

AmRest Holdings SE
Consolidated annual financial statements
as at and for the twelve months ended
December 31, 2011

AmRest Holdings SE

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Drew O'Malley
AmRest Holdings SE

Board Member

Mark Chandler
AmRest Holdings SE

Board Member

Wojciech Mroczyński
AmRest Holdings SE

Board Member

Wrocław, March 20, 2012

AmRest Holdings SE

Consolidated annual income statement for the 12 months ended December 31, 2011

<i>In thousands of Polish Zloty</i>	Note	2011	2010
Continuing operations			
Restaurant sales		2 510 939	2 011 448
Franchise and other sales		113 232	22 368
Total sales	2	<u>2 624 171</u>	<u>2 033 816</u>
Company operated restaurant expenses:			
Food and material		(762 582)	(636 417)
Payroll and employee benefits		(621 332)	(514 513)
Royalties		(129 004)	(106 723)
Occupancy and other operating expenses		(737 311)	(589 656)
Franchise and other expenses		(100 332)	(15 741)
General and administrative (G&A) expenses		(173 272)	(117 059)
Impairment losses		(15 015)	(4 127)
Other operating income	4	17 692	19 082
Total operating costs and losses	3	<u>(2 521 156)</u>	<u>(1 965 154)</u>
Profit from operations		<u>103 015</u>	<u>68 662</u>
Finance costs	2,6	(43 344)	(37 098)
Cost from put option valuation	2,34	(21 747)	-
Finance income	2,5	11 294	19 348
Income from associates	2,32	72	47
Profit before tax	7	<u>49 290</u>	<u>50 959</u>
Income tax expense	2,7	7 877	(7 344)
Profit for the period from continuing operations		<u>57 167</u>	<u>43 615</u>
Discontinued operations			
Loss on discontinued operations	8	(723)	(3 619)
Profit for the period		<u>56 444</u>	<u>39 996</u>
Profit attributable to:			
Non controlling interests		7 959	(602)
Equity holders of the parent		<u>48 485</u>	<u>40 598</u>
Profit for the period		<u>56 444</u>	<u>39 996</u>
Basic earnings per share in Polish zloty	30	2,35	2,41
Diluted earnings per share in Polish zloty	30	2,28	1,91
<u>Continuing operations</u>			
Basic earnings per share in Polish zloty	30	2,39	2,63
Diluted earnings per share in Polish zloty	30	2,31	2,08
<u>Discontinued operations</u>			
Basic loss per share in Polish zloty	30	(0,04)	(0,21)
Diluted loss per share in Polish zloty	30	(0,03)	(0,17)

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

AmRest Holdings SE

Consolidated annual comprehensive income statement for the 12 months ended December 31, 2011

In thousands of Polish Zloty

	Notes	<u>2011</u>	<u>2010</u>
Profit for the period		56 444	39 996
Other comprehensive income:			
Currency translation differences from conversion of foreign Entities		112 743	5 041
Valuation of PUT option liability and net investment hedges	20	(48 108)	3 096
Income tax concerning net investment hedges	20	4 130	(588)
Other comprehensive income/(loss) for the period, net of tax		<u>68 765</u>	<u>7 549</u>
Total comprehensive income for the period		<u>125 209</u>	<u>47 545</u>
Total comprehensive income/(loss) attributable to:			
Equity holders of the parent		102 824	48 147
Non controlling interests		<u>22 385</u>	<u>(602)</u>

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

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Consolidated annual statement of financial position as at December 31, 2011

In thousands of Polish Zloty

	Notes	2011	2010
Assets			
Property, plant and equipment	9	953 310	631 833
Goodwill	12	745 134	293 347
Other intangible assets	11	549 482	58 253
Investment properties	10	22 081	21 317
Investments in associates	32	140	129
Finance lease receivables	16	309	458
Other non-current assets	13	32 533	18 212
Deferred tax assets	7	36 309	10 562
Total non-current assets		2 339 298	1 034 111
Inventories	14	40 770	20 886
Trade and other receivables	15	84 923	45 007
Corporate income tax receivables	7	3 165	4 898
Finance lease receivables	16	161	150
Other current assets	17	15 716	12 632
Assets available for sale	8	-	1 405
Other financial assets	19	2 863	4 752
Cash and cash equivalents	18	143 960	245 118
Total current assets		291 558	334 848
Total assets		2 630 856	1 368 959
Equity			
Share capital		714	623
Reserves		489 273	595 451
Retained earnings		145 694	97 209
Translation reserve		136 533	38 216
Equity attributable to shareholders of the parent	20	772 214	731 499
Non-controlling interests		155 577	14 531
Total equity	20	927 791	746 030
Liabilities			
Interest-bearing loans and borrowings	21	838 946	370 057
Finance lease liabilities	27	3 429	3 407
Employee benefit liability	23	6 570	2 746
Provisions	24	7 573	5 482
Deferred tax liability	7	162 117	9 447
Put option liability	2,34	280 812	-
Other non-current liabilities	25	18 582	401
Total non-current liabilities		1 318 029	391 540
Interest-bearing loans and borrowings	21	77 956	13 224
Finance lease liabilities	27	252	237
Trade and other accounts payable	26	300 842	215 975
Corporate income tax liabilities	7	4 222	1 909
Other financial liabilities	22	1 764	44
Total current liabilities		385 036	231 389
Total liabilities	2	1 703 065	622 929
Total equity and liabilities		2 630 856	1 368 959

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

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Consolidated annual cash flow statement for the 12 months ended December 31, 2011

In thousands of Polish Zloty

	Notes	2011	2010
Cash flows from operating activities			
Profit before tax from continued operations		49 290	50 959
Loss before tax from discontinued operations	8	(723)	(3 619)
Adjustments for:			
Share of profit of associates	32	(72)	(47)
Amortization	11	26 446	7 185
Depreciation	9	139 576	96 531
Interest expense, net	5,6	31 107	24 292
Put option valuation	2,34	21 747	-
Foreign exchange result	5,6	5 219	(9 524)
Loss on disposal of property, plant and equipment and intangibles	9	3 795	6 370
Impairment of property, plant and equipment and intangibles	9,11	10 898	8 033
Impairment of assets available for sale	8	-	2 259
Equity-settled share-based payments expenses	23	1 282	3 440
Income on sale of non financial assets available for sale		-	(28)
Working capital changes:			
Change in receivables		(18 232)	(10 386)
Change in inventories		(6 767)	424
Change in other assets		(11 567)	6 716
Change in payables and other liabilities		(2 374)	7 395
Change in other provisions and employee benefits		3 796	166
Income tax paid		(3 296)	(3 387)
Interest paid	5,6	(30 817)	(24 208)
Other		(2 949)	5 578
Net cash provided by operating activities		216 359	168 149
Cash flows from investing activities			
Expense on acquisition of subsidiaries, decreased by cash	2	(512 781)	-
Proceeds from the sale of associates		-	2 700
Proceeds from transactions with non-controlling interests		8 501	5 635
Proceeds from the sale of property, plant and equipment, and intangible assets	9	1 232	1 337
Acquisition of property, plant and equipment	9	(296 377)	(200 631)
Acquisition of intangible assets	11	(9 502)	(19 868)
Acquisition of investment properties		-	(21 317)
Proceeds from sales of assets available for sale		-	562
Proceeds from repayment of loans given to other entities		-	78
Expense on loans given to other entities		-	(763)
Acquisition of assets available for sale		-	(764)
Net cash used in investing activities		(808 927)	(233 031)
Cash flows from financing activities			
Proceeds from shares issued		168 926	306 505
Proceeds from share issuance (employees options)		377	713
Proceeds from issuance of debt securities		-	39 749
Proceeds from loans and borrowings		493 242	230 809
Repayment of loans and borrowings		(174 584)	(426 949)
Dividends paid to non-controlling interest owners		(921)	(699)
Dividends received from affiliates		-	90
Repayment of finance lease payables		(415)	(280)

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Proceeds of finance lease receivables	138	226
Net cash provided by/(used in) financing activities	<u>486 763</u>	<u>150 164</u>
Net change in cash and cash equivalents	(105 805)	85 282
Balance sheet change of cash and cash equivalents	(101 158)	85 970
Cash and cash equivalents, beginning of period	245 118	159 148
Effect of foreign exchange rate movements	<u>4 647</u>	<u>688</u>
Cash and cash equivalents, end of period	<u>143 960</u>	<u>245 118</u>

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

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Statement of annual changes in consolidated equity for the 12 months ended December 31, 2011

<i>In thousands of Polish Zloty</i>	Attributable to equity holders				Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
	Issued capital	Reserves	Retained Earnings	Translation reserve			
As at 01.01.2010	427	282 481	56 611	33 175	372 694	10 197	382 891
COMPREHENSIVE INCOME							
Income for the period	-	-	40 598	-	40 598	(602)	39 996
Currency translation differences	-	-	-	5 041	5 041	-	5 041
Impact of net investment hedging	-	3 096	-	-	3 096	-	3 096
Deferred income tax concerning net investment hedges	-	(588)	-	-	(588)	-	(588)
Total Comprehensive Income	-	2 508	40 598	5 041	48 147	(602)	47 545
TRANSACTION WITH NON-CONTROLLING SHAREHOLDERS							
Equity attributable to non controlling interests	-	-	-	-	-	5 635	5 635
Dividends paid to non-controlling shareholders	-	-	-	-	-	(699)	(699)
Total with non-controlling shareholders	-	-	-	-	-	4 936	4 936
TRANSACTION WITH SHAREHOLDERS							
Share issue	196	306 309	-	-	306 505	-	306 505
Employees share option scheme – value of employee services	-	3 440	-	-	3 440	-	3 440
Employees share option scheme – value realized options	-	713	-	-	713	-	713
Total transaction with shareholders	196	310 462	-	-	310 658	-	310 658
As at 31.12.2010	623	595 451	97 209	38 216	731 499	14 531	746 030
As at 01.01.2011	623	595 451	97 209	38 216	731 499	14 531	746 030
COMPREHENSIVE INCOME							
Income for the period	-	-	48 485	-	48 485	7 959	56 444
Currency translation differences (Note 2, 20)	-	-	-	98 317	98 317	14 426	112 743
Impact of net investment hedging	-	(21 737)	-	-	(21 737)	-	(21 737)
Impact of put option valuation as net investment hedges	-	(26 371)	-	-	(26 371)	-	(26 371)
Deferred income tax concerning net investment hedges	-	4 130	-	-	4 130	-	4 130
Total Comprehensive Income	-	(43 978)	48 485	98 317	102 824	22 385	125 209
TRANSACTION WITH NON-CONTROLLING SHAREHOLDERS							
Equity attributable to non-controlling interests	-	-	-	-	-	8 501	8 501
Equity attributable to non-controlling interests - Acquisition in Spain (Note 2, 34)	-	-	-	-	-	111 081	111 081
Dividends paid to non-controlling shareholders	-	-	-	-	-	(921)	(921)
Put option recognition	-	(232 694)	-	-	(232 694)	-	(232 694)
Total with non-controlling shareholders	-	(232 694)	-	-	(232 694)	118 661	(114 033)
TRANSACTION WITH SHAREHOLDERS							
Share issue	91	168 835	-	-	168 926	-	168 926
Employees share option scheme – value of employee services	-	1 282	-	-	1 282	-	1 282
Employees share option scheme – value realized options	-	377	-	-	377	-	377
Total transaction with shareholders	91	170 494	-	-	170 585	-	170 585
As at 31.12.2011	714	489 273	145 694	136 533	772 214	155 577	927 791

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.

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

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

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

Hereafter, the Company and its subsidiaries shall be referred to as “the Group”.

The Group’s consolidated financial statements for the 12-month period ended December 31, 2011 cover the Company, its subsidiaries and the Group’s shares in associates. Amrest, LLC entities are preparing financial statements for the period of twelve months ending December 25, 2011. Spanish group has adjusted its financial year to the calendar year ended December 31, 2011.

These consolidated financial statements were approved by the Company’s Management Board on March 20, 2012.

The Group’s core activity is operating Kentucky Fried Chicken (“KFC”), Pizza Hut, Burger King and Starbucks restaurants through its subsidiaries in Poland, the Czech Republic, Hungary, Russia, Serbia, Croatia, Bulgaria and Spain, on the basis of franchises granted, and Applebee’s® in the USA. Additionally in Spain and France the Group operates its own brands La Tagliatella, Trastevere and il Pastificio. 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.

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

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

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

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

On April 22, 2010 share subscription agreement was signed between AmRest Holdings S.E, and WP Holdings VII B.V., following which on May 24, 2010 WP Holdings VII B.V. obtained 4 726 263 shares of the Company from new emission at emission price of PLN 65 for total value of PLN 307.2 million. At

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June 10, 2010 was registered by the registry court in Wroclaw the increase in the share capital of the Company by the amount of EUR 47 262.63 (PLN 195 374.26). Additionally during 12 months from the date on which the described above emission shares were registered by the registry court proper for the Company's registered office, the WP Holdings VII B.V. will have an option to subscribe for additional shares in up to two instalments to the extent that its shareholding does not exceed 33% of the post-issuance share capital. The issuance price for the additional shares subscription was PLN 75 per share.

