated in Czech crowns during the 12 months ended December 31, 2015 been 30 base points higher/lower, the profit before tax for the period would have been PLN 184 thousand lower/higher (2014: PLN 182 thousand).

Had the interest rates on loans denominated in euro during the 12 months ended December 31, 2015 been 30 base points higher/lower, the profit before tax for the period would have been PLN 1.878 thousand lower/higher (2014: PLN 1.857 thousand).

Foreign exchange risk

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

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

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

Net investment foreign currency valuation risk

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

In 2015 Group applies hedging accounting for revaluation of borrowings, in EUR constitute net investment hedges in Hungarian and Spanish entities. Details concerning hedging on currency risk are described in note 17.

The Group is also exposed to translation risk resulting from converting the income statement and balance sheet items of Russian subsidiaries into PLN. As of the balance sheet date the official exchange rate of Russian Rouble against Polish zloty was PLN 0,0528 per RUB 1, compared to PLN 0,0602 per RUB 1 as at 31 December 2014. Significant change in exchange rates may have a negative or positive effect on the value and results of the businesses in Russia. The Group does not use specific tools to hedge against foreign exchange risks related to valuations of business operations in Russia

Sensitivity analysis

As at December 31, 2015 and December 31, 2014, the Group's assets and liabilities are denominated mainly in the functional currencies of the Group members.

As at December 31, 2015 if foreign exchange rates would increase by 10% effect of net investment hedge valuation would not influence net income due to 100% efficiency of the hedge. Effect on the comprehensive income would be in the value of PLN 63.922 thousand (2014: PLN 63.934 thousand).

Liquidity risk

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

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

The maturity break-down of long- and short-term borrowings as at December 31, 2015 and December 31, 2014 is presented in the table below:

	31.12.2015			31.12.2014		
	Loan installments	Interest and other charges	Total	Loan installments	Interest and other charges	Total
Up to 1 year	91 754	52 165	143 919	2 709	40 064	42 773
Between 1 and 2 years	157 850	44 090	201 940	85 227	53 980	139 207
Between 2 and 5 years	880 164	39 736	919 900	1 035 224	85 970	1 121 194
More than 5 years	-	-	-	-	-	-
Payable gross value	1 129 768	135 991	1 265 759	1 123 160	180 014	1 303 174
Not amortized loan cost	(4 404)	-	(4 404)	(6 776)	-	(6 776)
Payable net value	1 125 364	135 991	1 261 355	1 116 384	180 014	1 296 398

Capital risk

The Group manages capital risk to protect its ability to continue in operation, so as to enable it to realize returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce its cost. Financing at the level of 3.5 of yearly EBITDA is treated as acceptable target and safe level of capital risk.

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

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

The Group's gearing as at December 31, 2015 and December 31, 2014 is as follows:

	31.12.2015	**31.12.2014**
Total borrowings (note 18)*	1 125 364	1 116 384
Finance lease liabilities (note 23)	9 244	8 079
Less: Cash and cash equivalents (note16)*	(317 871)	(257 171)
Net debt	816 737	867 292
Income from operating activity before interests, tax, depreciation, gain/loss on fixed assets sale and impaiment (adjusted EBITDA)	440 365	367 713
Gearing ratio	**1,85**	**2.36**

The decrease in the gearing ratio as at December 31, 2015 results from higher operating income.

32. Events after the Balance Sheet Date

On January 22, 2016 was signed by AmRest Group an area development and operation agreement and supply agreement regarding the rights and license to develop, own and operate Starbucks stores in the Slovak Republic.

As at February 26, 2016 AmRest sp. z o.o. has received return of PLN 14 330 thousand (EUR 3 276 thousand) being the effect of purchase price adjustment for shares of Starbucks operators in Romania and Bulgaria.

Signatures of Board Members

Drew O'Malley
AmRest Holdings SE
Board Member

Mark Chandler
AmRest Holdings SE
Board Member

Wojciech Mroczyński
AmRest Holdings SE
Board Member

Jacek Trybuchowski
AmRest Holdings SE
Board Member

Oksana Staniszewska
AmRest Holdings SE
Board Member

Olgierd Danielewicz
AmRest Holdings SE
Board Member

Wrocław, March 11, 2016