On March 25, 2011, WP subscribed for 2 271 590 shares with the issuance price of PLN 75 per share. After decrease by all costs concern capital issue the growth was PLN 168 926 thousand.

As at December 31, 2011, WP Holdings VII B.V. was the largest shareholder of AmRest and held 32.9999% of its shares and voting rights.

Pursuant to the information available to the Company, as at the date of release of this annual report, that is March 20th, 2012, 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 ("AmRest"):

Shareholders	Shares amount	Share in Equity %	Shares amount at AGM	Share at AGM %
WP Holdings VII B.V.	6 997 853	32.99%	6 997 853	32.99%
ING OFE	3 633 013	17.13%	3 633 013	17.13%
BZ WBK Asset Management S.A.*	2 077 569	9.79%	2 077 569	9.79%
Henry McGovern* *	1 482 766	6.99%	1 482 766	6.99%
AVIVA OFE	1 411 207	6.65%	1 411 207	6.65%

* BZ WBK AM manages assets which include the funds of BZ WBK TFI

** shares owned directly by Henry McGovern and through the companies wholly owned by him, i.e. IRI and MPI

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

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(in PLN thousands unless stated otherwise)

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 was signed "Strategic Development Agreement" partially amending "Development Agreement" and franchise agreement signed with AmRest Sp. z o.o. and AmRest BK s.r.o., considering opening and running Burger King restaurants, accordingly, in Poland and Czech Republic.

Agreement describes terms of opening and operating new Burger King restaurant in Poland and Czech Republic. 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 Republic 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. Currently Group Companies are renegotiating terms of above mentioned agreements, especially in the area planned development, in order to agree applicable terms of future development .

Agreement was signed for agreed period of time till June 30, 2015 with qualification, that period of agreement effectiveness will be extended till end of development agreement validity period for AmRest sp. z o.o. and AmRest s.r.o.

As at December 31, 2011, the Group had 35 open Burger King restaurants.

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

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

The Group took up 82%, and Starbucks 18% of the share capital in the newly established companies. In the third and fourth year after establishing the companies, if the Group does not meet the commitments relating to

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opening and operating a minimum number of Starbucks cafés in Poland, the Czech Republic and Hungary, Starbucks will be entitled to increase its share in the companies by purchasing additional shares (maximum up to 50%). In the fifth and ninth year Starbucks will have an unconditional option to increase its shares to a maximum of 50%. In the event of a disputed take-over or change of control over the Company and/or its shareholders, Starbucks will be entitled to increase its share to 100% by purchasing shares from the Group. According to Company's Management assessment as at the day of this financial statement issuance, there are no material indicators making mentioned above options realizable.

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

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

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

As at December 31, 2011, the Group comprised the following subsidiaries:

Company name	City and country of incorporation	Core business	Parent/ non-controlling undertaking	Ownership interest and total vote	Date of effective control
AmRest Sp. z o.o.	Wrocław, Poland	Restaurant activity in Poland	AmRest Holdings SE	100.00 %	December 2000
AmRest s.r.o.	Prague, Czech Republic	Restaurant activity in the Czech Republic	AmRest Holdings SE	100.00 %	December 2000
AmRest Tag S.L.	Madrid , Spain	Holding activity	AmRest Holdings SE.	76.27%	March 2011
AmRest HK Limited	Wan Chai, Hong Kong	Holding activity	AmRest Holdings SE Stubs Asia Limited	65.00% 35.00%	September 2011
AmRestFinance S.L.	Madryt, Hiszpania	Holding activity	AmRest Holdings SE	100.00%	December 2011
AmRestavia S.L.	Madrid , Spain	Holding activity	AmRest Tag S.L.	100.00%	April 2011

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Company name	City and country of incorporation	Core business	Parent/ non-controlling undertaking	Ownership interest and total vote	Date of effective control
Restauravia Grupo Empresarial S.L.	Madrid , Spain	Holding activity	AmRestavia S.L. AmRest Tag S.L.	16.52% 83.48%	April 2011
Restauravia Food S.L.U	Madrid , Spain	Restaurant activity in Spain	Restauravia Grupo Empresarial S.L.	100.00%	April 2011
Pastificio Service S.L.U	Lleida , Spain	Restaurant activity in Spain	Restauravia Grupo Empresarial S.L.	100.00%	April 2011
Pastificio Restaurantes S.L.U	Lleida , Spain	Restaurant activity in Spain	Pastificio Service S.L.U	100.00%	April 2011
Tagligat S.L.U	Lleida , Spain	Restaurant activity in Spain	Pastificio Service S.L.U	100.00%	April 2011
Pastificio S.L.U	Lleida , Spain	Restaurant activity in Spain	Pastificio Service S.L.U	100.00%	April 2011
AmRest Restaurants (India) Private Limited	Mumbai, India	Restaurant activity in India	Restauravia Grupo Empresarial S.L.	99.99%	October 2011
AmRest Kft	Budapest, Hungary	Restaurant activity in Hungary	AmRest Sp. Z o.o.	100.00%	June 2006
AmRest Capital ZRT	Budapest, Hungary	Holding activity	AmRest Sp. Z o.o.	100.00%	November 2011
AmRest Finance ZRT	Budapest, Hungary	Holding activity	AmRest Sp. Z o.o.	100.00%	November 2011
AmRest Ukraina t.o.w.	Kiev, Ukraine	Established to develop and operate restaurants in Ukraine	AmRest Sp. Z o.o.	100.00 %	December 2005
AmRest Coffee Sp. z o.o	Wrocław, Poland	Operation of coffee stores in Poland	AmRest Sp. z o.o. Starbucks Coffee International, Inc	82.00 % 18.00%	March 2007
Bécsi út.13 Kft	Budapest, Hungary	Owner of building ,where the office surface is placed	AmRest Kft	100.00 %	April 2007
AmRest EOOD*	Sofia, Bulgaria	Restaurant activity in Bulgaria	AmRest Sp. Z o.o.	100.00 %	April 2007
AmRest Coffee s.r.o.	Wrocław, Poland	Operation of coffee stores in Czech Republic	AmRest Sp. z o.o. Starbucks Coffee International, Inc	82.00 % 18.00%	August 2007

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

Company name	City and country of incorporation	Core business	Parent/ non-controlling undertaking	Ownership interest and total vote	Date of effective control
AmRest Acquisition Subsidiary Inc.	Wilmington, USA	Holding activity	AmRest Holding SE	100.00 %	May 2007
OOO AmRest	Petersburg, Russia	Restaurant activity in Russia	AmRest Acquisition Subsidiary Inc. AmRest Sp. z o. o.	1.56% 98.44%	July 2007
AmRest Kávézó Kft	Budapest, Hungary	Operation of coffee stores in Hungary	AmRest Sp. z o.o. Starbucks Coffee International, Inc	82.00% 18.00%	August 2007
AmRest D.O.O.	Belgrad, Serbia	Restaurant activity in Serbia	AmRest Sp. z o.o. ProFood Invest GmbH	60.00 % 40.00%	October 2007
AmRest LLC	Wilmington, USA	Restaurant activity in USA	AmRest Sp. Z o.o.	100.00 %	July 2008
SCM Sp. z o.o.	Chotomów, Poland	Delivery services for restaurants operated by the Group	AmRest Sp. z o.o. Zbigniew Cylny Beata Szafarczyk-Cylny	51.00% 44.00% 5.00%	April 2008
Rodeo Drive Sp. z o.o.	Wroclaw, Poland	Lack of running activity	AmRest Sp. z o.o.	100.00%	April 2011
AmRest Adria D.O.O.	Zagreb, Croatia	Restaurant activity in Croatia	AmRest Sp. z o.o.	100.00%	October 2011

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

On January 11, 2011 Group has finished liquidation process of Company OOO KFC Nord.

On December 28, 2011 took place a merger of AmRest s.r.o. and AmRest BK s.r.o.

As at December 31, 2011, the Group possesses the following associated entities included in the financial statements under the equity method:

Company name	Address and country of the registered office	Main area of operation	Name of Parent Company	Share in capital and total voting rights	Date of purchase
SCM s.r.o.	Prague, Czech Republic	Delivery services for restaurants provided to the Group	SCM Sp. z o.o.	45.90%	March 2007

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The Group's offices are in Wrocław, Poland. At December 31, 2011, the restaurants operated by the Group are located in Poland, the Czech Republic, Hungary, Russia, Bulgaria, Serbia, Croatia, the USA, Spain and France.

(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, 2011. As at December 31, 2011, there are no discrepancies between the accounting policies adopted by the Group and the standards referred to above. The accounting policies which have been applied in the preparation of the annual consolidated financial statements comply with those used in preparing the annual consolidated financial statements for the year ended December 31 2010, with the exception of the new standards binding as of January 1, 2011.

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

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

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

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

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

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

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

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

- IFRS 11, „Joint Arrangements”. IFRS 11 „Joint Arrangements” was published by IASB in May 2011. New standard is applicable for annual periods starting January 1, 2013 or later. New standard

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replaces IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities—Non-Monetary Contributions by Ventures”.

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

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

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

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

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

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

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

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

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

- Revised IAS 27, „Separate Financial Statements”. Revised IAS 27, “Separate Financial Statements” was published by IASB in May 2011. New standard is applicable for annual periods starting January 1, 2013 or later.

IAS 27 was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares

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separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements.

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

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

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

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

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

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

Group will apply amendment to IFRS 7 not earlier than on July1, 2011. Management board is during verification of above amendments influence on financial statements.

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

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

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Group will apply amendments to IAS 12 not earlier than January 1, 2012. Management board is during verification of above amendments influence on financial statements.

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

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

Group will apply amendments to IFRS 1 not earlier than July 1, 2011. Management board is during verification of above amendments influence on financial statements.

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

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

Group will apply amendments to IAS 1 not earlier than July 1, 2012. Management board is during verification of above amendments influence on financial statements.

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

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

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

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

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

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

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

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

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

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

New and amended standards adopted by the Group

As at January 1, 2011 Group has adopted following new and amended IFRS and IAS:

- Amendments to IAS 32 „Classification of rights issues “. Amendments to IAs 32 “Classification of rights issues” were issued by IASB on October 8, 2009 and are valid for annual periods starting from February 1, 2010 or later. Amendments concern accounting for emission rights (rights issues, options, warrants) denominated in currency other than functional currency of issuer. Amendments require, to, fulfilling certain requirements, qualify rights issues as own equity despite, which currency is used for price of right realization.

Group applies amendments to IAS 32 from January 1, 2011. Application of standard amendments does not create retrospectively adjustments. The amendments do not have a material impact on the group or company's financial statements.

- Amendments to IAS 24 „Related party disclosures”. Amendments to IAS 24 „Related party disclosures” were published by IASB at November 4, 2009 and are valid for annual periods starting from January 1, 2011 or later. Amendments implements simplification regarding the disclosure of information by entities related to governmental institutions and specifies definition of related party. Group applies amendments of IAS 24 according to transitional regulations.

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Group applies amendments to IAS 24 from January 1, 2011. Application of standard amendments does not create retrospectively adjustments. The amendments do not have a material impact on the group or company's financial statements.

- Amendments to IFRS 1 „First time adoption of IFRS”. Amendments to IFRS “Limited exemption from comparative IFRS 7 disclosure for first time adopters” were published by IASB in January 28, 2009 and are valid for annual periods starting in July 1, 2010 or later. Amendments introduce additional exemptions for IFRS first time adopters concerning disclosing information required by amendments to IFRS 7 issued in March 2009 regarding valuation to fair value and liquidity risk.

Group applies amendments to IFRS 1 from January 1, 2011. Application of standard amendments does not create retrospectively adjustments. The amendments do not have a material impact on the group or company's financial statements.

- IFRS Improvements 2010. The International Accounting Standards Board issued “IFRS Improvements” on May 6, 2010, which amend seven standards. The amendments include changes in scope, presentation, disclosure, recognition and valuation and include terminology and editorial changes.

Group will apply amendments IFRS from January 1, 2011. Application of IFRS Improvements 2010 does not create retrospectively adjustments. The amendments do not have a material impact on the group or company's financial statements.

- Amendment to IFRIC 14 „The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”. Amendments to IFRIC 14 were issued by IFRS Interpretation Committee in November 26, 2009 and is valid for annual periods starting from January 1, 2011 or later. This interpretation covers guidelines in the area of recognition of early payment of contribution for covering of minimal financing requirements as assets in contributing entity.

Group applies amendments to IFRIC 14 from January 1, 2011. Application of standard amendments does not create retrospectively adjustments. The amendments do not have a material impact on the group or company's financial statements.

- IFRIC 19 „Extinguishing Financial Liabilities with Equity Instruments”. Document IFRIC 19 was published by IFRS Interpretation Committee at November 26, 2009 and is valid for annual periods starting July 1, 2010 or later. This interpretation explains accounting principles applied in situation when in result of renegotiation by entity of financial liabilities terms, liability is settled via issuance of equity instruments aimed to creditors. Interpretation requires valuation of equity instruments in fair value and recognition of gain or loss in value of difference between book value of financial liability and fair value of equity instrument. Group will address IFRIC 14 according to transitional regulations.

Group applies amendments to IFRIC 19 from January 1, 2011. Application of standard amendments does not create retrospectively adjustments. The amendments do not have a material impact on the group or company's financial statements.

(c) Form of presentation of the consolidated financial statements

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

The financial statements were prepared on the historical cost basis modified for valuation of derivative instruments to their fair value.

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

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

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

The accounting policies described above have been applied consistently in all the financial years covered by the consolidated financial statements, except for those instances where 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. Changes in presentation were specified in Note 1 (ac).

(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 doesn'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.

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Associates

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

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

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

(e) Going concern assumption

Information presented below should be read together with information provided in Note 36 and 21, describing accordingly: significant post balance sheet events after December 31, 2011 and borrowings.

Consolidated financial statements for the period of 12 months ended December 31, 2011 year 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 does 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 October 11, 2010 between AmRest Holdings SE, AmRest Sp. z o.o. and AmRest s.r.o. and Bank PEKAO S.A., RBS Bank (Polska) S.A., The Royal Bank of Scotland N.V. and Bank Zachodni WBK S.A. As consequence of this agreement and subsequent annexes in year 2012 will take place repayment of PLN 78 million with additional loan available in value of EUR 50 million. As for the day of this financial statement issuance Management Board of Group Parent Entity have plans and realize actions aiming to provide successful refinancing of mentioned above liabilities from loans repayable in 2012 year. Management of Group Parent Entity had analyzed cash-flows for 12 months since balance sheet date of December 31, 2011 and available financing scenarios.

(f) Foreign exchange trading

Functional currency and presentation currency

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

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

Transactions denominated in foreign currencies

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

Financial statements of foreign operations

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

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

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

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

The functional currency of none of the subsidiaries is the currency of a hyperinflationary economy as at December 31, 2011.

(g) Franchise, licence agreements and other fees

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

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

Non-reimbursable preliminary fees currently amount to USD 45.5 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").

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The key terms and conditions of the franchise agreements which will be concluded with Burger King (Note 1(a)) 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 overlong 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 1(a)) are as follows:

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

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

- The preliminary franchise fee of USD 35 thousand per each opened Applebee's restaurant (capitalized as intangible asset and amortized during the franchise agreement period).
- A fixed license fee equal to 5% of sales revenues of each of the Applebee's restaurants (added to the income statement when it incurred in category continuing franchise fees).
- The franchisee will pay to the franchiser a monthly fee for advertising and promoting sales in an amount of no less than 2.75% of sales of the Applebee's restaurants operated by the Franchisee, in recognition of the fact that the Franchiser may increase the fee to 4% (added to the income statement when it incurred in category direct marketing costs).
- Additionally, the franchisee is obliged to incur expenses on local marketing of 1% of the sales revenue of the Applebee's restaurants.

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.

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- 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 and own brand is treated as non amortized asset due to infinite useful life.

(h) Property, plant and equipment

Property, plant and equipment owned by the Group

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

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

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

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

Assets related to opening restaurants

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

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

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

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lease so as to obtain a fixed periodical interest rate in respect of the remaining portion of the liability. Property, plant and equipment acquired under financial leases are depreciated over the shorter of the economic useful life of the asset and the lease period.

Costs incurred after commissioning fixed assets

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

Amortization and depreciation

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

- | | |
|---|---------------|
| • Buildings | 30 – 40 years |
| • Costs incurred on the development of restaurants (including leasehold improvements and costs of development of the restaurants) | 10 years * |
| • Plant and machinery | 4 -8 years |
| • Vehicles | 5 years |
| • Other property, plant and equipment | 4 -8 years |

* shorter of 10 years and the lease term.

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

(i) 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.

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Favourable lease agreements

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

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

See Note (g) of the accounting policies.

Other intangible assets

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

Amortization

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

The expected useful lives of assets are as follows:

- | | |
|---|----------------|
| • Computer software | 4 -5 years |
| • Favourable lease agreements | 2 - 10 years * |
| • Trademark | 5 years |
| • Rights to the Pizza Hut , KFC, Burger King, Starbucks and Applebee's trademarks | 10 years |
| • Other intangible assets | 5 -10 years |

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

(k) Goodwill

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

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

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

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

(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

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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 (see Note (p) of the accounting policies).

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(n) Inventories

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

(o) Cash and cash equivalents

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

(p) Impairment

As at each balance sheet date the Group verifies the carrying amount of assets other than inventories (See Note (m) of the accounting policies) and deferred income tax assets (See 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.

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

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

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

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.

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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 entities verifies its estimates connected with number of options expected to vest. The impact of the potential verification of initial estimates is recognized by the Group in the income statement, in correspondence with equity. The proceeds from the exercise of options (net of transaction costs directly related to the exercise) are recognized in share capital (at nominal value) and in supplementary capital, in share premium.

Long-term employee benefits dependent on their years in service

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

Retirement benefit contributions

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

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Management incentive program for Group employees in Spain

During acquisition of 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 42.6%. 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) Operating leases, lease agreements

Operational leasing, rent costs

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

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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 (g) of accounting policies.

(x) Income tax expense

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

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

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

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

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

(y) Derivative financial instruments

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

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

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized as other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the income statement.

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(z) Segment reporting

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

(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.

(ab) 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.

(ac) Change in presentation of Income Statement.

Due to entrance into the Spanish market as described in Note 2, the structure of the Group operating activity was significantly modified for the areas of operating own brands and sales of franchise rights. The Board decided to adjust the presentation of the income statement in order to align to new operating areas. Changes were implemented in order to govern the presentation and recording the most important operating results of the Group without changes to accounting policy.

Changes are as follows:

- addition of franchise and other sales category which includes net value of initial and continued franchise fees, net value of goods and products delivered to franchisees and fees related to other logistic activity and support the restaurant business other than sales in the restaurants owned by the Group;
- addition of franchise and other expenses which includes franchise expenses and costs of the operating the own brands and other costs not connected with the sales restaurants owned by the Group based on matching concept;

Additionally during verification of presentation principles for the income statement following reclassifications were implemented:

- marketing costs, depreciation and amortization expenses together with (loss)/gain on the sale of fixed assets and assets held for sale were included in occupancy and other operating expenses;
- general and administrative (G&A) depreciation and amortization was included in total with general and administrative expenses (G&A) without depreciation and amortization in the general and administrative (G&A) expenses category.

Above changes are presented in the following table:

	<u>2010 before adjustments</u>		<u>Adjustments</u>	<u>2010 after adjustments</u>
Restaurant sales	2 011 448	Restaurant sales	-	2 011 448
		Franchise and other sales	22 368	22 368
		Total sales	22 368	2 033 816

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Restaurant expenses:		Company operated restaurant expenses:		
Cost of food	(636 417)	Cost of food	-	(636 417)
Payroll and employee benefits	(514 513)	Payroll and employee benefits	-	(514 513)
Continuing franchise fees	(106 723)	Continuing franchise fees	-	(106 723)
Direct marketing costs	(98 008)	Direct marketing costs	98 008	-
Direct depreciation and amortization expenses	(94 546)		94 546	-
Occupancy and other operating expenses	(390 760)	Occupancy and other operating expenses	(198 896)	(589 656)
	-	Franchise and other expenses	(15 741)	(15 741)
Total restaurant expenses	(1 840 967)			
General and administrative expenses (G&A)	(108 020)	General and administrative expenses (G&A)	(9 039)	(117 059)
Depreciation and amortization expenses (G&A)	(9 170)		9 170	-
Impairment losses	(4 127)	Impairment losses	-	(4 127)
(Loss) on disposal of property, plant and equipment and intangibles	(6 342)		6 342	-
Other operating income	25 840	Other operating income	(6 758)	19 082
		Total operating cost and losses	-	(1 965 154)
Operating profit	68 662	Profit from operations	-	68 662

2 Segment reporting

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

Entrance to the Western Europe market by acquisition of Spanish Group (see further part of the Note 2) had significant impact on the management and control method of the Group activity which was the reason of the change in aggregation of operating segments compared to previous years. Western Europe as segment created as a consequence of acquisition in 2011 year is subject to integration, during which financial results are periodically monitored on aggregated basis, that are verified in more details according to business needs.

Below are presented data relating to operating segments for the twelve-month period ended December 31, 2011 and for the comparative period ended December 31, 2010.

	<i>CEE</i>	<i>USA</i>	<i>Western Europe</i>	<i>Russia</i>	<i>Unallocated</i>	<i>Total</i>
<u>12 months ended December 31, 2011</u>						
Revenue from external customers	1 357 195	702 392	346 804	217 780	-	2 624 171
Inter- segment revenue						

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Operating profit/ (loss)	43 605	12 181	40 481	12 079	(5 331)	103 015
Finance income	-	-	-	-	-	11 294
Finance costs	-	-	-	-	-	(65 091)
Share of profit of associates	72	-	-	-	-	72
Income tax	-	-	-	-	-	(7 877)
Deferred tax assets	23 785	3 496	8 692	336	-	36 309
Profit for the period from continuing operations	-	-	-	-	-	57 167
Loss for the period from discontinuing operations	-	-	-	-	-	(723)
Profit for the period	-	-	-	-	-	56 444
Segment assets	837 182	315 303	1 151 676	274 128	52 427	2 630 716
Investments in associates	140	-	-	-	-	140
Total assets	837 322	315 303	1 151 676	274 128	52 427	2 630 856
Goodwill	25 517	150 536	418 444	150 638	-	745 135
Segment liabilities	188 874	62 289	353 463	18 019	1 080 420	1 703 065
Pension, health care, sickness fund state contributions	54 352	40 990	5 250	11 895	-	112 487
Depreciation	88 938	19 257	17 696	13 685	-	139 576
Amortization	8 306	1 141	16 696	303	-	26 446
Capital investment	221 222	20 191	614 849	36 700	-	892 962
Impairment of fixed assets	10 898	-	-	-	-	10 898
Impairment of trade receivables	1 348	-	-	3 489	14	4 851
Impairment of other assets	(734)	-	-	-	-	(734)

	<i>CEE</i>	<i>USA</i>	<i>Western Europe</i>	<i>Russia</i>	<i>Unallocated</i>	<i>Total</i>
12 months ended December 31, 2010	1 158 645	704 392	-	170 779	-	2 033 816
Revenue from external customers	-	-	-	-	-	-
Inter- segment revenue						
Operating profit/ (loss)	49 566	9 559	-	13 630	(4 093)	68 662
Finance income	-	-	-	-	-	19 348
Finance costs	-	-	-	-	-	(37 098)
Share of profit of associates	47	-	-	-	-	47
Income tax	-	-	-	-	-	(7 344)
Deferred tax assets	9 400	-	-	782	380	10 562
Profit for the period from continuing operations	-	-	-	-	-	43 615
Loss for the period from discontinuing operations	-	-	-	-	-	(3 619)
Profit for the period	-	-	-	-	-	39 996
Segment assets	806 519	272 684	-	225 295	64 332	1 368 830
Investments in associates	129	-	-	-	-	129

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Total assets	806 648	272 684	-	225 295	64 332	1 368 959
Goodwill	25 060	130 569	-	137 718	-	293 347
Segment liabilities	147 041	60 132	-	15 173	400 583	622 929
			-			
Pension, health care, sickness fund state contributions	34 929	35 650	-	6 868	-	77 447
Depreciation	69 536	17 809	-	9 186	-	96 531
Amortization	5 864	1 021	-	300	-	7 185
Capital investment	208 495	20 687	-	13 398	-	242 580
Impairment of fixed assets	7 054	(3 673)	-	-	-	3 381
Impairment of trade receivables	23	-	-	-	-	23
Impairment of inventories	18	-	-	-	-	18
Impairment of other assets	705	-	-	-	-	705

Capital expenditure comprises increases in property, plant and equipment (Note 9), intangible assets (Note 11), property investment (Note 10) and assets available for sale (Note 8).

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

	2011	2010
Revenue from external customers	925 049	774 960
	31.12.2011	31.12.2010
Total of non-current assets other than financial instruments, deferred tax assets (employment benefit asset and rights under insurance contracts are not recorded)	468 634	407 229

The “Western Europe” column applies to companies located in Spain. In Western Europe can be identified following activities: operating franchised KFC restaurants, operating proprietary brands restaurants and franchise and other activity. Revenue from external customers for the period of 8 months ended December 31, 2011 were accordingly for mentioned type of activities PLN 146 176 thousand, PLN 112 748 thousand and PLN 87 881 thousand. Depreciation and amortization for the period of 8 months ended December 31, 2011 were accordingly for mentioned type of activities PLN 4 488 thousand, PLN 8 559 thousand and PLN 2 111 thousand plus unallocated depreciation and amortization costs for administration and consolidation adjustments. For the period of 8 months ended December 31, 2011 no impairment charges were reported. Value of property, plant and equipment together with other intangible assets for above mentioned activities were accordingly PLN 67 528 thousand, PLN 255 574 thousand and PLN 338 534 thousand.

The “Unallocated” column relates to asset and liability balances non-allocated to segments (covering borrowings and lease liabilities) and transactions of AmRest Holdings SE and subsidiary located in the Ukraine and Hong Kong and following companies AmRest Capital Zrt, AmRest Finance Zrt and AmRest Finance S.L.

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.

Entry to the restaurant market in Spain - Acquisition of Restauravia Grupo Empresarial S.L.

DESCRIPTION OF ACQUISITION

AmRest Holdings SE

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

On March 15, 2011, AmRest Tag S.L. acquired 100% of AmRestavia S.L. shares.

On March 15, 2011, AmRest Holdings SE acquired 100% of AmRest Tag S.L. shares, with its registered office in Madrid, Spain. The transaction value was PLN 357 048 thousand (EUR 90 million) and amount paid within the loan given was PLN 189 316 thousand (EUR 47 720 thousand). The purpose of the acquisition of above mentioned companies was the purchase of 100% shares in Restauravia Grupo Empresarial S.L. ("RGE").

On April 28, 2011, the Group acquired 100% shares in Restauravia Grupo Empresarial S.L. from Corpfín Capital Fund III F.C.R., Corpfín Capital S.A. S.C.R., Corpfín Capital Fund III SBP F.C.R., Delta Spain S.A.R.L. SICAR, known as „Shaleholders Corpfín” and Ms. María Elena Pato-Castel Tadeo, Mr. David Gorgues Carnicé, Kenvest Restoration S.L. and Ebitda Consulting S.L.. As a result of shares purchase in RGE, both companies acquired on March 15, 2011 became shareholders of RGE AmRes Tag 83.48% and AmRestavia 16.52%. Additionally 23.73% of shares in AmRest Tag was covered by existing shareholders of the RGE. On April 26, 2011 AmRest Sp. z o.o. signed with AmRest Tag S.L. the loan agreement in amount EUR 47 720 thousand. The loan is treated as a part of the purchase price.

On April 28, 2011 the Group Restauravia Grupo Empresarial S.L., through its subsidiaries, operated 60 own restaurants in Spain: 30 KFC, 20 La Tagliatella, 6 il Pastificio and 4 Trastevere. Additionally the Group owns assets of the central kitchen which supports restaurant business and product delivery to own restaurants and franchised units.

As a result of above transactions the group became the owner of brands:, il Pastificio, Trastevere and La Tagliatella which has significant growth potential in Spain and other countries. Additionally the group became the biggest franchisee of KFC brand in Spain.

Above transactions were the next step for the Group to become the dominant restaurant network in Europe.

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:

	Carrying amount	Adjustment of fair value and other adjustments	Fair value
Cash and cash equivalents	33 582	-	33 582
Property, plant and equipment	115 429	16 845	132 274
Other intangible assets	21 855	(39)	21 816
La Tagliatella brand	-	257 868	257 868
Intangible asset – relationships with franchisees	-	170 590	170 590
Favorable leases	-	4 535	4 535
Inventories	11 691	-	11 691
Trade and other receivables	22 185	-	22 185
Other current assets	488	-	488
Deferred tax assets	7 629	749	8 378
Other non-current assets	2 103	-	2 103
Trade and other payables	(249 492)	-	(249 492)
Contingent liability concerned tax	-	(3 812)	(3 812)
Deferred tax liabilities	-	(135 692)	(135 692)
Net assets acquired	(34 530)	311 044	276 514
Amount paid in cash			357 048
Amount paid within loan given			189 316
Purchase price adjustment			(1 646)

AmRest Holdings SE

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

Non controlling interests (23.73%)	111 081
Indemnification asset	(3 432)
Total payment from acquisition	652 367
The fair value of net assets	(276 514)
Goodwill	375 852
Amount paid in cash	546 363
Acquired cash and cash equivalents	(33 582)
Cash outflows on acquisition	512 781

The purchase price presented in condensed interim consolidated financial statements as at and for six months ended June 30, 2011, which included the transaction value PLN 357 048 thousand (EUR 90 million), and amount paid within the loans given PLN 189 316 thousand (EUR 47 720 thousand) was adjusted by PLN 5 078 thousand, which includes recognition of indemnification assets in amount of PLN 3 432 thousand (EUR 865 thousand), and purchase price adjustment by the value of PLN 1 646 thousand (EUR 415 thousand). All purchase price adjustments are the result of specific arrangements with the seller in agreement mentioned above.

The fair value of net assets in condensed interim consolidated financial statements as at and for six months ended June 30, 2011, presented in the value of PLN 282 175 thousand was adjusted by PLN 5 661 thousand (EUR 1 427 thousand) which includes an accrual for tax payables in the value of PLN 3 812 thousand (EUR 961 thousand), reduction of property, plant and equipment fair value by PLN 2 508 thousand (EUR 632 thousand), recognition of deferred tax asset in amount of PLN 749 thousand (EUR 189 thousand) and reduction of other settlements by PLN 90 thousand (EUR 23 thousand).

All purchase price and the the fair value of net assets adjustments are the result of specific arrangements with the seller in mentioned agreement mentioned above. Indemnification assets consider events covered by sellers guarantee within tax settlements prior the acquisition date.

Fair value adjustment are:

	Title	Methods/key assumptions
Property, plant and equipment Other intangible assets	Assets held by acquired entities	The calculation of fair value
La Tagliatella brand	Registered proprietary brand of La Tagliatella together with know-how	Relief from royalty method / 5,5% royalty rate at discount rate 14.5%
Intangible asset – relationships with franchisees	Value of franchise client relationships based on agreed terms of cooperation	Multi-period excess earnings method (MEEM) / 78 restaurants at discount rate 13%
Favorable leases	12 lease agreements in Barcelona and Madrid	Discounted difference in market and non-market rent levels / discount rate 11.8%
Deferred tax assets	Deferred tax on property, plant and equipment fair value adjustment Income tax settlement	30% income tax rate
Contingent liability concerned tax	adjustments together with additional fees incurred subsequently to acquisition date but resulting from previous periods	Value of tax adjustments and additional fees which were assessed while tax settlement review and acquisition agreement terms.
Deferred tax liabilities	Deferred tax on assets fair value	30% income tax rate

AmRest Holdings SE

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

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

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

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

Goodwill was calculated on the basis of the fair value of acquired net assets and refers mainly to benefits from access to Spanish restaurant market clients and potential of acquired business concept of the own brand. Due to specific character of the restaurant business, the Group doesn't keep the record of its clients who aren't bounded with any agreement and aren't individually identified, The Group keeps the record of franchisees who operates La Tagliatella and Trastevere restaurants. Non-controlling interest were revaluated at fair value.

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

- 10 % non-controlling interests discount assumption with EV/EBITDA and EV/revenues ratio analysis for comparable companies in market approach,
- 11.7% discount rate assumption and residual value calculated based on 2% long-term growth rate in income approach.

PUT OPTION RECOGNITION

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

In the Group's consolidated financial statement as at December 31, 2011, liability relates to Put option valuation was presented in the amount of PLN 280 812 thousand (EUR 63 578 thousand). As at the date of the Group Restauravia Grupo Empresarial L.S. purchase the liability was equal to PLN 232 694 thousand (EUR 58 654 thousand). According to Group AmRest policy the valuation cost of the Put option in the value of PLN 26 371 thousand related to foreign exchange is presented in the comprehensive statement and in the statement of changes in consolidated equity and in the Notes 20 and 34. Due to put option valuation on December 31, 2011 was recognized cost from put option valuation in total value of PLN 21 747 thousand.

Key managers of the Spanish market participate in motivation program which bases on exceeding goals of the business growth. As at December 31, 2011 the Group recognized costs concerned the program in amount of PLN 4 417 thousand (EUR 1 000 thousand).

INFLUENCE OF THE ACQUISITION ON THE CONSOLIDATED FINANCIAL STATEMENT

From the acquisition date to December 31, 2011 revenues of the Spanish Group were equal to PLN 346 804 thousand and net income – PLN 29 209 thousand. If acquisition mentioned above was dated at

AmRest Holdings SE

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

January 1, 2011, estimated consolidated revenues in the current period would increase by PLN 131 424 thousand and net income would increase by PLN 1 762 thousand. Calculated results of the Spanish Group concerned the period from January 1, 2011 to April 28, 2011.

3 Operating expenses

Operating expenses are as follows:

	2011	2010
Depreciation (Note 9)	139 576	96 645
Amortization (Note 11)	26 446	7 202
Food and materials	872 623	692 624
Utilities	105 691	80 130
External services, including marketing	232 189	182 321
Payroll	642 576	504 625
Social security and employee benefits	105 943	99 779
Operating leases (occupancy cost) (Note 28)	226 199	178 454
Continuing franchise fees	129 004	106 723
Insurance	4 577	6 844
Business travel	14 370	7 652
Other	20 844	10 899
	<u>2 520 038</u>	<u>1 973 898</u>
Total restaurant expenses	2 246 434	1 840 967
Depreciation and amortization expenses (Franchise and other expenses)	7 431	131
Total Franchise and other expenses	92 901	15 610
Depreciation and amortization expenses (G&A)	22 091	9 170
Other general and administrative expenses	151 181	108 020
	<u>2 520 038</u>	<u>1 973 898</u>

Impairment costs are as follows:

	2011	2010
Impairment on trade receivables (Note 15, 35)	4 851	23
Impairment on inventory (Note 14)	-	18
Impairment on other assets (Note 17)	(734)	705
Total impairment of non-current assets	<u>4 117</u>	<u>746</u>
Impairment of property, plant and equipment (Note 9)	10 898	3 381
Total impairment of non-current assets	<u>10 898</u>	<u>3 381</u>
Total impairment of assets	<u>15 015</u>	<u>4 127</u>

In 2011 marketing costs were incurred in the value of PLN 120 058 thousand, in 2010 they were at the level of PLN 98 006 thousand.

4 Other operating income

	2011	2010
Management fees	5	53
Sublease income (Note 28)	4 415	2 111
Marketing income	6 290	8 140
Sales of logistics services	27	80
Income from tax provision	-	1 402
Gift cards	640	2 183
Insurance compensation	-	933

AmRest Holdings SE

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

Income from bill liability	-	1 370
Income from direct taxes correction	4 812	-
Other operating income	1 503	2 810
	<u>17 692</u>	<u>19 082</u>

5 Finance income

	<u>2011</u>	<u>2010</u>
Income from bank interest	5 094	9 411
Net foreign exchange gains	5 219	9 524
Other	981	413
	<u>11 294</u>	<u>19 348</u>

6 Finance costs

	<u>2011</u>	<u>2010</u>
Interest expense	(36 201)	(33 703)
Other	(7 143)	(3 395)
	<u>(43 344)</u>	<u>(37 098)</u>

7 Income tax expense

	<u>2011</u>	<u>2010</u>
Current tax	7 487	(6 818)
Change in deferred tax assets/provisions	390	(526)
Deferred tax recognized in the income statement	<u>7 877</u>	<u>(7 344)</u>

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

	Czech							
	Poland	Republic	Hungary	Ukraine	Russia	Serbia	Bulgaria	USA
2011	19.0%	19.0%	19.0%	21.0%	20.0%	10.0%	10.0%	37.3%
2010	19.0%	19.0%	19.0%	25.0%	20.0%	10.0%	10.0%	37.3%
	Spain		Croatia		Hong Kong			
2011	30.0%	20.0%			16.5%			
2010	-	-			-			

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

	Czech							
	Poland	Republic	Hungary	Ukraine	Russia	Serbia	Bulgaria	USA
2011	19.0%	19.0%	16.0%	21.0%	20.0%	10.0%	10.0%	37.3%
2010	19.0%	19.0%	16.0%	25.0%	20.0%	10.0%	10.0%	37.3%

AmRest Holdings SE

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

	Spain	Croatia	Hong Kong
2011	30.0%	20.0%	16.5%
2010	-	-	-

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:

	2011	2010
Profit before tax from continued operations	50 013	54 578
Loss before tax from discontinued operations	(723)	(3 619)
Profit/ (loss) before tax	49 290	50 959
Income tax calculated according to domestic tax rates applicable to income in particular countries	6 935	13 298
Effect of permanent differences	(5 544)	(1 792)
Utilization of tax losses not recognized in the prior periods	(6 875)	-
Tax loss for the current period for which no deferred tax asset was recognized	1 120	5 545
Effect of the remaining differences	(3 513)	(9 707)
Corporate income tax in the income statement	(7 877)	7 344

The applicable weighted average tax rate amounted to 14.07% (for the period ended 31.12.2010: 26.10%).

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

	31.12.2011	31.12.2010
Deferred tax asset:		
Deferred tax asset to be recovered after more than 12 months	9 657	16 143
Deferred tax asset to be recovered within 12 months	26 652	23 286
	36 309	39 429
Deferred tax liability:		
Deferred tax provision to be used after more than 12 months	159 323	29 769
Deferred tax provision to be used within 12 months	2 794	8 545
	162 117	38 314

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

	Asset		Provision	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Property, plant and equipment and intangible assets	458	-	161 004	9 208
Receivables	163	225	-	-
Provisions and impairments	27 175	1 883	1 397	135
Tax loss carryforwards	3 812	3 474	(1 667)	-
Other differences	4 701	4 980	1 383	104
	36 309	10 562	162 117	9 447

AmRest Holdings SE

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

Temporary differences after the offset are as follows:

	Asset		Provision	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Property, plant and equipment and intangible assets	-	-	160 546	9 208
Receivables	163	225	-	-
Provisions	25 778	2 345	-	597
Tax losses	5 479	3 474	-	-
Other differences	4 695	6 080	1 378	1 204
	<u>36 116</u>	<u>12 124</u>	<u>161 924</u>	<u>11 009</u>

As at December 31, 2011, tax loss carryforwards are as follows:

Poland	27 339
Czech Republic	16 195
Hungary	27 503
USA	5 027
Ukraine	1 973
	<u>78 037</u>

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
2012	3 522	-	3 522
2013	12 611	535	12 076
2014	11 913	4 470	7 443
2015	12 855	3 771	9 084
2016	2 633	-	2 633
No time limit	34 503	13 455	21 048
	<u>78 037</u>	<u>22 231</u>	<u>55 806</u>

As at December 31, 2011 the Group recognized a deferred tax asset in the amount PLN 5 479 thousand. The reason for not recognizing the remaining portion of the deferred tax asset was, among other things, the inability to utilize the losses in connection with the planned restructuring of the Group and no operating activity in some of the Group companies.

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

8 Discontinued operations

Following the decision, made in 2009, of excluding from AmRest Group portfolio proprietary brands Freshpoint and Rodeo Drive as at December 31, 2011 Freshpoint was outside the Group. Negotiation concerned excluding Rodeo Drive from the Group were finalized. As at the December 31, 2011 significant assets concerning Rodeo Drive brand were liquidated and results of their for the period from January 1, 2011 to April 19, 2011 were classified as discontinued according to IFRS 5. Rodeo Drive Brand suspended its operating activity on April 19, 2011.

Results of own brands: Freshpoint (concern comparable data) and Rodeo Drive for the reporting years are presented below:

<i>In thousands of Polish Zloty</i>	<u>2011</u>	<u>2010</u>
Restaurant sales	634	7 064
Total sales	<u>634</u>	<u>7 064</u>

AmRest Holdings SE

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

Company operated restaurant expenses:		
Food and material	(303)	(2 551)
Payroll and employee benefits	(560)	(2 739)
Occupancy and other operating expenses	(515)	(2 792)
General and administrative (G&A) expenses	(52)	(568)
Impairment	-	(2 259)
Other operating income	73	226
Total operating cost and expenses	(1 357)	(3 619)
Loss from operation	(723)	(3 619)
Loss before tax	(723)	(3 619)
Income tax	-	-
Loss from discontinued operations	(723)	(3 619)

Own brands Freshpoint (concern comparable data) and Rodeo Drive are as at December 31, 2011 operating fully in CEE segment.

The table below presents profit of property, plant and equipment sales, which was classified as assets available for sale:

<i>In thousands of Polish Zloty</i>	2011	2010
Proceeds from the sale of property, plant and equipment which was classified as assets available for sale	-	562
Net cost of assets available for sale	-	(534)
Gain on sale of non-financial assets available for sale	-	28

<i>In thousands of Polish Zloty</i>	2011
Assets available for sale	
As at 1/1/2011	1 405
Increases	-
Disposals – liquidation of the Rodeo Drive brand	(641)
Disposals – movement to investment property	(764)
As at 31/12/2011	-

9 Property, plant and equipment

The table below presents changes in the value of property, plant and equipment in 2011 and 2010.

2011	Land	Buildings and expenditure on development of restaurants	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	Total
Gross value							
As at 1/1/2011	4 729	566 812	371 218	1 467	49 008	52 387	1 045 621
Acquisition	3 162	77 427	23 343	516	25 108	2 718	132 274
Additions	2 118	145 723	103 472	212	25 497	19 355	296 377

AmRest Holdings SE

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

Disposals	-	(13 273)	(10 910)	(182)	(3 054)	(1 341)	(28 760)
Foreign exchange gains/losses	469	34 672	27 142	78	4 622	1 868	68 851
As at 31/12/2011	10 478	811 361	514 265	2 091	101 181	74 987	1 514 363

Accumulated depreciation

As at 1/1/2011	-	206 110	174 774	850	20 368	-	402 102
Additions	-	64 180	59 578	425	15 393	-	139 576
Disposals	-	(10 641)	(9 085)	(182)	(3 485)	-	(23 393)
Foreign exchange gains/losses	-	7 571	12 179	26	999	-	20 775
As at 31/12/2011	-	267 220	237 446	1 119	33 275	-	539 060

Impairment write-downs

As at 1/1/2011	-	9 118	2 205	-	363	-	11 686
Additions	-	6 896	2 484	-	219	734	10 333
Disposals	-	(513)	-	-	(2)	-	(515)
Foreign exchange gains/losses	-	418	85	-	1	(15)	489
As at 31.12.2011	-	15 919	4 774	-	581	719	21 993

Net book value as at 1/1/2011	4 729	351 584	194 239	617	28 277	52 387	631 833
Net book value as at 31/12/2011	10 478	528 222	272 045	972	67 325	74 268	953 310

2010	Land	Buildings and expenditure on development of restaurants	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	Total
Gross value							
As at 1/1/2010	3 217	501 519	309 970	1 329	43 319	45 777	905 131
Additions	1 496	103 195	76 606	230	12 103	7 001	200 631
Disposals	-	(39 951)	(18 242)	(96)	(6 278)	(473)	(65 040)
Foreign exchange gains/losses	16	2 049	2 884	4	(136)	82	4 899
As at 31/12/2010	4 729	566 812	371 218	1 467	49 008	52 387	1 045 621
Accumulated depreciation							
As at 1/1/2010	-	186 457	145 244	671	16 227	-	348 599
Additions	-	41 930	45 113	224	9 264	-	96 531
Disposals	-	(22 617)	(16 616)	(43)	(5 132)	-	(44 408)
Foreign exchange gains/losses	-	340	1 033	(2)	9	-	1 380
As at 31/12/2010	-	206 110	174 774	850	20 368	-	402 102
Impairment write-downs							
As at 1/1/2010	-	15 462	1 362	-	1 057	1	17 882
Additions	-	6 752	738	-	261	-	7 751
Disposals	-	(13 158)	144	-	(956)	(1)	(13 971)
Foreign exchange gains/losses	-	62	(39)	-	1	-	24
As at 31.12.2010	-	9 118	2 205	-	363	-	11 686
Net book value as at 1/1/2010	3 217	299 600	163 364	658	26 035	45 776	538 650
Net book value as at 31/12/2010	4 729	351 584	194 239	617	28 277	52 387	631 833

AmRest Holdings SE

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

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

	Land	Buildings	Machinery & equipment	Vehicles	Other tangible assets	Total
Gross value as at 31/12/2011	1 016	3 364	17 653	91	514	22 638
Accumulated depreciation as at 31/12/2011	-	1 808	10 691	56	365	12 920
Net value as at 31/12/2011	1 016	1 556	6 962	35	149	9 718
Gross value as at 31/12/2010	938	3 106	16 139	83	471	20 737
Accumulated depreciation as at 31/12/2010	-	1 514	8 967	47	330	10 858
Net value as at 31/12/2010	938	1 592	7 172	36	141	9 879

The table below shows the calculation of the loss on sale of property, plant and equipment and intangible assets, and a summary of impairment write-downs of property, plant and equipment in the period of twelve months ended 31 December 2011 and 2010:

	2011	2010
Proceeds from the sale of property, plant and equipment and intangible assets	1 232	1 337
Net cost of property, plant and equipment and intangible assets sold	(5 027)	(7 679)
Loss on disposal of non-financial non-current assets	(3 795)	(6 342)
Loss on sale of non-financial non-current assets and non-current assets held for sale	(3 795)	(6 342)

The depreciation was charged to the costs of restaurant operations – PLN 130 556 thousand (prior period: PLN 91 493 thousand), franchise expenses and other – PLN 2 126 thousand (prior period: PLN 115 thousand) and administrative expenses PLN 6 894 thousand (prior period: PLN 4 923 thousand).

The increases of impairment provisions both for continued and discontinued operations are fully for provisions created in 2011 (prior period: also only created).

The decreases of impairment provisions are for provisions reversed in 2011 – PLN 515 thousands (prior period: PLN 13 971 thousands).

According to loan agreement with Wells Fargo Group is obliged to secure this liability with given non-current assets owned by AmRest LLC. As at December 31, 2011 Group has not taken the loan and there is no valid security on non-current assets.

Center generating cash is a restaurant. Regarding Spanish market in connection to ongoing integration Group classifies as cash generating units following types of business: operating KFC franchised restaurants, operating proprietary brands restaurants, and franchise and other activities.

Recoverable value of particular centers generating cash is calculated on the basis of value in use and discount rate 11.94%.

AmRest Holdings SE

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

10 Investment property

The table below presents changes in the value of investment property in 2011 and 2010:

<i>In thousands of Polish Zloty</i>	31.12.2011	31.12.2010
Gross value		
At the beginning of the period	21 317	-
Increases	764	21 317
At the end of the period	<u>22 081</u>	<u>21 317</u>
Impairment write-downs		
At the beginning of the period	-	-
At the end of the period	-	-
Net value at the beginning of the period	<u>21 317</u>	<u>-</u>
Net value at the end of the period	<u>22 081</u>	<u>21 317</u>

Investment properties are stated at fair value, which has been determined based on purchase price, according to legal and technical situation as at July 5, 2010 and market prices actual as at July 5, 2010. In Management Board opinion there were no premises to valuation update for 2011.

Results connected with investment properties are presented below:

<i>In thousands of Polish Zloty</i>	2011	2010
Sublease income (Note 28)	2 012	926
Investment property costs	(614)	(125)
Operating profit	<u>1 398</u>	<u>801</u>

11 Other intangible assets

The table below presents changes in the value of intangible assets in 2011 and 2010.

	Trademarks	Favourable lease and license agreements	Licenses for the use of Pizza Hut, KFC, Burger King, Starbucks, Applebee's and La Tagliatella trademarks	Other intangible assets	Total
2011					
Gross value					
As at 1/1/2011	-	2 634	49 278	46 705	98 617
Acquisition (Note 2)	257 868	4 535	1 484	190 922	454 809
Increases	-	-	7 565	1 937	9 502
Decreases	-	-	(600)	(54)	(654)
Foreign exchange differences	29 224	745	3 061	23 329	56 359
As at 31/12/2011	<u>287 092</u>	<u>7 914</u>	<u>60 788</u>	<u>262 839</u>	618 633
Accumulated amortization					
As at 1/1/2011	-	930	23 973	15 171	40 074
Increases	-	875	3 918	21 653	26 446

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Decreases	-	-	(474)	(5)	(479)
Foreign exchange differences	-	109	1 552	595	2 256
As at 31/12/2011	-	1 914	28 969	37 414	68 297

Impairment write-downs

As at 1/1/2011	-	-	282	8	290
Increases	-	-	556	9	565
Decreases	-	-	-	-	-
Foreign exchange differences	-	-	(1)	-	(1)
As at 31/12/2011	-	-	837	17	854

Net value as at 1/1/2011

	-	1 704	25 023	31 526	58 253
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Net value as at 31/12/2011

	287 092	6 000	30 982	225 408	549 482
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	Trademarks	Favourable lease and license agreements	Licenses for the use of Pizza Hut, KFC, Burger King, Starbucks and Applebee's trademarks	Other intangible assets	Total
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2010

Gross value

As at 1/1/2010	-	2 582	42 117	35 067	79 766
Increases	-	1	8 099	11 768	19 868
Decreases	-	-	(1 448)	(405)	(1 853)
Foreign exchange differences	-	51	510	275	836
As at 31/12/2010	-	2 634	49 278	46 705	98 617

Accumulated amortization

As at 1/1/2010	-	739	22 277	10 971	33 987
Increases	-	194	2 566	4 425	7 185
Decreases	-	-	(1 131)	(198)	(1 329)
Foreign exchange differences	-	(3)	261	(27)	231
As at 31/12/2010	-	930	23 973	15 171	40 074

Impairment write-downs

As at 1/1/2010	-	-	9	14	23
Increases	-	-	282	-	282
Decreases	-	-	(9)	(6)	(15)
As at 31/12/2010	-	-	282	8	290

Net value as at 1/1/2010

	-	1 843	19 831	24 082	45 756
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Net value as at 31/12/2010

	-	1 704	25 023	31 526	58 253
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Other intangible assets cover mainly computer software. Additionally, due to entrance to the Spanish market, there were recognised in this category relationships with franchisees (Note 2). Net value of relationships with franchisees as at acquisition date constituted PLN 170 590 thousand (EUR 43 million). Amortization for 8 months, from the acquisition date to December 31, 2011, was PLN 5 073 thousand (EUR 1 194 thousand), foreign exchange differences constituted PLN 19 132 thousand. For the 8 month period (from the acquisition date till December 31, 2011) there was not recognized any impairment. As at December 31, 2011 net value of relationships with franchisees was PLN 184 649 thousand (EUR 41 806 thousand).

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The amortization was charged to the costs of restaurant operations – PLN 5 944 thousand (prior period: - PLN 3 053 thousand), franchise expenses and other – PLN 5 305 thousand (prior period: PLN 17 thousand) and administrative expenses - PLN 15 197 thousand (prior period: PLN 4 115 thousand).

Proprietary brands

As at December 31, 2011 proprietary brands obtained in acquisition in Western Europe are presented as Trademarks in value of PLN 287 092 thousand. It was classified as intangibles with indefinite economic useful life therefore annual test of impairment are applicable. In year 2011 during 2011 test pretax discount rate at 14.64% was used, together with budgeted average EBITDA margin of 22.02% and expected long-term growth rate used for the calculation of planned future results at level of 14.64%.

12 Goodwill

The table below presents changes in the value of goodwill:

	31.12.2011	31.12.2010
Gross value		
At the beginning of the period	293 347	285 214
Acquisition (Note 2)	375 852	-
Decreases	-	(2 700)
Foreign exchange differences	75 936	10 833
At the end of the period	<u>745 135</u>	<u>293 347</u>
Impairment write-downs		
At the beginning of the period	-	-
At the end of the period	-	-
Net book value as at the beginning of the period	<u>293 347</u>	<u>285 214</u>
Net book value as at the end of the period	<u>745 135</u>	<u>293 347</u>

Acquisitions in prior years

Goodwill (as at January 1, 2011) of PLN 18 489 thousand (PLN 18 476 thousand as at January 1, 2012 after decreasing by foreign exchange losses of PLN 13 thousand) relates to the acquisition of AmRest Kft in June 2006 (previous name: Kentucky System Kft).

Goodwill as at January 1, 2011 of PLN 5 660 thousand (PLN 6 130 thousand as at January, 2012 after being increased by foreign exchange gains of PLN 470 thousand) relates to the acquisition of miklik's food s.r.o. in May 2005.

Goodwill as at January 1, 2011 of PLN 107 768 thousand (PLN 117 877 thousand as at January 1, 2012 after increasing by foreign exchange gains of PLN 10 109 thousand) relates to gaining control over OOO Pizza Nord operating in Russia (actual name : OOO AmRest), in July 2007.

Goodwill as at January 1, 2011 of PLN 26 520 thousand (PLN 29 007 thousand as at January, 2012 after being increased by foreign exchange gains of PLN 2 487 thousand) relates to purchase of 9 restaurants Rostiks KFC.

Goodwill as at January 1, 2011 of 3 430 thousand (PLN 3 752 thousand as at January, 2012 after being increased by foreign exchange gains of PLN 322 thousand) is for the acquisition of 5 RostiksKFC.

Goodwill as at January 1, 2011 of PLN 130 569 thousand (PLN 150 536 thousand as at January 1, 2012 after increasing by foreign exchange gains of PLN 19 967 thousand) relates to the acquisition of Apple Grove Holdings in the USA.

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Goodwill as at January 1, 2011 in value of PLN 911 thousand is related to increase in shares of SCM Sp. z o.o. (Goodwill as at January 1, 2012 is in the same value).

Goodwill as at April 28, 2011 of PLN 375 852 thousand (PLN 418 444 thousand as at January 1, 2012 after increasing by foreign exchange gains of PLN 42 594 thousand) relates to the acquisition of Restauravia Grupo Empresarial S.L.

Impairment testing

As at December 31, 2011, the Group conducted goodwill impairment tests with respect to the acquisitions of businesses in Hungary, Russia, Spain and the USA.

Individual restaurants constitute cash generating units on the Hungarian, Russian and American markets. However, goodwill is allocated to groups of restaurants acquired in particular countries. Regarding Spanish market in connection to ongoing integration Group classifies as cash generating units following types of business: operating KFC franchised restaurants, operating proprietary brands restaurants, and franchise and other activities.

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

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

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

Impairment testing was realized taking into consideration following assumptions:

	Hungary	Russia	Spain	USA
	Year 2011			
Discount rate before tax	20.14%	17.34%	15.88%	11.12%
Budgeted average EBITDA margin	13.02%	14.85%	22.02%	13.02%
Expected long-term growth rate used for the calculation of planned future results	10.00%	12.00%	14.64%	10.00%
	Year 2010			
Discount rate before tax	17.69%	15.93%	-	10.07%
Budgeted average EBITDA margin	12.74%	14.39%	-	7.24%
Expected long-term growth rate used for the calculation of planned future results	10.00%	12.00%	-	5.00%

Changes in key factor, when comparing to 2010, results mainly from influence of starting base decrease and interpretation of market trends. Expected future cash flows are analyzed in the perspective of the period settled in the lease agreement concerned tested cash generating units. The length of the period results mainly from the long-term nature of the franchise agreements and the long-term nature of investments in the restaurant business.

When discount rates in period of 12 months ended December 31, 2011 were bigger/smaller by 3 percentage points, it would not result in recognition of additional impairment provision.

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

13 Other non-current assets

As at December 31, 2011 and 2010, the balances of other non-current assets were as follows:

	31.12.2011	31.12.2010
Prepaid rental fees	6 650	4 967
Deposits in respect of rentals	22 832	7 942
Other	3 051	5 303
	<u>32 533</u>	<u>18 212</u>

14 Inventories

As at December 31, 2011 and December 31, 2010, inventories cover mainly food and packaging used in the restaurants and additionally finished goods and work in progress prepared by central kitchen for the sale of La Tagliatella restaurants purposes. Inventories are presented in net value including write-downs. Inventory write-downs as at December 31, 2011 and December 31, 2010 amounted to PLN 89 thousand. No new inventory write-downs were recorded in the income statement for the year ended December 31, 2011.

15 Trade and other receivables

	31.12.2011	31.12.2010
Trade receivables from non-related entities	61 987	28 820
Trade receivables from related entities (Note 33)	119	3 634
Other tax receivables	25 480	14 324
Other	2 978	2 253
Write-downs of receivables (Note 35)	(5 641)	(4 024)
	<u>84 923</u>	<u>45 007</u>

16 Leasing receivables

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

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

	31.12.2011	31.12.2010
Up to 1 year	199	206
From 2 to 5 years included	365	583
More than 5 years	-	-
	<u>564</u>	<u>789</u>

Receivables from finance lease – value of minimal lease payments:

	31.12.2011	31.12.2010
Up to 1 year	161	150
From 2 to 5 years included	309	458
More than 5 years	-	-
Total minimal lease payments	470	608
Future un-received finance income from finance lease	94	181
Current value of minimal lease payments	<u>564</u>	<u>789</u>

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17 Other current assets

	31.12.2011	31.12.2010
Prepaid costs in respect of deliveries of utilities	4 768	3 649
Prepaid lease costs	2 935	2 576
Prepaid property insurance	1 259	1 060
Prepaid professional services cost	557	1 269
Prepaid marketing costs	48	611
Prepaid costs of financial services	72	39
Prepaid costs of outside services	842	480
Prepaid investment costs	1018	-
Other	4 217	2 948
	<u>15 716</u>	<u>12 632</u>

Other current assets are presented in net value taking into consideration impairment provisions. There were no impairment provisions as at December 31, 2011. In income statement for the period ended December 31, 2010 were recognized impairment provisions for other current assets in value of PLN 705 thousands.

18 Cash and cash equivalents

Cash and cash equivalents as at December 31, 2011 and 2010 are presented in the table below:

	31.12.2011	31.12.2010
Cash at bank	121 682	231 354
Cash in hand	22 278	13 764
	<u>143 960</u>	<u>245 118</u>

19 Financial assets available for sale

	31.12.2011	31.12.2010
Ordinary shares	1 662	4 529
Other financial assets	1 662	4 529
Other current financial assets	1 662	4 529
Other non-current financial assets	-	-
Cash flow hedges (foreign currency contracts)		
<i>contract forward HUF/PLN</i>	209	90
<i>contract forward RUB/HUF</i>	-	133
<i>contract forward CZK/PLN</i>	992	-
Derivative financial instruments total	1 201	223
Derivative financial instruments current	1 201	223
Derivative financial instruments non current	-	-
Other financial assets total	<u>2 863</u>	<u>4 752</u>
Other current financial assets total	2 863	4 752
Other non-current financial assets total	-	-

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

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For the purpose of management the risk related to certain transaction within the Group are used forward currency contracts. Those 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 six months.

As at December 31, 2011 Group had forward currency contract hedging negative effects of revaluation effects of related parties borrowings in consolidated financial statements of the Group. Hedging covers currency exposition in RUB, CZK and HUF. Currency contracts are used for hedging the currency risk for contracted or future probable transactions.

20 Equity

Share capital

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

As at December 31, 2011, the Company held 21 213 893 issued, fully paid-up shares. The Company’s target capital is 3 572 463 shares. Nominal value of one share is 1 eurocent (0.01 euro).

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

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 GPW	Employee Options	Hedges valuation influence	Transactions with non controlling interests	Reserves total
As at January 1, 2010	280 548	6 191	8 488	-	(12 746)	282 481
COMPREHENSIVE INCOMES						
Impact of net investment hedges valuation	-	-	-	3 096	-	3 096
Deferred income tax concerning net investment hedges	-	-	-	(588)	-	(588)
Comprehensive income total	-	-	-	2 508	-	2 508
TRANSACTIONS WITH SHAREHOLDERS						
Share issue	306 309	-	-	-	-	306 309
Employees share option scheme –value of service	-	-	3 440	-	-	3 440
Employees share option scheme – value realized options	-	-	713	-	-	713
Transaction with shareholders total	306 309	-	4 153	-	-	310 462
As at December 31, 2010	586 857	6 191	12 641	2 508	(12 746)	595 451
As at January 1, 2011	586 857	6 191	12 641	2 508	(12 746)	595 451
COMPREHENSIVE INCOMES						

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Impact of net investment hedges valuation	-	-	-	(21 737)	-	(21 737)
Deferred income tax concerning cash flow hedges	-	-	-	4 130	-	4 130
Impact of put option valuation as net investment hedges	-	-	-	(26 371)	-	(26 371)
Comprehensive incomes total	-	-	-	(43 978)	-	(43 978)
<u>TRANSACTIONS WITH NON-CONTROLLING INTERESTS</u>						
Put option recognition	-	-	-	-	(232 694)	(232 694)
Transactions with non controlling interests total	-	-	-	-	(232 694)	(232 694)
<u>TRANSACTIONS WITH SHAREHOLDERS</u>						
Share issue	168 835	-	-	-	-	168 835
Employees share option scheme –value of service	-	-	1 282	-	-	1 282
Employees share option scheme – value realized options	-	-	377	-	-	377
Transactions with shareholders total	168 835	-	1 659	-	-	170 494
As at December 31, 2011	755 692	6 191	14 300	(41 470)	(245 440)	489 273

Within the bank loans as at December 31, 2011 was disclosed loan for the amount of USD 47.5 million, which is hedging net investment in US operations – subsidiary AmRest LLC, 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 year 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 year ended December 31, 2011 hedge was fully effective. As at December 31, 2011 cumulated value of currency revaluation recognized in reserve capital from net investment hedge in AmRest LLC with use of financial forward derivative instruments denominated in USD accounted for PLN 21 737 thousand and value of deferred income tax connected with this revaluation was PLN 4 130 thousand. As at December 31, 2010 cumulated value of currency revaluation recognized in reserve capital from cash flow hedges forward PLN 3 096 and value of deferred income tax connected with this revaluation was PLN 588 thousand.

Group applies hedging accounting for revaluation of put option liability constituting net investment hedges in Spanish related party. As at December 31, 2011 cumulated value of currency revaluation recognized in reserve capital from net investment hedge in Spanish related party with use of financial forward derivative instruments denominated in EUR accounted for PLN 26 371 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 Company's foreign operations into Polish zloties.

21 Borrowings

Borrowings as at December 31, 2011 and 2010 are presented in the table below:

Long-term		<u>31.12.2011</u>	<u>31.12.2010</u>
Bank loans		689 454	220 896
Bonds		149 492	149 161
		<u>838 946</u>	<u>370 057</u>
Short-term		<u>31.12.2011</u>	<u>31.12.2010</u>
Bank loans		77 956	13 224
		<u>77 956</u>	<u>13 224</u>

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Bank loans and bonds

Currency	Lender/ bookbuilder	Effective interest rate	31.12.2011	31.12.2010
In PLN	Syndicated bank loan	6.70%	189 724	26 066
In USD	Syndicated bank loan	2.64%	162 327	145 315
In EUR	Syndicated bank loan	4.56%	353 344	-
In CZK	Syndicated bank loan	3.57%	61 253	59 441
In RUB	Raiffaisen Bank	5.93%	762	3 298
In PLN	Bonds 5 years	7.79%	149 492	149 161
			916 902	383 281

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

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

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

As at August 8, 2011 all parties of credit agreement signed with Rabobank Polska S.A. the appendix according to which Rabobank Polska S.A. joined the consortium as the additional lender and took over part of debt from RBS Bank (Polska) S.A. and The Royal Bank of Scotland N.V. Loan value, interests, repayment date and other crucial terms of the agreement remained unchanged.

The Group is obliged to maintain specific financial ratios at a level specified in the agreement. This includes net gearing (net debt to annualized EBITDA), interest coverage ratio and balance sheet structure ratio (net asset ratio defined as consolidated net capital per the shareholders of the Parent company divided by the balance sheet total). As at December 31, 2011, the above ratios were not exceeded.

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

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 was released option program for corporate bonds of AmRest, allowing to issue 15 000 bonds for total nominal value of PLN 150 million. Agreement was signed for agreed period till July 9, 2015 with period extension options till repayment of all issued bonds.

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The maturity of long- and short-term loans as at December 31, 2011 and December 31, 2010 is presented in the table below:

	31.12.2011	31.12.2010
Up to 1 year	77 956	13 224
Between 1 and 2 years	163 572	71 074
Between 2 and 5 years	675 374	298 983
More than 5 years	-	-
	<u>916 902</u>	<u>383 281</u>

The Group has the following unused, awarded credit limits as at December 31, 2011 and 2010:

	31.12.2011	31.12.2010
With floating interest rate		
- expiring within one year	23 483	11 515
- expiring beyond one year	190 704	350 696
	<u>214 187</u>	<u>362 211</u>

Additionally, the Group has an active AmRest corporate bond plan in the total amount of PLN 300 million. As at December 31, 2011, were issued PLN 150 million and the available limit under this plan was PLN 150 million. As at December 31, 2011 the payable concerned bonds issued is PLN 149 492 thousands.

22 Other financial liabilities

	31.12.2011	31.12.2010
Derivative financial instruments		
Cash flow instrument hedges		
(forward valuation CZK-PLN)	-	44
(forward valuation RUB-HUF)	1 764	-
Derivative financial instruments total	<u>1 764</u>	<u>44</u>
Other current financial liabilities total	1 764	44
Other non-current financial liabilities total	-	-

For the purpose of management the risk related to certain transaction within the Group are used forward currency contracts. Those 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 six months.

As at December 31, 2011 Group has entered into forward contracts hedging negative effects of currency revaluation with related parties in consolidated financial statements of the Group. Hedging concerned exposition in RUB and HUF. Currency contracts are used for hedging currency risk contracted or future probable transactions.

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

Long-term employee benefits dependent on their years in service

In accordance with the terms and conditions of the collective labour agreement, a specific group of employees is entitled to receive long-service bonuses depending on their years in service. The entitled employees receive a one-

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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 791 thousands as at December 31, 2011 and creation of provision in amount PLN 878 thousands as at December 31, 2010. The actuarial assumptions adopted for the valuation assume a discount rate of 5.5% and the expected turnover of employees at an annual level of 50% in 2010 and 2011.

Employee share option plan 1

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

Employee share option plan 2

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

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

Employee share option plan 3

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

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

Award date	Number of share options awarded	Terms and conditions for exercising the options	Option exercise price in PLN	Options term to maturity period
<u>Plan 1</u>				
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

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April 30, 2003	55 100	5 years, gradually, 20% per annum	16.0	10 years
April 30, 2004	77 800	5 years, gradually, 20% per annum	19.2	10 years
Total	412 800			

Plan 2

April 30, 2005	79 300	5 years, gradually, 20% per annum	24.0	10 years
April 30, 2006	75 000	5 years, gradually, 20% per annum	48.4	10 years
April 30, 2007	89 150	5 years, gradually, 20% per annum	96.5	10 years
April 30, 2008	105 250	5 years, gradually, 20% per annum	86.0	10 years
June 12, 2008	21 000	5 years, gradually, 20% per annum	72.5	10 years
April 30, 2009	102 370	5 years, gradually, 20% per annum	47.6	10 years
October 05, 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
Total	707 510			

Plan 3

December 13, 2011	616 000	3 years, gradually, 33% per annum	61.0	10 years
Total	616 000			

In the table below we present the number and weighted average of the exercise price of the options from all plans for the twelve-month period ended December 31, 2011 and 2010.

	Weighted average option exercise price	Number of options <u>Plan 3</u>	2011 Number of options <u>Plan 2</u>	Number of options <u>Plan 1</u>	Weighted average option exercise price	2010 Number of options Plan 2	Number of options Plan 1
At the beginning of the period	PLN 66.11	-	436 260	10 300	PLN 53.27	384 860	130 900
Utilized during the period	PLN 48.52	-	(7 704)	-	PLN 22.10	(21 480)	(120 600)
Redeemed during the period	PLN 67.03	-	(17 622)	-	PLN 68.13	(46 495)	-
Awarded during the period	PLN 63.55	616 000	113 065	-	PLN 70.00	119 375	-
At the end of the period	PLN 68.73	616 000	523 999	10 300	PLN 66.11	436 260	10 300
Available for exercising as at the end of the period	PLN 65.57	-	249 069	10 300	PLN 63.03	175 224	10 300

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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 model)*	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)
od 1/1/2011 do 31/12/2011	Plan 3 PLN 22.57	PLN 61.00	PLN 61.0	38%	10 years	-	5.82%
od 1/1/2011 do 31/12/2011	PLN 45.97	PLN 78.00	PLN 78.00	37%	10 years	-	5.61%
od 1/1/2010 do 31/12/2010	PLN 42.61	PLN 70.00	PLN 70.00	40%	10 years	-	5.51%
od 1/1/2009 do 31/12/2009	PLN 27.38	PLN 48.32	PLN 48.32	41%	7,6 years	-	5.80%
od 1/1/2008 do 31/12/2008	Plan 2 PLN 29.81	PLN 83.8	PLN 83.8	37%	8,9 years	18.80%	5.80%
od 1/1/2007 do 31/12/2007	PLN 36.09	PLN 96.5	PLN 96.5	33%	9,9 years	18.80%	5.50%
od 1/1/2006 do 31/12/2006	PLN 15.5	PLN 48.3	PLN 48.3	31%	9,9 years	18.80%	4.98%
od 1/1/2005 do 31/12/2005	PLN 8.9	PLN 25.7	PLN 24.0	40%	9,9 years	18.80%	4.50%
do końca 2004	Plan 1 PLN 6.8	n/a	PLN 18.6	40%	7,0 years	19.40%	4.50%
	PLN 6.6	n/a	PLN 18.6	40%	7,5 years	19.40%	5.80%

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

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

Key managers of the Spanish market participate in motivation program which bases on exceeding goals of the business growth. As at December 31, 2011 the Group recognized costs concerned the program in amount of PLN 4 417 thousand (EUR 1 000 thousand).

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The costs recognized in connection with the plans relating to share-based payments for the period of twelve months ending on December 31, 2011 and 2010 respectively are presented below:

	2011	2010
Value of employee services	1 282	3 440
	<u>1 282</u>	<u>3 440</u>

Retirement benefit contributions

The costs recognized in connection with the retirement benefit contributions for the period of twelve months ending on December 31, 2011 and 2010 respectively are presented below:

	2011	2010
Retirement benefit contributions	112 487	77 447
	<u>112 487</u>	<u>77 447</u>

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

24 Provisions

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

December 31, 2011	As at 01.01.2011	Increases	Utilization	Foreign exchange differences	As at 31.12.2011
Onerous contracts	2 292	657	(1 093)	248	2 104
Provision for court fees	1 335	4 513	(2 489)	93	3 452
Provision for tax risks	1 855	-	-	162	2 017
	<u>5 482</u>	<u>5 170</u>	<u>(3 582)</u>	<u>503</u>	<u>7 573</u>

December 31, 2010	As at 01.01.2010	Increases	Utilization	Foreign exchange differences	As at 31.12.2010
Onerous contracts	4 249	-	(2 021)	64	2 292
Provision for court fees	1 365	1 933	(1 991)	28	1 335
Provision for tax risks	3 366	-	(1 579)	68	1 855
	<u>8 980</u>	<u>1 933</u>	<u>(5 591)</u>	<u>160</u>	<u>5 482</u>

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..

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 2012.

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Provision for tax liabilities

Group operates in numerous markets with different and changing tax rules and additionally realizes its growth within new investments, often have 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.

25 Other non-current liabilities

Other non-current liabilities cover mainly the long-term portion of deferred income of rents. Deferred income amount PLN 14 337 thousand and PLN 382 thousand respectively as at December 31, 2011 and 2010.

26 Trade and other payables

Trade and other payables as at December 31, 2011 and 2010 cover the following items:

	31.12.2011	31.12.2010
Payables to non-related entities, including:	235 655	160 338
Trade payables	141 681	89 478
Payables in respect of uninvoiced lease fees and deliveries of food	18 835	13 998
Employee payables	22 253	16 335
Social insurance payables	8 675	6 717
Other tax payables	17 670	11 790
Gift voucher liabilities (Note 34)	9 620	9 386
Other payables to non-related entities	16 922	12 634
Liabilities to related entities (Note 33)	38	4
Accruals, including:	65 010	55 547
Employee bonuses	16 724	15 107
Marketing services	2 631	4 098
Holiday pay accrual	9 358	7 693
Professional services	1 825	776
Franchise fees	5 229	4 553
Lease cost provisions	4 496	4 152
Investment payables accrual	19 734	13 703
Other	5 013	5 465
Deferred income – short-term portion (Note 25)	81	40
Social fund	58	46
	300 842	215 975

27 Finance lease liabilities

Financial lease liabilities – current portion:

	31.12.2011	31.12.2010
Payable within 1 year	252	237
Payable from 1 to 5 years	1 485	1 237
Payable after 5 years	1 944	2 170
	3 681	3 644

Finance lease liabilities – minimum lease payments:

	31.12.2011	31.12.2010
Payable within 1 year	888	859
Payable from 1 to 5 years	4 618	3 775
Payable after 5 years	2 577	3 112
Total minimum lease payments	8 083	7 746

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Future finance costs in respect of finance leases	(4 402)	(4 102)
Present value of finance lease liabilities	3 681	3 644

28 Operating leases

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

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

	31.12.2011	31.12.2010
Payable within 1 year	190 811	134 771
Payable from 1 to 5 years	722 773	506 226
Payable after 5 years	1 081 026	824 964
Total minimum lease payments	1 994 610	1 465 961

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 2011 and 2010 are as follows:

	31.12.2011			31.12.2010		
	Fixed fee	Conditional fee	Total	Fixed fee	Conditional fee	Total
Czech Republic	26 853	4 484	31 337	23 895	3 923	27 818
Hungary	8 831	-	8 831	5 336	288	5 624
Poland	30 877	40 989	71 866	21 605	39 132	60 737
Russia	20 462	2 588	23 050	18 413	970	19 383
Bulgaria	1 154	-	1 154	1 079	-	1 079
Serbia	1 323	-	1 323	393	-	393
USA	56 753	7 528	64 281	55 879	7 540	63 419
Croatia	42	-	42	-	-	-
Spain	23 984	-	23 984	-	-	-
Total	170 279	55 589	225 868	126 600	51 853	178 453

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

The Group is also party to sublease agreements on the basis of operating leases. Income from sublease fees on the basis of operating leases for the 12 month periods of 2011 and 2010 are as follows:

	31.12.2011	31.12.2010
Russia	646	305
Czech Republic	140	161
Hungary	-	31
USA	88	85
Poland	3 541	1 529
Total	4 415	2 111

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29 Collateral on borrowings

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

As at December 4, 2009 AmRest Group entities AmRest LLC, WCM Oregon and Restaurant Concepts (currently merged in one AmRest LLC) signed a current loan agreement with Wells Fargo Bank, National Association. One of agreement terms provides collateral towards repayment of loan backed with assets of five chosen restaurants. Maximum amount of credit loan facility was USD 3 million.

As at December 23, 2010 parties have signed addendum to agreement lengthening the availability of credit line from December 31, 2010 to January 31, 2011. As at December 2010 Subsidiary of the Group AmRest LLC has not used available credit line therefore value of collateral is equal to PLN 0. As at January 25, 2011 parties have signed additional addendum lengthening availability of credit line to January 31, 2013 and increasing the available sum in credit line to USD 5 million, what constitutes PLN 17 087 000 as at December 31, 2011 after revaluation to polish zlotys. AmRest Sp. z o.o. has given guarantee to financing bank for AmRest LLC borrowing resulting from this agreement.

30 Earnings per share

The basic and diluted earnings per ordinary share for the 12-month period of 2011 and 2010 was calculated as follows:

	31.12.2011	31.12.2010
Net profit from continued operations attributable to equity holders of the parent company	49 208	44 217
(Loss) on net profit from discontinued operations attributable to equity holders of the parent company	(723)	(3 619)
Net profit attributable to equity holders of the parent company	48 485	40 598
Weighted average number of ordinary shares in issue	20 598 233	16 837 476
Impact of share issuance	615 660	2 096 623
Impact of option of share issuance	-	2 271 626
Impact of share options awarded in 2005	19 516	2 818
Impact of share options awarded in 2006	19 001	-
Impact of share options awarded in 2007	-	-
Impact of share options awarded in 2008	-	-
Impact of share options awarded in 2009	-	-
Impact of share options awarded in 2010	23 909	-
Impact of share options awarded in 2011	15 387	-
Weighted average number of ordinary shares for diluted earnings per share	21 291 706	21 208 543
Basic earnings per ordinary share	2,35	2,41
Diluted earnings per ordinary share	2,28	1,91
Basic earnings from continued operations per ordinary share	2,39	2,63
Diluted earnings from continued operations per ordinary share	2,31	2,08

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Basic loss from discontinued operations per ordinary share	(0,04)	(0,21)
Diluted loss from discontinued operations per ordinary share	(0,03)	(0,17)

Appearance of diluting factor concerning option for share issuance in 2010, according to terms in share subscription agreement with z WP Holdings VII B.V. signed April 22, 2010, results from change in AmRest Group Management assessment of option realization probability.

31 Future commitments and contingent liabilities

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

Other future commitments resulting from the agreements with the Burger King, Starbucks and Applebee's and the current and future franchise agreements were described in Note 1 (a) and Note 1 (g).

According to Group Management 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.

32 Investments in associates

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

	31.12.2011	31.12.2010
At the beginning of the period	129	172
Share in profits and losses of associates	72	47
Dividend payment	(61)	(90)
Disposal of shares in associated companies.	-	-
Balance as at the end of the year	140	129

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, 2011 SCM s.r.o.	Czech Republic	463	196	425	157	45.9
Name of associate	Country of registration	Assets	Liabilities	Revenues	Profit/ (Loss)	Shares held (%)
December 31, 2010 SCM s.r.o.	Czech Republic	413	182	879	100	45.9

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33 Transactions with related entities

Trade and other receivables from related entities

	31.12.2011	31.12.2010
MPI Sp. z o.o.	22	3 633
Associates	97	1
	119	3 634

Trade and other payables to related entities

	31.12.2011	31.12.2010
MPI Sp. z o.o.	32	-
Associates	6	4
	38	4

Sales of goods for resale and services

	2011	2010
MPI Sp. z o.o.	73	100
Associates	21	4
	94	104

Purchase of goods for resale and services

	2011	2010
MPI Sp. z o.o.	1 429	4 022
Associates	1	1
	1 430	4 023

Other related entities

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

In accordance with the description in Note 1(a), as at December 31, 2011, ARC and its subsidiaries – IRI, Metropolitan Properties International Sp. z o.o. are treated as related entities, as at December 31, 2011 Metropolitan Properties International Sp. z o.o. was a company owned by Mr Henry McGovern.

ARC company was established by Donald M. Kendall Sr., Donald M. Kendall Jr., Cristian R. Eisenbeiss and Henry J. McGovern. Henry J McGovern was a member of AmRest Holdings SE supervisory board as at December 31, 2011.

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

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

Lease fees and other fees paid to MPI amounted to PLN 1 429 thousand and PLN 4 022 thousand respectively in the twelve month periods ending December 31, 2011 and December 31, 2010.

Group shareholders

As at December 31, 2011, WP Holdings VII B.V. was the largest shareholder of AmRest and held 32.99% of its shares and voting rights, and as such was its related entity. No material transactions with WP Holdings VII B.V. related parties were noted.

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As at December 31, 2011, BZ WBK Asset Management was shareholder of AmRest and held 9.79% of its shares and voting rights, and as such was its related entity. Bank Zachodni WBK S.A. is a shareholder of Bank Zachodni WBK Asset Management.

As at October 11, 2010 year credit agreement was signed between AmRest Holdings SE, AmRest Sp. z o.o. and AmRest s.r.o. and Bank Polska Kasa Opieki S.A., RBS Bank Polska S.A., Royal Bank of Scotland N.V. („RBS”) and Bank Zachodni WBK S.A. Based on the Agreement granted to the Group a credit facility in the amount up to PLN 440 milion. The facility shall be repaid by October 11, 2015 and consists of two tranches. Tranches are dedicated for repayment of all obligations under loan agreements signed December 15, 2008 and financing development activities of AmRest.

According to addendum dated April 18, 2011 to above mentioned credit agreement the amount of credit was increased by additional EUR 80 million. Additional funds were used for financing the acquisition of controlling shares in Restauriavia Grupo Empresarial S.L. Final repayment date is November 11, 2015.

Transactions with the management/Management Board, Supervisory Board

Remuneration of the Management and Supervisory Boards

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

	2011	2010
Remuneration of the members of the Management and Supervisory Boards paid directly by the Group	4 902	3 682
Total remuneration paid to the Management Board and Supervisory Board	4 902	3 682

The Group's key employees also participate in an employee share option plan (see Note 23). The costs relating to the employee option plan in respect of management amounted to PLN 291 thousand and PLN 724 thousand respectively in the 12 month period ended December 31, 2011 and 2010.

<i>Concern key employees</i>	2011	2010
Number of options awarded	446 200	148 050
Number of available options	95 147	86 820
Fair value of options as at the moment of awarding	PLN 10 795 257	3 873 971

As at December 31, 2011 and 2010, there were no liabilities to former employees.

34 Critical accounting estimates, and judgments

Key sources of uncertainties relating to estimates

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

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

Estimated impairment of goodwill

The Group each year tests goodwill for impairment in accordance with its accounting policies described in Note 1(p). The recoverable value of a cash generating unit is determined on the basis of the calculation of its value in use (Note 12). No goodwill impairment was recognized as at December 31, 2011 and 2010.

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Estimated impairment of property, plant and equipment

Once a year Group tests impairment of property, plant and equipment for impairment losses according with accounting policy described in Note 1(o). For restaurants as cash generating units operating for at least year and a half and incurring negative results there is performed analysis of current value of future cash flows according to actual budgets. This value is compared with assets value and in case of identification of gap in coverage there is recognized impairment loss. In the period of 12 months ended December 31, 2011 and December 31, 2010 were recognized impairment losses according to information presented in Note 9 and 11.

Estimated depreciation charges

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

Increasing the average useful lives of property, plant and equipment by 10% would lead to a decrease in depreciation for the 12-month period ended December 31, 2011 of ca. PLN 21 654 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, 2010 of ca. PLN 9 429 thousand.

Provisions

Key uncertainties and estimates are described in Note 24.

Gift card liability estimates

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

Deferred income tax

Uncertainties and estimates related to deferred taxes covers mainly to recognizing a deferred tax asset in respect of unused tax losses carried forward. See Note 7.

Significant judgments and estimates in relation to recognized liability for purchase of NCI in Restauravia Group (currently AmResTAG)

As a result of the business combination described in details in Note 2 the Group issued put option to non-controlling shareholders and received call option from the non-controlling shareholders to acquire the remainder of shares which are not controlled by the Group as at the acquisition date. AmRest Group has rights to exercise options after 3 and 6 years from April 28, 2011 in days 1st May and 1st December each year after this period. Simultaneously non-controlling interests owners have option to sell all or part of shares. Option can be executed after 3 and 6 year from April 28, 2011. Exercise price of both above mentioned shares is equal to 8,2 multiple of EBITDA for last twelve months, adjusted by the net debt as at option exercise day.

The management has analyzed whether entering into put and call agreement has transferred the risks and rewards relating to the underlying non-controlling shares to the Group. Based on the fact that agreement settlement has symmetrical character, linked to formula based market dependent factors with significant influence of non-controlling interests owners, Management considered that risk and rewards relating to ownership has not been transferred to the Group and therefore recognized NCI at amount PLN 111 081 thousand (EUR 28 000 thousand, Note 2), being the fair value of NCI at the acquisition date, established by the independent valuator.

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Following the requirement of IAS32, as at the acquisition date the Group recognized a liability for the amount of PLN 232 694 thousand (EUR 58 654 thousand) with respect of liabilities towards the non-controlling shareholders. The amount of liability represent the best estimate of the amount required to settle the liability and has been established by the independent valuator. The entire amount of the liability (including the excess over the fair value if NCI as at the date of acquisition) has been recorded as deduction of equity.

The accounting over the liability to purchase the non-controlling interest is not specifically regulated by IFRS and therefore requires management to develop an accounting policy and apply it consistently. Also, significant judgment is required to determine whether risk and rewards relating to NCI are retained with non-controlling shareholders or transferred to the Group. In case, the risk and rewards were considered to be transferred to the Group, the amount of recognized goodwill and equity would have increased by PLN 122 613 thousand (EUR 30 654 thousand, being the difference between the fair value of liability and fair value of NCI).

The amount of liability recognized is a subject to a significant degree of uncertainty. The key factors of uncertainty relate to planned EBITDA and net debt levels. As at the balance sheet date the amount of liability has been estimated at the level of PLN 280 812 thousand (EUR 63 578 thousand) with the difference of PLN 21 747 thousand (EUR 4 924 thousand) recorded to net profit for the period and the value of PLN 26 371 thousand concerned foreign exchange differences was recognized in reserved capital. Future changes of key factors will affect the amount of liability and be recognized in profit for the period. Following above 10% increase/decrease of key factors would cause increase/decrease of liability by PLN 28 081 thousand (EUR 6 357 thousand).

Critical accounting judgments

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

35 Financial instruments

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

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

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 4 851 thousand for the Group's receivables exposed to credit risk and additionally reversed previous impairment in value of PLN 21 thousand in the 12 month period ended December 31, 2011. The maximum credit risk exposure amounts to PLN 229 353 thousand.

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The ageing break-down of receivables and receivable write-downs as at December 31, 2011 is presented in the table below:

	current				Total	
	overdue in days					
	less than 90	91 - 180	181 - 365	more than 360		
Trade and other receivables	77 424	9 189	585	3 175	2 178	92 551
Receivable write-downs	(3 528)	-	-	(1)	(2 112)	(5 641)
	73 896	9 189	585	3 174	66	86 910

Value of impairment provisions for receivables as at December 31, 2011 and December 31, 2010 is presented in table below:

	31.12.2011	31.12.2010
Value for the beginning of the period	4 024	4 546
Provision created	4 872	194
Provisions released	(21)	(171)
Provisions used	(3 286)	(552)
Other	52	7
Value for the end of the period	5 641	4 024

The Group did not recognize impairment on overdue trade and other receivables of PLN 13 014 thousand because it believes that they will be recovered in full.

Interest rate risk

Bank borrowings drawn by the Group are most often based on fluctuating interest rates (see Note 21). As at December 31, 2011 the Group does not hedge against changes in cash flows resulting from interest rate fluctuations which have an impact on the results. The Group analyzes the market position relating to interest on loans in terms of potential refinancing of debt or renegotiating the lending terms and conditions. The impact of changes in interest rates on results are analyzed in quarterly periods.

Had the interest rates on loans denominated in Polish zloties during the 12 months ended December 31, 2011 been 30 base points higher/lower, the gross profit for the period would have been PLN 855 thousand lower/higher (2010: PLN 1 374 thousand).

Had the interest rates on loans denominated in Czech crowns during the 12 months ended December 31, 2011 been 30 base points higher/lower, the gross profit for the period would have been PLN 187 thousand lower/higher (2010: PLN 194 thousand).

Had the interest rates on loans denominated in US dollars during the 12 months ended December 31, 2011 been 30 base points higher/lower, the gross profit for the period would have been PLN 442 thousand lower/higher (2010: PLN 81 thousand).

Had the interest rates on loans denominated in euro during the 12 months ended December 31, 2011 been 30 base points higher/lower, the gross profit for the period would have been PLN 688 thousand lower/higher.

Foreign exchange risk

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

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

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

Net investment foreign currency valuation risk

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

Group applies hedging accounting for revaluation of borrowings in USD constituting net investment hedges in US related party and revaluation of put option liability which constitutes net investment hedges in Spanish related party. Details concerning hedging on currency risk are described in Note 20.

Volatility analysis

As at December 31, 2011 and 2010, the Group's assets and liabilities are denominated mainly in the functional currencies of the Group members.

As at December 31, 2011 if foreign exchange rates would increase by 10% effect of net investment hedge valuation would influence the comprehensive income in the net value of PLN 16 233 thousand (2010: PLN 12 005 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, 2011 and 2010 is presented in the table below:

	December 31, 2011			December 31, 2010		
	Loan installments	Interest and other charges	Total	Loan installments	Interest and other charges	Total
Up to 1 year	79 997	48 026	128 022	13 343	18 526	31 869
Between 1 and 2 years	140 807	44 035	184 843	71 375	35 034	106 409
Between 2 and 5 years	702 538	53 594	756 131	299 113	18 047	317 160
More than 5 years	-	-	-	-	-	-
Payable gross value	923 341	145 655	1 068 996	383 831	71 607	455 438
Not amortized loan cost	(6 439)	-	(6 439)	(550)	-	(550)
Payable net value	916 902	145 655	1 062 557	383 281	71 607	454 888

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

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lease liabilities) net of cash and cash equivalents. EBITDA is calculated as the profit from operations before interest, taxes, depreciation and amortization and impairment.

The Group's gearing as at December 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Total borrowings (Note 21)	916 902	383 281
Finance lease liabilities (Note 27)	3 681	3 644
Less: Cash and cash equivalents (Note 18)	(143 960)	(245 118)
Net debt	776 623	141 807
EBITDA	322 793	183 882
Gearing ratio	<u>2,41</u>	<u>0,77</u>

The increase in the gearing ratio as at December 31, 2011 results mainly from higher capital expenditures, financed by external loans.

36 Events After the Balance Sheet Date

- On December 13, 2011 AmRest Supervisory Board adopted resolutions about recall of Piotr Boliński from the Management Board and appointment to this position of Wojciech Mroczyński. The effective date of resolution is March 1, 2012.
- On February 29, 2012, according to appendix to the credit agreement, loan value was increased by additional EUR 50 million within tranche D. Additional funds will be assigned for financing AmRest development in European countries. The final repayment of tranche D falls due on October 11, 2015.